



Department of Political Sciences
Master's degree in International Relations
Chair of History of Italian Foreign Policy

**Evolution of Italian energy policies during
the oil crises of the 1970s:
a historical analysis of government
responses and their consequences**

Prof. Antonio Varsori

SUPERVISOR

Prof. Carolina De Stefano

CO-SUPERVISOR

Nicolò Magnasco

Matr.647582

CANDIDATE

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Alla mia famiglia:

*Il tempo è fuggito tanto velocemente che
l'animo non è riuscito a invecchiare.*

Dino Buzzati-Il deserto dei Tartari

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Introduction

A period of growth in the industrialised and developed world was interrupted by an underestimated dependence of the basic resource necessary for industrial production by companies, and domestic heating. A blackout was caused and decided by a political and territorial claim by countries on which the developed world was dependent, and which extended to an area close to Western Europe. A claim frozen in time was attempted to be resolved through diplomatic initiatives, however, was proved unsuccessful. The result was a conventional war, followed by economic sanctions and restrictions that quadrupled energy prices within a few months. This affected the entire production system and led to a price increase combined with an economic recession or, at best, stagnation. This reaction prompted governments to immediately look for alternatives from other sources, without distinguishing between new countries to export from and resources to be used for national energy needs. It even led for the first time, to the creation of energy plans. In contrast to bilateral or unilateral responses, the crisis has also led to multilateral cooperation between industrialised countries in this sector, which eventually led to the creation of associations to face and respond to the energy threat. This situation, which someone might consider highly contemporary, is what different societies experienced in the 1970s at the outbreak of the first and then the second energy crisis.

This master's thesis aims to analyse the reactions of governments in a time of energy crisis. More precisely, the investigation of the Italian government's response during the two oil crises of the 1970s decade. The reason for choosing this topic lies in the similarity of events and reactions between the Italian government at the end of 1973 and the one at the beginning of 2022. Even though it is highly recommended in historiography to avoid comparisons between two different periods with different contexts, it is plainly evident that some patterns were similar in these two periods. The dependence on oil from the Middle East seems to be similar to the dependence on gas from Russia. The outbreak of war and the sudden shortage of energy supplies with a sharp increase in the price of non-renewable resources are comparable to these two different situations. Even if in the current state the European countries, and Italy, have deliberately chosen to limit their exports from the producing country, thus it differs from that in 1973 and 1979. However, it did not differ in the responses put in the act by those governments in different spans of time. On that matter, the conclusion of the dissertation will assess the findings of the research.

These energy crises were something so unexpected that their definition literally became a *shock*. This is what the authorities and the populations of the developed world felt after the unilateral cut in oil production by the exporting countries in 1973. This happened at a time when oil dependence on these countries was at its peak and when new hostilities began between Egypt and Syria against Israel. This war also shocked Israel and all Western governments. The feeling caused by those events was comparable to what a trauma triggers in a person. A profoundly shattering experience that marked the end of an era characterised by outstanding economic growth and transitioned directly into an era of stagflation, characterised by uncontrollable inflation and a decline in gross domestic product (GDP). Apart from the economy, the 1970s were filled with diplomatic and political events: the Palestinian question, the outbreak of the fourth Arab-Israeli war, the end of the Bretton Woods agreement, the process of *détente*, the growing influence of OPEC and the Iranian revolution. In view of the international significance of these events, the study does not focus solely on the Italian dimension. Instead, it also concentrates on international and Middle East-related events. The first chapter, for example, examined the emergence of the AGIP, its development in ENI and Mattei's presidency. However, this analysis, which emphasised the Italian dimension, had to be linked to the creation of OPEC and the increasingly evident growth of the oil market in the 1960s. In order to understand the energy policy pursued by the Italian authorities in the 1970s, the analysis also had to focus on developments at the international level in the energy sector. This pattern was coherent throughout the thesis. The need to also describe events in the Middle East and an international context definitely widened the scope of the research. However, the compass was always oriented towards Italy.

Both primary and secondary sources were used to examine Italian energy policy during these shocks. The primary sources were mainly documents from the historical archives of ENI (*Archivio Storico ENI*), the Final Act of the CSCE and the US Foreign Relations documents on Mattei's meetings with delegates of the *majors* or the Iran hostage crisis in 1979. The relevant sources which are cited and analysed are secondary: from various academic books to historical journals to conference proceedings of history professors and history textbooks. In this respect, the conference reports by historians on Aldo Moro, which dealt with his domestic and foreign policy, were indispensable for the research. Accompanied by the articles and books on the history of ENI and Italian energy policy in the 1970s. The investigation of the Italian government will also be conducted with

the help of manual books on the history of International Relations or even books on the Italian foreign policy of those years. Because of the subject matter, the analysis was mainly based on Italian texts, supplemented by English literature.

Concerning the analysis, the dissertation, after describing the almost unstoppable growth of the oil market in the developed Western society and as a consequence, the growing power of several Western companies, which were defined as *majors*, analysed the creation of the Italian energy public company and the great leaps made by the Italian enterprise to dwindle the power gap between the nascent enterprise and the “*Sette Sorelle*.” Thus, it was analysed and given great importance to Enrico Mattei’s work. In fact, he was the first to advocate for Italian energy autonomy. The actions of the first President were significant not just at the internal level, contributing to signing agreements with Egypt, Iran, Libya and the USSR, but even at the international level, due to the changing nature of the contracts signed. It had an impact on the awareness of the exporting countries of their resources, and thanks to a Venezuelan (the main exporter until the 1950s) initiative, it led to the creation of the Organization of the Petroleum Exporting Countries, a cartel on the production of oil. This led to a slow shift from the mistreatment and oppression of the Middle Eastern countries on their resources by the majors to a broader control and a major impact on the decision-making of the exporting countries. In the meantime, two correlated political events, the six-day war (the third Arab-Israeli war) and the closure of the Suez Canal, impacted and had long-lasting effects in Italy, in the Middle East and all over the world.

In addition, a prosperous decade such as the 1960s was overshadowed at the end by terrorist threats, social upheaval, economic crises and monetary instability. Moreover, there was an invisible or underestimated dependency that affected the entire West. Italy, which had already been damaged by the closure of the Suez Canal, also had to survive the period of terrorist attacks, right-wing and left-wing extremists, mass protests and strikes. A rising figure on the Italian political scene at this time was Aldo Moro. His position, first as Foreign Minister and then as President of the Council, will be highly regarded in this analysis. His pro-Arab stance, shared within the Christian Democrats but constrained by the need for the survival of the state of Israel, his attempt to reduce the influence of the USSR on North Africa and his advocacy of *détente* played a major role in the thesis. However, he plays the most significant role after the 1973 energy crisis.

On the 6th of October 1973 the new leaders of Egypt, Anwar al-Sadat, and Syria, Hafiz al-Assad, ordered their armies to launch a coordinated attack against the territories occupied by Israel. What followed was that the OPEC countries agreed to support the Egyptian and Syrian claims by cutting the production of oil. Decisive was the decision of King Faysal, monarch of Saudi Arabia, and the support of the Shah Mohammed Reza Pahlavi. The Shah's decision was not political (he was not against Israel) but more economic (necessity to increase the revenue to act his reform). The reaction by the EEC members was to adopt a joint declaration in favour of the Arab positions. This response could be explained not only by the reduction of resources but by the terrorist attacks that were perpetrated on European soil by militants of the PLO, the Palestine Liberation Organization. The Italian governmental response was to start a campaign of official visits to the exporting countries to deal with bilateral contracts with these countries. ENI's role in this period was fundamental to increase the oil furniture and granted the signing of various contracts with different OPEC members. Furthermore, Italy adopted a policy to support cooperation in the nuclear field and invested more in the nuclear sector. Finally, the Italian government, on the political side, promoted and participated in the creation of multilateral organizations on the energy issue, like the International Energy Agency, the North-South Dialogue, or the Group of 7 (G7). But Italy also adopted a policy of negotiation and arrangement, known as *Lodo Moro*, with the PLO through the mediation of Libya and Iraq to avoid other terrorist attacks on Italian soil.

The terrorist attacks were not only of international calibre but even of internal matrix. Well-known became the Red Brigades, which, with a well-organized and structured group of left extremists, started to terrorise Italian society. Meanwhile, the Italian Communist Party (PCI) was reaching the peak of its electoral votes. Thus, Moro, supported by his party, started a policy of rapprochement with the PCI in 1974. This more reconciliatory measure was possible due to the atmosphere of *détente* at the international level. The US, led by Richard Nixon and the USSR by Leonid Brezhnev, eased the confrontation between the two blocs. This distention reflected and had repercussions on Italian politics. The zenith of the distention was reached in the summer of 1975 when the Final Act of the Conference on Security and Cooperation (CSCE) was signed by 35 countries in Helsinki. During the negotiation, Italy pushed for, and obtained the participation of Mediterranean countries, at first not included. This demonstrates the Italian position of mediation and inclusion with the Middle Eastern countries after the first oil

shock. In the meantime, the OPEC countries, after gaining a massive amount of revenues, split in two regarding what to do next. Some members stressed to continue cutting the production, while others were more in favour of a moderate attitude.

Suddenly, protests, strikes and rallies against the Shah's power broke out in Iran in 1978, while in Italy, the biggest crisis in the history of republican Italy led to the kidnapping of Moro by the Red Brigade. The crisis in Italy ended on May 9, 1978, when Moro's body was found. The real consequence was the end of any rapprochement with the PCI and a more considered counterterrorism. In the meantime, the protests in Iran became increasingly violent and the situation deteriorated. So much so that oil production was stopped completely. At the beginning of 1979, the Shah left Iran. The religious faction led by Ruhollah Khomeini began to gain more power and in November, Iranian students took more than 50 diplomats from the US embassy hostage. This crisis was followed by further crises caused by the Soviet invasion of Afghanistan in December and OPEC's decision to raise prices again. The consequences were the end of the *détente* and the renewal of an energy crisis. Italy again was unprepared for this, but all the measures operated in the past helped to quickly overcome the energy issues. Especially, thanks to the contracts signed by ENI in the inter-crisis period, the new strategy of diversifying the resources by searching also for gas, and the construction of new pipelines directly linked with Italian territory or more accessible through Europe. Moreover, the agencies or groups created in the inter-crisis period had some effect in decreasing the energy shock, although some with minimal effects. It was also a new decade ahead with new political figures that would have had a completely different impact on the international stage. Furthermore, it was a decade where new research on the energy field would have led to the search for new resources.

Chapter One

From the origins of ENI towards the prodromes of the energetic crises

1.1 AGIP, its evolution and Mattei's presidency

“Oil became a strategic issue after World War I.”¹ Nevertheless, the European powers were still relying on coal to supply the energetic demands of the European citizens. As a matter of fact, “solid fuels accounted for 96.2% in the United Kingdom, 95.5% in France, and 98.7% in Germany.”² Still, “the European states become more and more committed to oil policy.”³ The United Kingdom and France governments started to nationalize and became more involved in the oil companies during the 20's decade.

Even Italy followed this “wave of oil nationalism.”⁴ In 1926, during the fascist regime, the Italian government, with the decisive endorsement of Minister of Finance Giuseppe Volpi, decided to establish a new state entity with the Royal Decree 556/1926: AGIP (*Azienda Generale Italiana Petroli*). However, “in those years coal was the principal source of energy consumed.”⁵ But the Italian situation was different with respect to the two former *Entente* allies because “Italy, a coal-poor country, relied much more on oil (9.2% against 83.9% of solid fuel) even though Italian national consumption was far less than of the other countries (only 792 thousand tons respect of 4,561 tons of UK and 1,870 tons of France).”⁶ Thus, the government claimed that the oil sector needed to be developed, as it was in the most industrialised countries, deciding to operate a farsighted choice.

AGIP was part of the Italian government's policy to become self-sufficient because it represented a “tool of the autarchy's policy of the State, which was entrusted with the task of obviating the lack of initiative of private industrial groups, which were unwilling to

¹ D. Yergin, *The prize*, New York, Simon & Schuster, 1991.

² J. Darmstadter, *Energy in the world economy. A statistical review of trends in output, trade, and consumption since 1925*, Baltimore, John Hopkins Press, 1971.

³ D. Pozzi, *Capabilities, Entrepreneurship and Political Direction in the Italian National Oil Company: AGIP/ENI 1926-1971*, part of: F. Amatori, R. Milward & P.A. Toninelli, *Reappraising State-Owned Enterprise: a comparison of the UK and Italy*, Routledge, 2011, Chapter 9, p.168.

⁴ *ibidem*.

⁵ S. Labbate, *Energia Made in Italy-Le cooperazioni italiane oltre frontiera: dagli albori alle crisi petrolifere degli anni Settanta*, Roma, Aracne, 2012, pp. 28-29.

⁶ J. Darmstadter, *Energy in the world economy. A statistical review of trends in output, trade, and consumption since 1925*.

take the risk of oil exploration.”⁷ Therefore, to obtain this kind of objective AGIP’s competencies were higher than usual which went from the initial stages of researching, production of crude oil and logistical transportation to the final stages of distribution and selling of the refined product in the market. “The first objective of the new entity was to assure to the country an adequate supply through the mineral research in the national territory but even in the colonies.”⁸ Nonetheless, it also had the objective researching oil outside the national territory.

However, the research inside and outside was not fruitful, some oil fields were found in Albania, but the low quality of the crude oil and its poor profitability ended this research, and even in Iraq, AGIP stopped research due to the high expenses of the colonial campaigns. In the case of Albania, the Italian government forced and imposed AGIP to hold the responsibility of the management and selling of the Albanian oil. “AGIP had been forced to operate not only at a dry loss but also at the limits of legality.”⁹ The reason was that the fascist government attempted to push, even through corruption and bribes, Albanian authorities towards the Italian sphere of influence. “Only in Libya, the research continued thanks to the random discovery of oil in 1939”¹⁰ that originated “Operation Petrolibia.” The breakout of the Second World War, the military operations from 1940 to 1943 and the occupation of the Allies of Libya stopped the research. The war was not only a disaster for the Italian colonies but also battered the Italian mainland, consequently, the war “due to the massive bombardment suffered, represented an overall major setback for the entire national energy policy.”¹¹

After the war, the first years were focused only on reconstruction. However, “the damages of the war were included also the tough consequences of the peace treaty of 1947.”¹² Under Anglo-American pressure, AGIP was on the brink of closing, due to the fact “AGIP appeared to be one of the many entities of the autarky fascist’s policy that need

⁷ *Internal Note of ENI (not signed)*, Historical Archive of ENI (ASENI), ENI’s Fund, Planning, Economic and Energy studies, file 4252, case 8.

⁸ S. Labbate, *Energia Made in Italy-Le cooperazioni italiane oltre frontiera: dagli albori alle crisi petrolifere degli anni Settanta*, p.29.

⁹ M. Pizzigallo, *La “politica estera” dell’AGIP (1933-1940)*, Milano, Giuffrè Editore, 1992. p.52

¹⁰ *ibidem*.

¹¹ S. Labbate, *Energia Made in Italy-Le cooperazioni italiane oltre frontiera: dagli albori alle crisi petrolifere degli anni Settanta*, p.41.

¹² *ivi* p.43.

to be deleted to develop private initiative.”¹³ Moreover, the costly and long research put the company in a very dire economic situation. Thus, there was “the closure of the research sector while leaving operative only the commercial one.”¹⁴ Nonetheless, new findings of natural gas in Italy and a new special commissioner of the company, Enrico Mattei, changed the attitude of the government towards AGIP. Even the international condition mutated, “the discovery and the development of Middle Eastern oil fields placed Italy in a better position than before: from being a country far away from the production areas of energy sources, it found itself to be the closest and, therefore, the one that would save the most on the transport costs of crude oil and refined products from the Middle East.”¹⁵ Therefore, the willingness to shut down AGIP passed.

The discovery of significant gas fields in Northern Italy was a key factor for renewed behaviour towards the state-run AGIP. Thus, the vision of Mattei of exploiting oil resources to achieve national energetic independence prevailed. This was demonstrated, politically, by the passing of Law 136/1953 proposed by the Minister of Finance, Ezio Vanoni, that established the Ente Nazionale Idrocarburi (ENI), under the presidency of Mattei himself. The newly state-run company incorporated AGIP, and it was tasked with “promoting and acting initiatives of national interests in the field of hydrocarbons and natural vapours, operating under a competitive regime with private individuals in all areas of the oil business.”¹⁶ The impetus brought by Mattei led to resume the explorations outside the national territory. However, this activism was in contrast with the *majors* that were globally unrivalled in the oil markets, the so-called “Seven Sisters” as Mattei refers to them and they were Royal Dutch Shell, Anglo-Persian Oil Company (later British Petroleum), Standard Oil of New Jersey, Standard Oil of New York, Texaco, Standard Oil of California (SOCAL), and Gulf Oil.

The competition between those companies became evident after the coup, orchestrated by the CIA, against Mossadegh in Iran. During Mossadegh’s regime “Mattei’s ENI had joined the boycott against nationalized oil in Iran, confident that Italy would then be repaid for its loyalty with a share in the Iranian Consortium after the fall of

¹³ *ivi* p.45.

¹⁴ *ibidem*.

¹⁵ *ivi* p.46.

¹⁶ *Internal Note of ENI*, Historical Archive of ENI (ASENI), ENI’s Fund, Planning, Economic and Energy studies, file 4252, case 8.

Mossadegh.”¹⁷ After the return of Shah Reza Pahlavi to power in Iran, an international consortium was created for the extraction and commercialization of Iranian oil, but the state-run Italian company was not part of this consortium. This event was recalled as “*sgarbo iraniano*” (*Iranian snub*) and, probably, “the disappointment of seeing ENI excluded from Iran that led Mattei to launch a global challenge to the *majors*.”¹⁸ Thus, ENI started to negotiate mostly with Middle Eastern governments with a different approach, offering both “more advantageous conditions compared to those offered by the *majors*, and to sell petroleum at lower prices to their customers.”¹⁹ In this way, ENI was able to please both the producers and the consumers. On the other way, this strategy contrasts the fifty-fifty agreement that was negotiated between the *majors* and the producers.

Moreover, this new vision by Mattei was facilitated by the election of Giovanni Gronchi as President of the Republic. The newly elected president shared a similar vision of the Mediterranean policy, especially “in considering that the decolonization movement of the Arabic region represented a unique chance for Italy to regain a leading role in the Mediterranean scenario.”²⁰ Therefore, due to “the end of colonialism and the willingness of retrieval by the developing countries, Gronchi and Mattei thought that existed a sufficient area to insert a renewed Italian presence, under a form of a cultural and political hinge between the West and a world in search of its growth model.”²¹ Thus, after the needed political support, Mattei was in a position to turn the tide for ENI in the oil market.

In 1955, ENI acquired 20% of the Egyptian Oil Company, during Nasser’s rule in Egypt. The success of this deal “persuaded Mattei to offer more convenient contract conditions to the producer countries.”²² The idea was based on the fact that the continued expansion of the oil industries was not followed by increasing earnings of the producer countries. Thus, in March 1957, *AGIP mineraria*, part of ENI, stipulated an agreement with the National Iranian Oil Company (NIOC) that created a joint venture called Société Irano-

¹⁷ G. Garavini, *The Rise and Fall of OPEC in the Twentieth Century*, Oxford, Oxford University Press, 2019, p. 108.

¹⁸ *ibidem*.

¹⁹ *ivi* p.109.

²⁰ S. Labbate, *Energia Made in Italy-Le cooperazioni italiane oltre frontiera: dagli albori alle crisi petrolifere degli anni Settanta*, p.66.

²¹ A. Tonini, *Il sogno proibito: Mattei, il petrolio arabo e le sette sorelle*, Firenze, Edizioni Polistampa, 2003, p.43. Cfr. also: L. Maugeri, *L’arma del petrolio: questione petrolifera globale, guerra fredda e politica italiane nella vicenda di Enrico Mattei*, Firenze, Loggia de’ Lanzi, 1994.

²² G. Garavini, *The Rise and Fall of OPEC in the Twentieth Century*, p. 109.

Italiene des Pétroles (SIRIP). However, this agreement differed from the other because “the idea was to involve engineers and experts from the oil-producing countries themselves in the management of their own natural resources, sharing both overall strategy and technical know-how. Concerning ENI’s 50 per cent equity, profits would be split in half according to the prevalent arrangement throughout the Middle East (50:50). The final result thus would roughly be a 75:25 revenue-sharing model to the advantage of the producer’s national company.”²³ This new formula will be recalled as “*Formula Mattei*”. “After the stipulation of this agreement protests arose loudly from London and Washington.”²⁴ “The British worried that the treaty might lead other oil producers to embrace oil nationalism, while the State Department and the US embassy in Rome considered Mattei's actions as an expression of neutralism and a challenge to US policies in the oil-producing world.”²⁵ However, the Iranian deal was followed by other contracts with all the former Italian colonies like Libya, Ethiopia, and Somalia.

Furthermore, in the summer of 1958, an agreement was reached after a year of exploratory visits and improved relations between ENI and the Moroccan government. However, this was in contrast with the French great plan of exploiting resources in the Sahara region. The French plan “consisted in associating the French-speaking countries of the Franco-African set with the exploitation of Saharan hydrocarbons, gaining several political and economic advantages.”²⁶ Morocco was part of this plan and “it was clear that if it had been drawn into ENI's oil orbit, it could not tautologically have been associated with the French grand plan to exploit the Sahara.”²⁷ Still, ENI signed an agreement on the oil research. “A hydrocarbon exploration program was established in the territory of the Tarfaya province,”²⁸ even though that territory was still contended with Spain. In addition, “both sides agreed that the group *AGIP mineraria* would have collaborated with the

²³ *ibidem*.

²⁴ S. Labbate, *Energia Made in Italy-Le cooperazioni italiane oltre frontiera: dagli albori alle crisi petrolifere degli anni Settanta*, p.68.

²⁵ E. Bini, *A Transatlantic Shock: Italy's Energy Policies between the Mediterranean and the EEC, 1967-1974*, Historical Social Research / Historische Sozialforschung, Vol. 39, No. 4 (150), 2014, p.149.

²⁶ B. Bagnato, *Petrolio e Politica: Mattei in Marocco*, Firenze, Edizioni Polistampa, 2004, p.101.

²⁷ *ivi* p.125.

²⁸ *ivi* p.139.

Moroccan state for the construction of an oil refinery that would have allowed to treat the crude oil, produced in Morocco to cope with national consumption.”²⁹

Nevertheless, the main contract stipulated by Mattei was with the Soviet Union in 1958, formally officialized in 1960, where ENI obtained oil at an inferior price in exchange for chemical materials and textile and mechanical products. More in detail “Italy obtained twelve million tons of oil in four years and large quantities of gas in exchange for synthetic rubber produced by ANIC, oil machinery and equipment built by *Nuovo Pignone*, and tubes of the Finsider.”³⁰ Furthermore, it “would have contributed to building a pipeline from the Urals to East Germany, while Italy would have received crude oil for five years.”³¹ The intention of Mattei, in dealing with the USSR, was to retaliate against the Anglo-American *majors* that dominated the oil market. However, this again brought concerns in Washington. The CIA was concerned by the fact that this agreement could have “paved the way for future deals with the bloc, involving pipeline construction and Italian offers of drilling equipment and technical assistance in return for oil.”³² Meanwhile, the State Department claimed that: “The ambition of Enrico Mattei threatens to bring Italy into a dangerous position of subservience to the Iron Curtain bloc, we stand in danger of a still much greater deal in line with which Italy would become a prime instrument for Russia for the penetration of European markets with Russian oil.”³³

Mattei was not only absorbed to compete with the oligopoly of the *majors* but had even the ambition to connect the members of the European Economic Community, and to develop a common energetic policy. Consequently, he proposed the construction of a network of oil pipelines in Central Europe (plan CEL). However, this would have led Western Europe to rely “heavily on Moscow, and that during the Cold War, appeared

²⁹ *ivi* p.141.

³⁰ S. Labbate, *Energia Made in Italy-Le cooperazioni italiane oltre frontiera: dagli albori alle crisi petrolifere degli anni Settanta*, p. 69.

³¹ E. Bini, *A Transatlantic Shock: Italy's Energy Policies between the Mediterranean and the EEC, 1967-1974*, p.149.

³² *ibidem*.

³³ Presidential Library (Dwight D. Eisenhower), White House Office, Office of the Staff Secretary, Records 1952-61, International Series, b.8. Citation found in: E. Bini, *A Transatlantic Shock: Italy's Energy Policies between the Mediterranean and the EEC, 1967-1974*, p.150.

inadmissible for Washington.”³⁴ Thus, not only in the Mediterranean but also in Europe there were conflicting visions between ENI and the US government.

“The rising worries on ENI's work prompted the US administration to start negotiations with Mattei himself to help find common ground with the big international companies.”³⁵ In 1961, W. Averell Harriman, John F. Kennedy's foreign policy advisor, met with Mattei and asked him to stop buying Soviet oil. During the meeting, ENI's President denounced American companies' discrimination against independent companies, like ENI, and argued that the US did not understand how far-sighted his policy was.”³⁶ Ultimately, “a verbal agreement was reached in May 1962, through which ENI could participate in the profitable oil consortiums in Iran and Iraq”³⁷ and also Italy would have been furnished of crude oil to reach its needs by Standard Oil of New Jersey. This agreement was well seen by the US authorities, to the extent that in a telegram from the US embassy in Rome to the Department of State it was stated that: “It is encouraging that ESSO is willing to seek rapprochement with Mattei, and I hope this will lead eventually toward the broader objectives of containing Soviet oil and promoting harmony among Western oil companies.”³⁸ However, the dissatisfaction remained visible by the US administration on ENI. So much so that “on 25th of June 1962 a report entitled “Problems raised by the Soviet oil offensive” was submitted to the US Senate Committee on Security [...] part of the report was dedicated to the possibility of Soviet oil reaching Europe clandestinely thanks to the complicity of Egypt and ENI (defined in the report as a strongly pro-Soviet Italian oil monopoly).”³⁹ The accusation was not proved due to the difficulty to find clear evidence, still, it represents well the “climate of apprehension and alarm”⁴⁰ of Western politicians on oil.

³⁴ S. Labbate, *Energia Made in Italy-Le cooperazioni italiane oltre frontiera: dagli albori alle crisi petrolifere degli anni Settanta*, p.70.

³⁵ *ivi* p.71.

³⁶ E. Bini, *A Transatlantic Shock: Italy's Energy Policies between the Mediterranean and the EEC, 1967-1974*, p.150.

³⁷ G. Galli, *La sfida perduta: biografia politica di Enrico Mattei*, Milano, Bompiani, 1976, p.211.

³⁸ *Foreign Relations of the United States, 1961-1963, Vol. XIII, Western Europe and Canada*, eds. Charles S. Sampson James E. Miller (Washington: Government Printing Office, 1994) doc.301.

³⁹ A. Tonini, *Il sogno proibito: Mattei, il petrolio arabo e le sette sorelle*, p.96.

⁴⁰ *ivi* p.99.

In the meantime, however, the president of ENI continued with the other negotiations that were still pending and that were in clear conflict with the understanding reached with the Americans. Mattei continued his contacts with Ben Bella to proceed with the construction of a methane pipeline to unite Italy and Algeria.”⁴¹ Then, on the 27th of October 1962, his plane crashed, and he died. After his mysterious death, his vision of acquiring an energetic independence for Italy and competing with the international oil companies remained unfulfilled. Hence, “after his death, ENI's politics, both domestically and internationally, changed in several ways. While the company became more dependent on decisions taken by the Italian government, ENI's Presidents redefined the more aggressive strategies that had characterized the 1950s.”⁴² However, his approach of a “state-to-state oil cooperation between producers and consumers, that he had helped to pioneer, came much closer to becoming a reality.”⁴³

1.2 The long path towards OPEC

Unusually, for describing one of the economic cartels most famous and always correlates with the Middle East, the analysis needs to start in Latin America: more precisely in Venezuela. The reason lay in the fact that Venezuela was the biggest exporter of the period, as described in *Table 1*.

Year	Venezuela	Middle East	Soviet Union	Indonesia	World thousand b/d	Export/Global Production
1938	56,9%	29,5%			955	17,5%
1948	53,6%	40,6%			2399	25,6%
1958	36%	55,2%	2,6%	3,9%	6785	37,7%
1959	34,4%	55,4%	3,8%	3,5%	7303	38,0%

*Table 1: Net Petroleum Export by Region from 1938 to 1959*⁴⁴

⁴¹ S. Labbate, *Energia Made in Italy-Le cooperazioni italiane oltre frontiera: dagli albori alle crisi petrolifere degli anni Settanta*, p.72.

⁴² E. Bini, *A Transatlantic Shock: Italy's Energy Policies between the Mediterranean and the EEC, 1967-1974*, p.150.

⁴³ G. Garavini, *The Rise and Fall of OPEC in the Twentieth Century*, p.109.

⁴⁴ *ivi* p.39.

During WWII the new leader Isaias Medina Angarita emerged as President of Venezuela, “just as the US was preparing for war with Japan and the other Axis powers.”⁴⁵ In these tragic years, Venezuelan oil was the only not nationalized in Latin America. As a consequence, “up until 1948 New Jersey Standard accumulated half of its profits from its Venezuelan concessions, and its output in Venezuela was larger than that in the US.”⁴⁶ But in 1942 as a consequence of the Atlantic U-boat warfare, the Venezuelan budget was in a perilous situation. Thus, to “force the oil companies to the negotiating table, Medina Angarita went “Mexican”⁴⁷: the president focused his political campaign on petroleum by staging public rallies. A new petroleum law was passed in 1943, and it led to “an increase to up to one-sixth in the royalty, cancelled all tariff exemptions, and reaffirmed Venezuela’s complete sovereignty over fiscal policy.”⁴⁸ Practically, “the new tax regime would have provided the Venezuelan state with an average 60 per cent share of oil income.”⁴⁹ The effects of this new regulation were heavy, because it “opened a new era in which the state could, albeit by no means unilaterally, renegotiate all concessions.”⁵⁰

In October 1945, the president was ousted by a coup and Romulo Betancourt, founder of the party *Accion Democratica*, became head of the *junta*. Betancourt and Perez Alfonzo, the party spokesman, voted against the 1943 Law because it condoned illegal actions of the *majors* and because according to Perez Alfonzo, the fiscal projection would have been worsened if the international oil price had increased (below 50:50). Thus, the coup led to power a movement more extremist and nationalist on the subject of oil than the previous. A democratic election was held in 1948 and Romulo Gallegos won, and Perez Alfonzo became Minister of Development. One of the first measures adopted was the regulatory mechanism to “complete” the hydrocarbons law of 1943, which continued to remain in effect. The new amendment passed in 1948 provided that if the total amount due to the Venezuelan state did not reach one-half of the concessionary company’s net revenues, an additional tax would be introduced to grant the state one-half of the company’s

⁴⁵ *ivi* p.55.

⁴⁶ F. Coronil, *The Magical State: Nature, Money, and Modernity in Venezuela*, Chicago, University of Chicago Press, 1997, pp. 106–7.

⁴⁷ G. Garavini, *The Rise and Fall of OPEC in the Twentieth Century*, p.56.

⁴⁸ *ibidem*.

⁴⁹ O. Manzano & F. Monaldi, *The Political Economy of Oil Contract Renegotiation in Venezuela*, in W. Hogan and F. Sturzenegger (eds.), *The Natural Resources Trap*, Boston, MIT Press, 2010, pp.409–465.

⁵⁰ G. Garavini, *The Rise and Fall of OPEC in the Twentieth Century*, p.56.

net petroleum income. This was the birth of the fifty-fifty profit-sharing model.”⁵¹ It was considered at the time a success and at the same time a calibrated agreement. In fact, thanks to this new regulatory mechanism, all the parts were equally satisfied.

Already in 1947 Manuel Egaña, one of the drafters of the first law on hydrocarbons during the presidency of Medina Angarita, affirmed that: “the Middle East (Iraq, Iran, Saudi Arabia, Kuwait, and the island of Bahrain) constitutes a serious threat to Venezuelan oil, because of the enormous productivity of its deposits and the low cost of production [...]. What should be done is not to ignore it or reject it but seek to foil the threat and neutralize it.”⁵² Thus, the Venezuelan elite understood that the Arab oil would have damaged the supremacy of Venezuela in the oil market. However, the behaviour towards the Arab countries was different than what was expected. The Venezuelan government, which changed again after another coup, set a diplomatic mission to establish ties and cooperation with the Middle Eastern countries in late 1949. Surprisingly those countries had not even an embassy until that very moment. But necessity makes virtue. Thus, Egaña and other delegates flew into Iran, Iraq, Egypt, and Kuwait. The objective was, as it is well explained by Garavini, the same of creating a trade union movement: “to prevent the influx of a younger, more productive, and potentially cheaper workforce (in this case the Middle Eastern countries) from threatening the hard-earned gains of older, more experienced, and more organized labour (Venezuela).”⁵³ These meetings, even though, led to nothing in practice, did leave traces that a sort of association of the producer countries could be formed.

However, to analyse the creation of OPEC it is indispensable to investigate how the big oil companies were hegemonic in this sector during those years. The start of this oligopoly is considered to be the Achnacarry agreement. In this medieval castle in Scotland, the chiefs of Anglo-Persian Oil Company, Shell and Standard Oil New Jersey encountered and decided to “denounced “destructive” competition while suggesting several solutions: first, the parties declared themselves to be satisfied with their respective share of the global market, expressing their willingness to maintain current production levels and further agreeing that any eventual increase would only take place in the face of an increase in

⁵¹ *ivi*, p.58.

⁵² *ivi*, p.64.

⁵³ *ivi*, p.65.

international demand. Second, they agreed to share their existing refining and distribution infrastructure, without adding further capacity, to minimize costs and maximize profits. To that same end, the parties consented to carve up the markets so that crude oil would be sold on the closest market.”⁵⁴ In an ambiguous way the international oil companies agreed and founded an unannounced cartel (“ghost cartel”).

These companies, which in the meantime changed names and merged between themselves, practically controlled all the oil supplies of the world. As *Table 2* shows, the seven international companies have the majority of the share in the operating companies of the Middle East. The growing capability and production in the Middle East were followed by an increase in demand in Western Europe, due to the economic boom of those years.

Country	Operating Company	BP	Shell	SO New Jersey	Texaco	Gulf	SOCAL	Mobil
Iran	Consortium	40%	14%	7%	7%	7%	7%	7%
Iraq	IPC. Ltd & AC	23,75%	23,75%	11,875%				11,875%
Abu Dhabi	IPC. Ltd & AC	23,75%	23,75%	11,875%				11,875%
Qatar	IPC. Ltd & AC	23,75%	23,75%	11,875%				11,875%
Kuwait	Kuwait Oil	50%				50%		
Saudi Arabia	Aramco			30%	30%		30%	10%

[AC stands for Associated Companies]

*Table 2: Joint ventures in the Middle East*⁵⁵

These years were referred to as “*Les Trente Glorieuses*” and involved France, Italy, and West Germany. This expansion of the economy had the consequence of an increase in the demand for resources. Consequently, “oil consumption in Europe had grown from 27 million tons per year in 1938 to 37 million tons in 1947.”⁵⁶ This augmented use of oil was also due to the decline of coal. “This increasingly rapid transition from coal to oil as Western Europe’s primary energy source, while not totally imposed from abroad, was

⁵⁴ *ivi*, p.33.

⁵⁵ I. Skeet, *OPEC: Twenty-Five Years of Prices and Politics*, Cambridge, Cambridge University Press, 1988.

⁵⁶ G. Lenczowski, *Oil and State in the Middle East*, Cornell University Press, Ithaca, 1960, p. 28.

heavily incentivized by Washington who perceived it as a way to bind the Atlantic together.”⁵⁷ As a matter of fact, the international oil companies by the mid of 1950 controlled 85% of production globally, while monopolizing “distribution in Japan, and controlled over 90 per cent of distribution in Europe.”⁵⁸ Thus, from this analysis, it is easy to understand how the *majors* were in control of the market.

However, the government’s finances in the Middle East were struggling, nevertheless the oil revenue. As a result, Saudi Arabia claimed an increase in revenue and it became the “first Middle Eastern country where this model would be negotiated and implemented.”⁵⁹ In 1950, the operating company ARAMCO signed with the Saudi government an amendment affirming that: “In no case shall the total of taxes, royalties, rentals and exactions of the government for any year exceed fifty per cent (50%) of the gross income of ARAMCO, after such gross income has been reduced by ARAMCO’s cost of operation.”⁶⁰ In addition, even a posted price was added, and the “new payment, which took the form of an income tax to a foreign government”⁶¹ could have been claimed against taxes to be paid in the US, thus avoiding the oil companies from taxation both in the producer and consumer countries. The winners of this new fifty-fifty arrangement were for sure the Saudi government, which had a significant amount of revenue from the oil sector, but even the *majors* “without paying one dollar more than they already did in taxes, they obtained complete control over the most promising and productive oil fields in the world.”⁶²

The fifty-fifty model spread all over the Middle East and became officially the standard model in the oil industry. However, one of the major oil countries of the world lagged behind: Iran. In 1951, the Anglo-Iranian Oil Company “had made clear it did not intend to apply the Saudi style fifty-fifty model to Iran.”⁶³ The AIOC in Iran has the power and capacity to “operate like a state within a state, pursuing the interests of the British Empire”⁶⁴ similar to what the Indies company have done in the past. However, the behaviour of the company led to an increase in anger against the British and the Company

⁵⁷ G. Garavini, *The Rise and Fall of OPEC in the Twentieth Century*, p.71.

⁵⁸ P. R. Odell, *Oil and World Power*, New York, Routledge, 2013, pp. 120-121.

⁵⁹ G. Garavini, *The Rise and Fall of OPEC in the Twentieth Century*, p.74.

⁶⁰ J.C. Hurewitz, *Diplomacy in the Near and Middle East: A Documentary Record*, Vol. 2: 1914–1956, Princeton, David Van Nostrand, 1956, pp. 314-321.

⁶¹ G. Garavini, *The Rise and Fall of OPEC in the Twentieth Century*, p.74.

⁶² *ivi*, p.75.

⁶³ *ivi*, p.83.

⁶⁴ *ibidem*.

in Iran. This was a problem due to the importance of those oil fields for Great Britain. As a matter of fact, to represent the scale of dependence on the Iranian oil fields the Royal Navy and Royal Air Force in Asia were furnished with more than 80% of the fuel they need by just one refinery in Abadan.⁶⁵ Some figures in the Iran political scene started to question the unfavourable condition of Iran on its resources. One was Mohammad Mossadegh, who created with other members of the Parliament the National Front, “a relatively loose political movement united by the refusal to submit entirely to the economic and political interests of Great Britain.”⁶⁶ Mossadegh was able to combine secular and religious currents hostile to foreign hegemony. In 1951 he became Prime Minister and with his secular-liberal nationalist political line, the Parliament voted the nationalization law on the oil sector. At the time, Mossadegh became the most famous political figure in Iran and even the strong Communist Party, the *Tudeh*, supported him in the nationalization law and even in the agrarian reform. Thus, “the Anglo-Iranian Oil Company became the National Iranian Oil Company (NIOC).”⁶⁷

However, the “Iranian nationalization constituted a radical challenge to the established political and economic order in the Middle East, and thus, at least in theory, to the security of Western European and American oil supplies as well.”⁶⁸ Therefore, the government of the US started to encourage the Prime Minister to become more reasonable. Meanwhile, the British responded at the nationalization law with “late-colonial arrogance”⁶⁹ by invoking first the UN assembly and secondly the International Court of Justice (ICJ). The latter, “decided that it could not rule on a case regarding a dispute between a sovereign state and a private entity, in essence coming down on the side of Iran.”⁷⁰ Then the UK decided to stop the production by withdrawing its experts and technicians. This measure was followed by the total embargo on Iranian oil, in which even Italy joined (as mentioned in 1.1 p.3). “The economic crisis that followed was accompanied by a strong political radicalisation.”⁷¹ Thus, the Shah Reza Pahlavi attempted to replace Mossadegh from power, but the opposition reacted in favour of the PM and the Shah was forced to leave the country, seeking refuge in Rome. Still, the oil embargo became even

⁶⁵ *ivi*, p.82.

⁶⁶ *ivi*, p.83.

⁶⁷ R. Romanelli, *Novecento: Lezioni di Storia Contemporanea*, Bologna, Il Mulino, 2014, p.381.

⁶⁸ G. Garavini, *The Rise and Fall of OPEC in the Twentieth Century*, p.85.

⁶⁹ R. Romanelli, *Novecento: Lezioni di Storia Contemporanea*, pp.381-382.

⁷⁰ G. Garavini, *The Rise and Fall of OPEC in the Twentieth Century*, p.86.

⁷¹ R. Romanelli, *Novecento: Lezioni di Storia Contemporanea*, pp.381-382.

more effective and “Mossadegh’s government began to face serious domestic difficulties as a result of the loss of oil revenue, which dropped from \$400 million in 1950 to virtually nothing by 1953.”⁷² Thus, a series of not welcomed countermeasures were taken. These increased the distrusts of the opposition, not only in the communist party *Tudeh* but even in the bazaar class (merchant class).

In this poisoned environment the new US administration, led by Dwight D. Eisenhower, decided to intervene assertively. In August 1953 a coup was executed by the CIA. The coup succeeded in all of its objectives. It restored the Shah’s power, while at the same time eliminating the communist party *Tudeh* and the National Front of Mossadegh. As a consequence of the coup the Shah increased his power, due to the complete annihilation of the opposition movements. Moreover, a new Consortium was created, to which ENI was not invited, and its shares were split between the principal international companies. The AIOC, which took the largest share of the Consortium, rebranded its name as British Petroleum, possibly to help people forget the past. The oil was still in the government’s hands, with the NIOC having just explored and producing functions, but it was just a formality. Because the “production was managed entirely by the members of the Consortium that took every decision and pocketed the profits.”⁷³ In 1955, to seal Iran’s complete turnaround, a pact was signed in Baghdad among the US, Great Britain, Turkey, Iraq, Pakistan, and Iran. The pact of Baghdad transformed Iran into one of the main “pillars of the American influence in the Middle East.”⁷⁴

The nationalization of the oil industry in Iran and the hostile sentiments against the old colonial powers were proof that a quiet and underground process was developing in the so-called Global South. What was once the British Empire started losing pieces from India to the Middle East. The striking event was the nationalization of the Company of the Suez Canal in 1956 by Nasser, president of Egypt. The response of Britain and France, the old colonial empire, and Israel, the nemesis of Egypt, was ballistic. On the 29th of October 1956, they waged war against Egypt. “Israel attacked Egypt and defeated it, penetrating deep into the Sinai Peninsula.”⁷⁵ In the meantime, “a task force supported by 34 French

⁷² G. Garavini, *The Rise and Fall of OPEC in the Twentieth Century*, p.86.

⁷³ *ivi*, p.87.

⁷⁴ R. Romanelli, *Novecento: Lezioni di Storia Contemporanea*, p.382.

⁷⁵ G. Sabbatucci & V. Vidotto, *Storia contemporanea: Il Novecento*, Bari, Editori Laterza, 2008, p.245.

warships and more than a hundred British ships took land and occupied the Canal, overwhelming the Egyptian forces.”⁷⁶The defeat of the Egyptian military led to the most unpredictable political success for Nasser. In fact, neither the US nor the USSR supported the operation, rather they condemned it. Thus, the UK, France and Israel withdraw their troops from the Suez Canal and the Sinai Peninsula. This debacle had the effect of strengthening the prestige of Nasser, that now was seen in the Arab World as one of the main figures of the Arab nationalist cause. In the 50s, “the Arab nationalism found its centre and its undisputed guide in Egypt, the most important among the states of the Middle East for population, strategic position and historical traditions.”⁷⁷

Furthermore, the crisis of Suez shaped a common sense in the Arabic world, that Garavini called “the Spirit of Suez.” During the crisis, all the Arab countries shared the same position contrasting the late-imperial approach of Great Britain and France. One of which was Saudi Arabia in this period had changed at the top. In 1953, the death of King Abdulaziz Ibn Saud brought the oldest son Saud to the throne. However, he did not rule alone, because his brother Faysal governed alongside him. At the time the Saudis had some reason to be “at loggerheads with Great Britain.”⁷⁸ Primarily, due to the 1955 Baghdad Pact, which excluded Saudi Arabia and strengthened the Hashemite dynasty of Jordan and Iraq, rivals of the Saud monarchy. Moreover, there were “persistent tensions with Great Britain over the oasis of Al-Buraimi, which the Saudis considered an integral part of their country, while London backed the claims of their ally, the Ruler of Abu Dhabi.”⁷⁹This rising tension arose even more during the Suez crisis and Saudi Arabia supported the oil embargo proposed by Nasser to end the crisis. This was significant because Western Europe took “risk of being deprived of two-thirds of its oil supply and began for the first time to think seriously about its growing dependence from this new energy source coming from the Middle East.”⁸⁰

The resolution of the crisis increased the nationalist Arab fervour, and this had consequences even at the bureaucratic level. An example is the rise of Abdullah Al- Tariki. After studying in the US, he became one of the key figures in the energy sector. Invited to

⁷⁶ R. Romanelli, *Novecento: Lezioni di Storia Contemporanea*, p.380.

⁷⁷ G. Sabbatucci & V. Vidotto, *Storia contemporanea: Il Novecento*, p.244.

⁷⁸ G. Garavini, *The Rise and Fall of OPEC in the Twentieth Century*, p.94.

⁷⁹ *ibidem*.

⁸⁰ *ibidem*.

the first International Petroleum Congress in Venezuela, he made contact with prominent Venezuelan officials and was astonished by the different organizations and how their industry was advanced. In 1954 “he assumed responsibility for the newly created directorate of Oil and Mining Affairs at the Ministry of Finance,”⁸¹ the most prestigious office in the entire Saudi government. “Tariki took little time to realize that the Saudis had no operational role and next to no voice in the management of the most important (and the only) industry of their own country.”⁸² His strategy was to involve more Saudis in the oil industry to acquire technicalities and expertise to advance their own industry. However, he was not in favour of a nationalisation of the oil industry like what was done in Iran with Mossadegh. Nevertheless, it was worrying to the international oil companies and even for the Western chancelleries that the States with the largest reserves of oil wanted to rediscuss the production and the organization of the oil sector.

Furthermore, the Arab nationalist fervour peaked in 1958, when the Egyptian Republic merged with Syria forming the so-called United Arab Republic, thanks to this “Nasser’s prestige reached its apex.”⁸³ At the same time, Algeria was struggling for its independence from France. Meanwhile, in Iraq, a coup was prompted by a group of officers of the Army led by Abd Al-Karim Qassim against the monarch. The success of the coup “overthrew the Hashemite monarchy and cast aside the powerful pro-British Prime minister Nuri Al-Said.”⁸⁴ Another setback for what was once the British Empire. To make matters worse, “from 16 to 23 April 1959, the first Arab Petroleum Congress took place in Cairo. Representatives of the following Arab States participated in the works: Yemen, Sudan, Morocco, Saudi Arabia, Libya, Lebanon, the United Arab Republic, Kuwait, and Qatar; delegations from Iran and Venezuela were present.”⁸⁵ The Congress took decisions over many aspects, the most prominent were: “the need to improve, in favour of the producer States, the conditions of participation in the profits and the one concerning the formation of companies which carry out all the operations relating to oil, alongside those specialists exist.”⁸⁶

⁸¹ *ivi*, p.96.

⁸² *ibidem*.

⁸³ *ivi*, p.98.

⁸⁴ *ivi*, p.99.

⁸⁵ P. Minganti, “*Turchia*”, *Oriente Moderno*, vol. XXXIX, n.5, 1959, p. 338.

⁸⁶ *ibidem*.

In the meantime, in Venezuela another coup took place, that ousted General Perez Jimenez from power. He was close with the US administration, and, during his presidency, Venezuela doubled its production of oil becoming “quarters of all exports of the US from Latin America.”⁸⁷ However, the Venezuelan society did not improve. As a consequence, the leaders of the opposition tried to push for creating better working conditions and social assistance. Betancourt, head of *Accion Democratica*, craved to increase taxes on oil companies to come up with much-needed resources to reform Venezuelan society. Even Pérez Alfonso, the oil expert of *Accion Democratica*, who returned from Mexico “had acquired a deep knowledge of the experience of nationalization.”⁸⁸ Thus, all the international oil companies feared a similar “Mexican” scenario of total nationalization of the oil industry. However, the provisional military government, set before the democratic elections, “anticipated Betancourt’s move on taxation,”⁸⁹ and the government intake augmented from 50% to 64% at the expense of the international oil companies. After the regular election, Betancourt became President of Venezuela in 1959. His oil strategy was based on the book *El Pentágono Petróleo (The Oil Pentagon)*, written by Pérez Alfonso. The prominent oil expert describes the five pillars of the new oil policy of Venezuela. These were: “*participacion razonable*” (reasonable participation) among companies and the State; the creation of a committee concerning hydrocarbon conservation and trade; the foundation of a national company called *Corporacion Venezolana del Petroleo (CVP)*; and finally at the national level the “*no mas concesiones*” (no more concessions).

Ultimately, the last pillar of Pentagon of Oil by Pérez Alfonso was the OPEP (*Organización de Países Exportadores de Petróleo*) or in English OPEC. Practically speaking, the creation of an organization of the oil exporting countries. This principle was based on the “awareness that there was no way to control Venezuelan output and combat the downward trend in global oil prices without some coordination with the other regions of the world, especially the Middle East, where total exports (and reserves) were larger than those of Venezuela.”⁹⁰ It was also relevant in the new political struggle between industrialised countries (frequently former colonialist powers) and developing states

⁸⁷ S. J. Randall, *United States Foreign Oil Policy Since World War I*, Canadian Journal of History, vol. 41, n.1, p. 263.

⁸⁸ G. Garavini, *The Rise and Fall of OPEC in the Twentieth Century*, p.103.

⁸⁹ *ibidem*.

⁹⁰ *ivi* p.107.

(usually the former colonised countries). This principle could have been used as a systematic scheme for global cooperation among Third World countries.

Moreover, the late 50s were the years when Mattei's ENI was working on his ambitious program of decreasing the influence and the oil share of the *majors*, as discussed in the first section of this chapter (1.1). However, ENI's case was not the only one, even though it was the most dramatic. Other actors, called Independents, were trying to obtain a share in this profitable but oligopolistic market. "Most of these industrious independent companies were based in the US."⁹¹ But even state-owned Japanese and European enterprises. Essentially, these companies tried to fill the void left by the *Seven Sisters* by lowering the price or by proposing something different to the exporter countries like sharing the know-how to foster national production.

All these events were hints that something was changing in the oil sector on the side of the exporter's countries. Then, the straw that broke the camel's back. In April of 1960, the New Jersey Standard decided to cut the posted prices of 14 cents of Saudi crude oil. According to Skeet this decision by New Jersey Standard was "the equivalent to the murder of Archduke Ferdinand in Sarajevo."⁹² Furthermore, the start of 1960 began with "a whirlwind of meetings and memos"⁹³ between oil exporters countries representatives and oil technocrats. Thus, this time was much easier for the negotiators to find a deal and finally create OPEC. At the Baghdad meeting set from the 10th to 14th of September representatives "from the largest oil exporting countries converged: Kuwait, led by Sayed Omar; Iran, led by Fuad Rouhani (soon to be named the first OPEC Secretary General); Iraq, led by Tala'at Al-Shaibani; Saudi Arabia, led by Tariki, and Venezuela, led by Pérez Alfonzo. The representatives expressed their disappointment on the unilateral cut of the posted prices by the oil companies, but they also set objectives like: "maintaining stable prices and bring the posted price back to where it was prior to the 1960 reductions; introducing international regulation of production (prorationing), but softening this point with the caveat that this regulation should "keep in mind the due interests of the consumers" and assure a fair return on their capital to those investing in the petroleum industry."⁹⁴ The

⁹¹ *ivi* p.108.

⁹² I. Skeet, *OPEC: Twenty-Five Years of Prices and Politics*, p.6.

⁹³ G. Garavini, *The Rise and Fall of OPEC in the Twentieth Century*, p. 116.

⁹⁴ G. Garavini, *The Rise and Fall of OPEC in the Twentieth Century*, p. 120.

last objective was to find an association named the Organization of the Petroleum Exporting Countries (OPEC).

The new organization was an international one based in Vienna, at the time Austria was one of the few neutral countries in Europe, formed by three central bodies regarding the administrative apparatus. The Conference was organized of all representatives of all the member states and was considered the Supreme body of the organization. The delegates meet twice a year and decide on binding resolutions through a unanimous vote. Meanwhile, the Secretariat was in charge of the administration of OPEC and led by a Secretary-General, who rotated every year. Finally, the Board of Governors, composed of representatives of the exporting countries and appointed every two years with the task of preparing the agenda of the Conference. The exporting states associated themselves to deal with the enormous power of the international oil companies that dominated the market. However, even though they share one significant argument, the member countries had significant differences like the language (the official language of OPEC was and still is English), political ideology (from the absolutism of Iran and Saudi Arabia to the socialist authoritarianism of Iraq) and finally different foreign policies objectives. Still, the founders wanted to leave the possibility to other countries to join. The statute of OPEC affirmed that “any other country with a substantial net export of crude petroleum may become a Full Member of the Organization if accepted by all Founder Members.”⁹⁵

1.3 The 60s and the consumer decade

This section will explain the decades before the oil crises. The analysis will focus on the OPEC resolution in those years, but even on the international and Italian political context in which those decisions had an influence.

The 60s in the Western Hemisphere are remembered as the Golden Years, due to the astonishing expansion of the economies of the most industrialised countries. “In the most industrialised countries, between 1950 to 1973, the average annual rate of real increase in per capita product was 3.8 per cent, three times, almost three times that of 1896-1913. However, the expansion was also characterised by greater continuity: so much that economic development and increased prosperity appeared to be the normal condition of

⁹⁵ *ivi*, p.121.

industrial societies.”⁹⁶ The economic boom started with the end of the Second World War when the US military-industrial complex was converted in civilian industry. Thus, the US serves as the “locomotive of the global economic recovery.”⁹⁷ However, after the 50s even in Western Europe and Japan, the expansion of the economies grew at a higher level than the US. As a matter of fact, in 1950 the US provided 33,3% of the global production, while the other industrialized countries were far below. However, in 1970 Western Europe and Japan granted 36,2% of global production while the US decreased to 26,5%.

The increased production led to the general progress of these societies, referred to as welfare societies. The citizens increased their economic means and as a consequence, everyone started to buy a fridge, a television, or a car (for example “by 1970 there were 11.5 million cars in the UK and 12 million in France”⁹⁸) and all these devices need electricity.

The 60s were a period of economic stability and a political shift in Italy. On the political side, the 60s were characterised by the centre-left, that began in August of 1960 when the members of the Italian Socialist Party abstained during the formation of a Christian Democrat new government of Amintore Fanfani. This gradual opening to the socialists opened a season of reforms in several areas with the implementation of certain constitutional principles. However, the new season did not twist the continuity of the Italian foreign policy concerning NATO and the European Economic Community (EEC).

Meanwhile, “with the economic boom, Italy left behind the structures and values of the peasant society and entered the consumer civilisation.”⁹⁹ The phenomenon of this period was the movement from the countryside to the cities or from the poor South to the industrial North. Thus, the relentless urbanization from 1951 to 1963 led to an increase in the commercial, construction and manufacturing, respectively of +100%, +84% and +40%. One of the principal industries was the automotive sector, as a consequence, the number of automobiles went “from 18 cars for 1000 inhabitants in 1955 to 105 cars ten years later.”¹⁰⁰ As it was stated before, this augment in industrial production and the consumption led to a

⁹⁶ R. Romanelli, *Novecento: Lezioni di Storia Contemporanea*, p.280.

⁹⁷ *ibidem*.

⁹⁸ S. Pirani, *Burning Up: A global history of fossil fuel consumption*, London, Pluto Press, 2018, p.85.

⁹⁹ G. Sabbatucci & V. Vidotto, *Storia contemporanea: Il Novecento*, p.335.

¹⁰⁰ *ivi* p.336.

greater request for energy, which was provided by the aforementioned ENI and the newly public entity *Ente Nazionale per l'Energia Elettrica* (ENEL), established in 1962 by the centre-left government with to distribute and develop the national electricity grid.

However, in this phase, the price of oil was not problematic for the consumers. Even though OPEC was founded, the organization of exporter countries took a more moderate turn, abandoning the request for radical innovations in the price formation wanted by Venezuela and Iraq at the start of the decade. Primarily, “Iran and Saudi Arabia were the champions of OPEC’s moderate front.”¹⁰¹ During this period the negotiations between OPEC and the international companies started. The negotiators were the Iranian Fuad Rouhani, OPEC’s Secretary-General, and “a triumvirate of negotiators including John Pattinson of BP, Howard Page of New Jersey Standard, and George Parkhurst of SOCAL.”¹⁰² The discussion of the negotiation where on two resolutions made by OPEC. The first one on the abrogation of the marketing allowance, was a little problem, financially speaking, in respect of the second point: the royalty expensing.

The royalty is a fixed rent or percentage per unit produced. This expense was just one of the numerous costs related to the production of a barrel of oil. However, it was the most important one for the producing countries since it consisted of the main revenue for the government of the country where the barrel was extracted. The reason why the newly established organization wanted to rediscuss this aspect was clear: increasing the revenue for the exporting countries. To be fair the producer countries enjoyed not a lot from the selling. In 1963, when the negotiations were already discussed, “a barrel of petroleum in the Organization for Economic Cooperation and Development cost \$11. Of this, some 45.5 per cent of its value went into the treasuries of the consumer countries in the form of indirect taxation, while another 6.8 per cent went to the same in the form of direct taxes. The oil companies pocketed an additional 6.9 per cent in profits. This left oil exporters with only 6.7 per cent.”¹⁰³

The requests of OPEC were to gain 12,5 cents per dollar more per barrel. The companies offered an increase in the royalty but with a discount on the posted prices (prices at which market participants are willing to buy a particular commodity). Thus, the gain

¹⁰¹ G. Garavini, *The Rise and Fall of OPEC in the Twentieth Century*, p.139.

¹⁰² *ivi*, p.146.

¹⁰³ *ivi* p.149.

would have been a third of what OPEC requested. The organization divided itself among those who wanted to compromise, especially Iran, and who were completely against this compromise, principally Iraq and Venezuela. The Shah pushed to accept the compromise in exchange for several promises and guarantees from the companies. Due to the opposition to the compromise the organization lacked unanimity. The outcome of the negotiations was reached in November 1964 in Indonesia when the polarizations of the positions were at their highest. The decisions during this conference were that every member of OPEC could have decided by themselves to accept or refuse the compromise. Anyway, the weakness of OPEC was already visible, and the *Seven Sisters* were capable of undermining its authority at the very first opportunity.

In the meantime, the World was facing some of the events more frightening and dangerous of the entire history. After 1960 John Fitzgerald Kennedy became President, while in 1956, in the USSR, Nikita Khrushchev took the lead of the communist party. Their relationship was based “on mutual trust, on the substantial balance between the nuclear armaments possessed by the two blocs, and on the awareness on both sides that they could not prevail against their adversary except by endangering their survival and that of the whole of humanity.”¹⁰⁴ This period was referred as “balance of terror”, and it was followed by serious and dangerous events. In 1961 the Soviets, to block any possibilities of reuniting the two parts of Berlin, divided into East and West, decided to build a wall, that became “the most visible symbol of the division of Germany and Europe and the World.”¹⁰⁵ Furthermore, in October of 1962, there was the Cuban Missile Crisis which was a confrontation between the US and the USSR over the revolutionary Communist government of Fidel Castro and the creation by the Soviets of launch bases for nuclear missiles on the island. The US reacted with a naval blockade and “for six dramatic days the world was close to a general conflict.”¹⁰⁶ Then the USSR decided to dismantle the bases, while the US removed medium-range missiles with nuclear warheads from Turkey and Italy, and a new period of distension between the blocks arose.

However, the tense confrontation between the two superpowers was present in the Middle East as well. Indeed, in the persistent hostility between Israel and the Arab

¹⁰⁴ G. Sabbatucci & V. Vidotto, *Storia contemporanea: Il Novecento*, p.298.

¹⁰⁵ *ibidem*.

¹⁰⁶ *ivi*, p.299.

countries, the US and the USSR were on the opposite side, “with the Soviet Union, who became Egypt's great protector, and the United States, who strongly supported Israel.”¹⁰⁷



Figure 1¹⁰⁸

In May of 1967 Nasser requested the UN to retire their forces from the Sinai Peninsula and blocked the strait of Tiran, overlooking the Gulf of Aqaba, the only access to Israel from the Red Sea. “Israel considered this an act of war and attacked first.”¹⁰⁹ On the 5th of June, the Israeli air force struck the Egyptian airfields, destroying all of Egypt’s aviation. Simultaneously, the Syrian and Jordan air fleet was annihilated. What followed was an all-out attack with infantry and mobile troops against the Arabs. “The war was concluded in just six days, with the complete victory of the Israelis, that reached the Suez Canal in the West, the West Bank in the East and the Golan Heights at the border with Syria,”¹¹⁰ as Fig. 1 shows. The war was an outstanding demonstration of Israel’s capability. The Arabs had more than 30 000 casualties, while the Israelis had only a few hundred.

¹⁰⁷ *ivi*, p.311.

¹⁰⁸ C. Ionita, *Palestine on the Map*, ed.maps.com the world on the map. URL: https://www.edmaps.com/html/palestine_in_ten_maps.html Latest visited 27th August 2023.

¹⁰⁹ R. Romanelli, *Novecento: Lezioni di Storia Contemporanea*, p.383.

¹¹⁰ *ibidem*.

However, the Arabs' reaction was not long in coming. The sense of anger and humiliation brought the population to the streets everywhere in the Middle East and there were strikes even by the oil workers. The Arab leaders decided to respond by further isolating Israel diplomatically. Therefore, in the Khartoum summit at the end of August 1967, the Arab League announced the Resolutions of the “Three no’s”, which basically meant no peace, no recognition, and no negotiation with Israel. Furthermore, the war exacerbated the existing Palestinian refugee crisis, with a considerable number of Palestinians being displaced from the newly occupied territories and at the same time polarizing the positions of extremist Palestinian groups like Al Fatah. This group was part of the Palestine Liberation Organization (PLO) and in 1969 Yasser Arafat, former head of Al Fatah, became the leader of the movement. “The strategy of violence became the operative plan of Arafat’s PLO, which intensified the guerrilla action in Jordan, as periodic border clashes resumed.”¹¹¹ Moreover, and far more significant for the analysis, the OPEC members decided to use oil as a weapon by unilaterally deciding on an embargo against Israel and its allies. “The majority of the Arab Gulf exporters felt a moral and political obligation to express their solidarity with the Arab armies and, for a short while, the embargo did scare consumers.”¹¹² Even though, this first attempt to use oil as a tool to “influence the choices of the West did not have heavy repercussions (due to its short duration and the fact that the United States, the main recipient of this action, had abundant national reserves) on the other hand it initiated a series of reflections on the desirability of a change of strategy in global energy issues.”¹¹³

As a matter of fact, Italy had to respond to the embargo and the closure of the Suez Canal by modifying its strategy: before the war, Italian supplies came for almost 70% from the Persian Gulf through Suez, subsequently “it had shifted to imports from closer sources, such as Libya and the Eastern Mediterranean terminals where pipelines from Iraq and Saudi Arabia ended.”¹¹⁴ In addition, the centre of the oil traffic went from the Mediterranean to the Atlantic, thus diminishing the importance of the oil refineries in Italy. The significant reliance on crude oil shipments from the Mediterranean region indicated the necessity for

¹¹¹ R. Romanelli, *Novecento: Lezioni di Storia Contemporanea*, p. 384.

¹¹² G. Garavini, *The Rise and Fall of OPEC in the Twentieth Century*, p.172.

¹¹³ S. Labbate, *Energia Made in Italy-Le cooperazioni italiane oltre frontiera: dagli albori alle crisi petrolifere degli anni Settanta*, p.92.

¹¹⁴ *ivi*, p.95.

the peninsula to have alternative strategies in response to potential critical circumstances like: “the resumption of investments in the nuclear sector and a more active collaboration across the border.”¹¹⁵ The same year ENEL announced the creation of the fifth nuclear plant, while the discussion on the EURATOM, the European Atomic Energy Community, focused on how to collaborate to avoid a disruption in the European energy markets. Even ENI, an entity driven by hydrocarbons, “conducted, like ENEL, and often independently, a number of important international negotiations in the nuclear energy sector.”¹¹⁶

Thus, as the 60s almost ended, the situation was that the Organization of the Exporters had already tried to use oil as a weapon for political purposes, still for a short period and with poor results. The Suez Canal was closed, and from the banks of the Red Sea, two enemies were facing each other, knowing that the war would break out again at any moment. The Arab population considered itself humiliated and defeated, and their leaders needed to respond in some ways. Meanwhile, Italy had lived the most prosperous decade of its history, and Italian society maybe, for the first time, discovered wellness. However, on the horizon, monetary fluctuation, terrorist threats, societal upheavals and economic crises were closer than anyone would imagine. In the meantime, the World had faced one of the most dramatic and potentially dangerous events of history, and the tension was not over but had shifted from Latina America to Asia, in the Middle East and Indochina. The decade's end encapsulated the culmination of widespread social movements advocating for civil rights, peace, and gender equality, but also technological advancements with the Moon Landing on the 20th of July of 1969 by the mission Apollo 11. As the world prepared to step into the 1970s, it did so with the echoes of revolution, progress, and challenges that would continue to shape in the future the trajectory of societies, politics, cultures and resources.

¹¹⁵ *ivi*, p.92.

¹¹⁶ *ivi* p.97.

Chapter Two

War, Oil Shock and Diplomacy

2.1 *Sequelae* from the 60s

Sequelae in English is used in the medical field, and it means any complication that results from a pre-existing disease, injury, or trauma. The use of this word is not arbitrary, because the damages of the '60s not only remained at the beginning of the 70s but increased as the analysis will demonstrate.

During the end of the '60s, Italy suffered massive protests from the students that were against “authoritarianism, considered a hallmark of advanced industrial societies,”¹¹⁷ and the US military intervention in Vietnam was judged as “imperialistic”. The student revolt in Italy was an extension of other contestations that happened in the same period in the US, France, Germany, and other industrialised countries. However, in Italy these protests “assumed a strong ideologization in a Marxist and revolutionary sense.”¹¹⁸ This rising tension led the 12th of December 1969 to a terrorist attack when a bomb was placed in the National Agricultural Bank in Milan, usually defined by journalists as the “*Piazza Fontana bombing*.” From this tragic event Italy entered in a decade of blood, bombs, and terror. These years are referred to as the “*Years of Lead*.” The government’s approach towards this crisis was not as strong as requested by the situation. Thus, “the impotence demonstrated by the public authorities reflected the deep divisions within the ruling coalition.”¹¹⁹ On one side, the Christian Democrats and the Italian Social Democratic Party, especially during the first half of 1970-1971, were more inclined toward appeasing the moderate public opinion which was apprehensive of the student and worker protests. On the other side, the Italian Socialist Party aimed for a progressive integration of the Italian Communist Party into the government. As a consequence, the reform-driven that had characterised the 1960s lost its momentum. A part of the worker’s statute established in 1970, even to meet the requests of the students, of the blue collars, and the institutions of the Regions, provided by the Constitutions, the reformist policy stopped.

¹¹⁷ G. Sabbatucci & V. Vidotto, *Storia contemporanea: Il Novecento*, p.291.

¹¹⁸ *ivi* p.339.

¹¹⁹ *ivi* p.342.

In this framework, the Italian energy sector was trying to prosecute the energetic cooperation with the members of the EEC. However, it emerged “the enormous difficulty of the Six in responding to the uncertainty of the oil supply coming from the Middle East area through a fruitful collaboration.”¹²⁰ In contrast, in the nuclear sector, the three major producers of electricity ENEL, EDF (Électricité de France) and RWE (Rheinisch-Westfälisches Elektrizitätswerk) reached an agreement on the “construction and operation of a prototype large power plant equipped with a sodium-cooled breeder reactor.”¹²¹ The augmented cooperation in the pacific use of nuclear was due to the aggravated problems in the international oil market. The effects of the six-day conflict were enhanced by other critical episodes.

“The breaking in May 1970 of the TAPLINE (Trans-Arabian Pipeline), the Aramco pipeline, for the transport of crude oil from Saudi Arabia to the Mediterranean.”¹²² The damage to the pipeline occurred when a bulldozer hit it accidentally in Syria. Just in five days more than 20,000 barrels of oil spilt outside before pumping stations were able to halt the flow. On that occasion, the Syrian government refused to consent the American-owned company to repair the damage, as a response to the aid and support of Israel by the US. Thus, the rupture led to the deprivation of five hundred thousand barrels per day of Saudi oil through the Mediterranean Sea. Furthermore, in September of 1969, only one thousand kilometres south of Palermo, in the city of Tripoli, an internal struggle for power led by a group of radical young military officers toppled King Idris I. The group, led by Muammar Gaddafi, were inspired by Nasser’s ideas of nationalism and Arab Unity. “Among the first acts of Gaddafi's new Revolutionary Command Council after the successful September coup was the shutting down of the British and American military bases in Libya.”¹²³ After a counter of another coup, in January 1970 Gaddafi challenged the twenty-one foreign oil companies by saying: “People who have lived without oil for 5,000 years, can live without

¹²⁰ S. Labbate, *L'Italia e l'ENI di fronte alle crisi petrolifere degli anni Settanta*, part of: M. Bucarelli & S. Labbate, *L'ENI e la fine dell'età dell'oro: la politica petrolifera dell'Ente Nazionale Idrocarburi in Medio Oriente e nel Mediterraneo negli anni delle grandi crisi energetiche*, “Nuova Rivista Storica”, II Files, May-August 2014, vol. 98, n. 2, p.510.

¹²¹ S. Labbate, *Energia Made in Italy-Le cooperazioni italiane oltre frontiera: dagli albori alle crisi petrolifere degli anni Settanta*, p.101.

¹²² *ivi* p.104.

¹²³ D. Yergin, *The prize*, p.577.

it again for a few years to attain their legitimate rights.” The Colonel “was now ready to deal with the oil industry.”¹²⁴

The Oil minister of Libya Izz-al Din al-Mabruk required a reconsideration of the concessions. The negotiations started with the two most productive companies, Exxon and Occidental. The latter was not part of the “*Sette Sorelle*” as it was considered part of the Independents. It did not have a large share of the market except in Libya. Thus, it was easier for the Revolutionary Command Council to ask for a renegotiation of the terms, because it was a case of “*all eggs in one basket.*” In contrast, Exxon had plenty of alternatives and refused to acquiesce to Libyan requests. “In a secret meeting held in New York, the companies agreed that they would hold a firm line, even refusing to table counterproposals, in the hope that the Libyans would soon pass to milder terms.”¹²⁵ In the meantime, the Libyan government imposed a cut of Occidental’s production, which went from 800 000 barrels per day to 500 000 units. Thus, “Occidental CEO Armand Hammer, went to see the chairman of Exxon, Ken Jamieson, asking for help in the form of a supply of crude at cost to fuel his refineries in Europe”¹²⁶ but his offer was declined. The reason was that the majors thought that the Independents would have been affected by the higher price and that would have favored them as competitors. The majors remained on the same hard line against the Libyan’s demand. However, “the companies had not considered another hindrance: the US State Department.”¹²⁷

According to the US officials, “the companies had no real options but to settle on the Libyan terms.”¹²⁸ The reason was that a “complete shutdown of the major production as a response to the rejection of governments demands would mean a loss of 1.5 million barrels per day directed to Europe with winter around the corner, causing a severe energy shortage.”¹²⁹ Thus, the European state would have been obligated to bypass the intermediation of the majors. Furthermore, this would return in the Cold War scheme, with the USSR as a possible other seller to the Europeans. Even though accepting the Libyan’s

¹²⁴ *ivi* p.578.

¹²⁵ F. Petrini, *Eight squeezed Sisters: The Oil Majors and the coming of the 1973 Oil Crisis*, part of: E. Bini, G. Garavini & F. Romero, *Oil Shock: The 1973 Crisis and its Economic Legacy*, London, Bloomsbury, 2016, p.96.

¹²⁶ *ibidem*.

¹²⁷ *ivi*, p.97.

¹²⁸ *ibidem*.

¹²⁹ *ibidem*.

demands would have generated a domino effect with other producing countries, this was the better solution. Thus, in October a new agreement “increased the posted price by 0,30\$ per barrel and established a higher tax rate on companies net profits. However, the costs were passed to the consumers and the increase affected mostly the Europeans and Japanese. Consequently, “the price of oil went up, between October 1969 and October 1970, by 115% in Rotterdam (the main entry port for Western Europe’s oil imports), by 120% in Italy and by 48% in Germany.

Meanwhile, in July the Libyan regime decided to “expel the Italian community resident in Libya, together with the confiscation of the assets and property of the community members.”¹³⁰ The main reasons for this act were the nationalism of Ghaddafi and because the Italian community remembered the colonial past and needed to be removed from its territory. The Libyan leader declared: “It is unacceptable that the usurper is permitted to remain with his plundering.”¹³¹ Italy faced the imposed exile on 20 thousand persons and the Italian government protested, but a reprisal was avoided. “The reaction resulted in a letter from President Giuseppe Saragat to Colonel Ghaddafi containing a personal appeal for an end to the acts of violence against the Italian embassy and Italian citizens living in Libya.”¹³² Ghaddafi responded “in a firm but friendly attitude” in which he declared that no act of violence was committed against the Italians. He affirmed his will to maintain good relations between the two states and also thanked Italy for “the right position of Italy in respect of the Arab cause.”¹³³

This balanced and somewhat “moderate” reaction by Colonel Ghaddafi about Italy could be explained by the more proactive Italian policy in those years towards the coastal states of the Mediterranean Sea. This diplomatic initiative was significantly adopted after the appointment of Aldo Moro as Minister of Foreign Affairs. From August 1969 the Italian governmental actions “for the solution of the Middle East question entered a more dynamic phase, that brought the Chief of the *Farnesina* (the building of the Ministry of Foreign Affairs) to visit several Arab States and to receive in Rome the minister of some of the

¹³⁰ D. Caviglia & M. Cricco, *La diplomazia italiana e gli equilibri mediterranei. La politica mediorientale dell'Italia dalla guerra dei Sei Giorni al conflitto dello Yom Kippur*, Rubbettino, Soveria Mannelli, 2006, p.78.

¹³¹ *ivi*, p.84.

¹³² *ivi*, p.85.

¹³³ *ibidem*.

visited countries. The initiative of Moro on the Israel-Arab dispute was legitimized by the belief that the everlasting conflict between Israel and the Arab States tended to favour the Soviet penetration in the zone.”¹³⁴ Thus, it could have weakened the interests of Italy and NATO. However, the action was broader and focused not only on the Israel-Arabs conflict but in strengthening the role of Italy in the Mediterranean. As a matter of fact, even the president of the US, Richard Nixon, recognized Moro himself “the important role in the Mediterranean arena defining as the major power in the free world in the area.”¹³⁵

However, the active policy towards the Arab countries was due to the strong dependence “on the oil extracted in OPEC countries, and thus vulnerable to their decisions.”¹³⁶ Hence, “ENI maintained a direct relationship with oil producers, to assure the Italian market a constant flow of oil.”¹³⁷ Meanwhile, “Moro used his growing influence in the Arab world to facilitate ENI's presence in several oil-producing countries, particularly in Libya.”¹³⁸ In 1970, the new relations established favoured an agreement between the Italian and the Libyan governments, in which ENI was delegated to build a petrochemical plant and a refinery. Following Mattei's strategy, ENI was due to train the Libyan operators to maintain the refinery, all in exchange for oil and natural gas.¹³⁹ The value of this agreement was “estimated at 42 billion lire.”¹⁴⁰

Ghaddafi, in a short time, obtained all that he wanted and now the Revolutionary Command Council had increased sensibly their entrance not only from the posted prices and the agreements with consumer countries but even by the seizure of the Italian's properties. However, the posted prices had a significant impact globally because it led to a domino effect. That was what the major intended to avoid, but all the exporting countries wanted to increase their revenue and thus renegotiate their terms. The Libyan developments “encouraged the OPEC countries to make further demands collectively. At the meeting in

¹³⁴ *ivi*, p.78.

¹³⁵ *ivi*, p.79.

¹³⁶ E. Bini, *A Transatlantic Shock: Italy's Energy Policies between the Mediterranean and the EEC, 1967-1974*, p.152.

¹³⁷ *ibidem*.

¹³⁸ *ivi* p.153.

¹³⁹ Cfr. A. Varvelli, *L'Italia e l'ascesa di Gheddafi: la cacciata degli italiani, le armi e il petrolio*, Milano, Baldini Castoldi Dalai, 2009.

¹⁴⁰ B. Bagnato, *Il profilo internazionale di ENI* part of: L. Segreto, *ENI, la storia di un'impresa: passato, presente e futuro del cane a sei zampe*, Milano, Fondazione Giangiacomo Feltrinelli, 2022. p.252.

Caracas, on 9-12 December 1970, they adopted a series of resolutions aimed at increasing the payments made to them by the companies. In fact, at this point, they demanded uniform general increases on posted prices.”¹⁴¹

It was formed a committee of ministers from Iran, Iraq, and Saudi Arabia to represent the negotiating table in Teheran, while the Gulf countries negotiate with the Iranian Consortium. The intention of the companies during the negotiations was not to limit the increase of the posted prices, “but a stable frame of reference which would permit them to guarantee supply.”¹⁴² Furthermore, “to avoid leap-frogging the companies’ message specified, as an essential condition, that the negotiations had to be unitary.”¹⁴³ They were represented by George Piercy and Lord Strathalmond, who had to meet the committee of ministers in Teheran and the Libyan representatives. However, “the three ministers were unbending. They would discuss oil pricing for the Gulf countries, and only for the Gulf countries, and not the rest of OPEC.”¹⁴⁴ The ministers demanded separate negotiations and threatened to raise the tax on oil companies and to fix unilaterally the price of oil. Thus, they approved a declaration in which “they did not exclude that separate (but necessarily connected) discussions could be held.”¹⁴⁵ On the 25th of January, the majors decided, together with the independents, “two negotiating teams, one for Teheran, headed by Strathalmond, and the other for Tripoli, headed by Piercy.”¹⁴⁶ The negotiation demonstrated that the gap was broad, on different levels: from the posted prices to the assurances against the leap-frogging. Then, in February the delegates of the companies in Teheran yielded and a new agreement was signed.

“The new accord established 55 per cent as the minimum government take and raised the price of a barrel of oil by thirty-five cents, with a commitment to further annual hikes.”¹⁴⁷ Furthermore, the ministers promised that they would not request a further increase for five years. At the same time, in Libya, the negotiations continued and in April the delegates conceded an increase of 50% of what the Libyan government earned before,

¹⁴¹ F. Petrini, *Eight squeezed Sisters: The Oil Majors and the coming of the 1973 Oil Crisis*, p.99.

¹⁴² *ivi* p.100.

¹⁴³ *ibidem*.

¹⁴⁴ D. Yergin, *The prize*, p.582.

¹⁴⁵ F. Petrini, *Eight squeezed Sisters: The Oil Majors and the coming of the 1973 Oil Crisis*, p.103.

¹⁴⁶ *ivi* p.104.

¹⁴⁷ D. Yergin, *The prize*, p.582.

by raising the posted prices of ninety cents. According to some the agreement had been a disaster since “the companies had failed to present a united front; the negotiations had shown the extent of their discord and had revealed difficulties in coordination between companies and parent governments.”¹⁴⁸ However, it was true that “losing a position of supremacy in the governance of oil markets, the majors managed to survive the storm[...], by passing on the extra costs to consumers.”¹⁴⁹ As a matter of fact, “the companies net profits, after a rise of 1 per cent between 1969 and 1970, in 1971 rose by 11 per cent.”¹⁵⁰

In the meantime, on the 15th of August, another important event impacted the global level: the President of the United States Nixon decided to abandon the system of fixed exchange rates. Thus, ending the monetary system created in 1944 with the Bretton Woods agreement. From this moment the US dollar, the currency used as a reserve, would begin to fluctuate following the other currencies. The reasons behind this decision were two: “the enormous military burden imposed by the Vietnam War and an ever-increasing federal budget deficit. The dollar was tied to the gold standard, and fears were growing in Washington that US currency holders would soon try to exchange it for gold, thus draining US reserves.”¹⁵¹ The US had to end the fixed exchange rates and that generated confusions on the global system of currencies. Two depreciations of the dollar followed in 1972 and the European government “adopted deliberately deflationary policies, allowing credit to be facilitated, domestic prices to rise and their own currency to be devalued.”¹⁵² Italy followed this monetary policy with the *lira*. Differently, only the *Bundesrepublik* in Europe reject it and, on the contrary, opted to reevaluate the German Mark. However, “the uncertainty generated by the American abandonment of a dollar-based system encouraged growing currency speculation, which international agreements had no chance of containing. [...] Currencies collapsed, and the cost of imports inevitably soared: between 1971 and 1973, the world price of goods, excluding fuel, rose by 70%; the price of food increased by 100%.”¹⁵³

¹⁴⁸ F. Petrini, *Eight squeezed Sisters: The Oil Majors and the coming of the 1973 Oil Crisis*, p.107.

¹⁴⁹ *ibidem*.

¹⁵⁰ F. Parra, *Oil Politics: a modern history of petroleum*, London, I.B. Tauris, 2004, p.134.

¹⁵¹ T. Judt, *Postwar: a history of Europe since 1945*, Westminster, Penguin Press, 2005, p.560.

¹⁵² *ivi* p.561.

¹⁵³ *ibidem*.

2.2 Turmoil, War and Diplomacy

In this international background, in the Middle East new actors and phenomena emerged shortly after the negotiations done by the majors. The victory of the Gulf countries and Libya during the negotiations were part of a larger context revolving around the continuing hostilities between the Arab world and Israel.

In this framework, in September 1970, two events shook the precarious condition of the Arab countries, which were involved in the war of 1967. On one hand, the refugee crisis of Palestinians in Jordan led the so-called *fedayeen* (those who sacrifice themselves), an armed paramilitary group of Palestinian nationalists and revolutionaries, to create “an armed state within the state, controlling much of Amman and ignoring his rule.”¹⁵⁴ Thus, it dwindled the already weakened position of King Hussein, in contrast with the Iraqis in East Jordan defeated in 1967 by the Israelis. However, the King was able to contrast the *fedayeen* thanks to “his own smart decisions, his excellent intelligence service, and the loyalty of the army.”¹⁵⁵ In September, “the Jordanian attack quickly put the fedayeen on the defensive. With tanks in the lead, the Jordanian army got the upper hand in fierce house-to-house fighting.”¹⁵⁶ The Arabs referred to the clashes in Jordan as the “Black September” or the Jordanian civil war. On the other hand, the man who most embodied Arab nationalism suddenly disappeared. Gamal Abdel Nasser died on the 28th of September, just one day after reaching a truce between King Hussein and the *fedayeen*. One of the militaries, that participated with Nasser in toppling the king back in 1952, became the successor: Anwar Sadat.

“He assumed the role of President of the Republic on the 7th of October 1970 and his first act, even before the official inauguration, was to reaffirm Cairo's friendship with Moscow by signing a joint Soviet-Egyptian communiqué [...] stating that the Soviet Union and the United Arab Republic intended to unite and coordinate their efforts to settle the Middle East conflict.”¹⁵⁷ Sadat was left with the difficult task of restoring Egypt's prestige by reclaiming the Sinai peninsula or at least attempting to negotiate on the occupied

¹⁵⁴ B. Riedel, *Remembering a Triumph in Intelligence: fifty years after Black September in Jordan*, Studies in Intelligence, CIA, vol.64, n.2, 2020, p.35.

¹⁵⁵ *ivi* p.37.

¹⁵⁶ *ivi* p.39.

¹⁵⁷ D. Caviglia & M. Cricco, *La diplomazia italiana e gli equilibri mediterranei. La politica mediorientale dell'Italia dalla guerra dei Sei Giorni al conflitto dello Yom Kippur*, p.96.

territories by Israeli forces. However, he differed from Nasser on the fact that he did not pursue pan-Arabism. Furthermore, not long time after his proclamation, “he proved to be more flexible than Nasser”¹⁵⁸ by dismissing “the vice-president Ali Sabri, who belonged to the pro-soviet opposition, that threatened the political survivability of Sadat.”¹⁵⁹ He considered that the Soviets were part of this, as a matter of fact, he stated that the “Russians, try to overthrow me with the abortive Ali Sabri coup.”¹⁶⁰In addition, the Egyptian military “felt humiliated by the interference and control from Soviet advisers.”¹⁶¹Moreover, the right wing of his government influenced him to shift the relations between Egypt and the USSR by affirming the need “to reconsider the policy of extravagant dependence on the Soviet Union [...] we do not in any way mean to undermine Soviet-Egyptian friendship, for it would be sheer insanity for Egypt to abandon the friendship of one of the super-powers. What we mean is that the relationship with the Soviets must return to the natural and secure framework of relationships between a newly independent country anxious to protect that independence and a big State, whose strategy embodies the desire to expand its influence.”¹⁶²

Thus, on 20th July of 1972 “Sadat ordered the withdrawal of all Soviet military personnel from Egypt,”¹⁶³ they were almost twenty thousand. The decision hoped also to influence the West into Egypt’s favour on a possible peace negotiation concerning the Israeli occupation of the Sinai Peninsula. However, the entire West diplomacy failed to achieve some gains on the Israeli-Arab issues. Numerous explorative missions attempted to solve the problem: Italy proposed at the UN “to send UN forces of interposition previously agreed between USA and USSR [...] the main idea consisted in entrusting to the UN troops the control of the two banks of the Canal.”¹⁶⁴Besides the Italian failed proposal, at the UN the mission assigned to this delicate argument was the Jarring Mission, a diplomatic initiative, by Swedish diplomat Gunnar Jarring, aimed at finding a peaceful resolution to the Arab-Israeli conflict. The mission was initiated following the United

¹⁵⁸ *ivi* p.121.

¹⁵⁹ *ibidem* (on the footnotes).

¹⁶⁰ A. McDermott, *Sadat and the Soviet Union*, *The World Today*, vol.28, n.9, September 1972, p.404.

¹⁶¹ *ivi* p.406.

¹⁶² *ivi* pp.405-406.

¹⁶³ *ivi* p.404.

¹⁶⁴ D. Caviglia & M. Cricco, *La diplomazia italiana e gli equilibri mediterranei. La politica mediorientale dell'Italia dalla guerra dei Sei Giorni al conflitto dello Yom Kippur*, p.61.

Nations Security Council's Resolution 242, which called for Israel to withdraw from the territories it had occupied. Those problems related to the territories caused the failure of the diplomatic process. “ambassador Jarring resumed talks with the parties to the conflict, but despite statements of intent by the Israeli Foreign Minister Abba Eban and the Egyptian President Sadat proclaiming the will for peace in their countries, the resumption of negotiations ultimately stalled over the problem of the territories occupied by Israel.”¹⁶⁵

After all those episodes, Sadat consolidated himself internally and “in late 1972 and early 1973, Sadat came to his fateful decision. He would go to war; it was the only way to obtain his political objectives.”¹⁶⁶ However, he intended to plan not alone but involving the Syrian President Hafiz al-Assad, who gained power after a coup in 1970 after the Black September in which the Syrian Army was entangled and defeated. Thus, Sadat’s idea was to force the Israelis to fight on two fronts. Nevertheless, this was not sufficient to attract all the major powers to his plan. Therefore, in the summer of 1973, he personally made an unannounced visit to Saudi Arabia to meet King Faisal. “Sadat understood the rise of oil power and sought to use it to Egypt’s advantage.”¹⁶⁷ Faisal was one of the most advocate antagonists of the “weaponization of oil.” However, its position changed when he realized that the connection of Saudi oil production to the Arab-Israeli conflict would have brought several returns to its dynasty and Kingdom. After the negotiations in Teheran, Faysal noticed that the oil of “Saudi Arabia had become the marginal supplier for everybody, including the United States.”¹⁶⁸ The share of Saudi exports grew almost 10% from 1970 to 1973. Furthermore, the US were vulnerable for the first time due to the incapacity to increase their domestic production, and this would have led to the inability “to supply its allies in the event of a crisis.”¹⁶⁹ This would have been different in respect of 1967. Additionally, the support of Egypt’s military actions against Israel “would have also enhanced Faisal’s prestige in the Arab World, which was under constant attack from the

¹⁶⁵ *ivi* p.127.

¹⁶⁶ D.Yergin, *The prize*, p.593.

¹⁶⁷ C.R.W. Dietrich, *First class Brouhaha’: Henry Kissinger and Oil Power in the 1970s*, part of: E. Bini, G. Garavini & F. Romero, *Oil Shock: The 1973 Crisis and its Economic Legacy*, London, Bloomsbury, 2016, p.43.

¹⁶⁸ D.Yergin, *The prize*, New York, Free Press, 2003. p.594.

¹⁶⁹ *ibidem*.

radical leaders in oil-producing Libya, Iraq and Algeria.”¹⁷⁰ Lastly, it would have been an enormous profit due to the increased revenues.

Still, the Saudis were dependent on the United States’ military support, and, for this reason, Faisal warned American officials and the majors that “no further production expansions would occur without a settlement of the Arab-Israeli conflict.”¹⁷¹ He requested, not even so covertly, pressure from the US administration on Israel to withdraw to its pre-1967 borders, instead, the Israeli government led by Golda Meir was firmly standing in favour of the status quo. The statements made by the King actually grabbed the attention of US Secretary of State Henry Kissinger who told President Nixon that “this is the strongest statement yet by Faisal and his first direct linkage of the Arab-Israeli problem with oil.”¹⁷² Besides that, the message by the King was heard but not fulfilled, then October came, and the war broke out. On the 6th of October 1973, in Israel, there was the religious celebration of the Yom Kippur, the day in which the Jewish believers celebrate the day of atonement. But the festivity was abruptly interrupted by the shots of the smoking guns on the western banks of the Suez Canal, the Egyptian fighters in the sky and the Syrian tanks on the Golan heights.

The fourth Israeli-Arab conflict erupted, and it shocked the Israelis and all the Western governments. A further shock was the crossing of the Egyptian soldiers on the eastern bank of the Canal, where they started to snare the line of defence, the *Bar-Lev Line*, built several years before and formed by forts and trenches. The Soviets were largely involved in the crossing due to their doctrine. “Crossing waterways has always been a strong point in Russian military doctrine, the Russians successfully passed their equipment and know-how on to their proteges.”¹⁷³ Furthermore, the Israelian Air Force attempted to intervene, but it was contrasted by the dense surface-to-air missile (SAM) that was shipped by the Soviets in support of the Arabs. In a matter of hours, more than 32 thousand Egyptian soldiers crossed the Canal and consolidated their positions. In Israel, the attack was a “*fall of the idols*” and the days that followed were even worse. The Israeli government “assumed

¹⁷⁰ C.R.W. Dietrich, *First class Brouhaha’: Henry Kissinger and Oil Power in the 1970s*, p.44.

¹⁷¹ *ibidem*.

¹⁷² *ibidem*.

¹⁷³ M. I. Handel, *The Yom Kippur War and the Inevitability of Surprise*, Oxford, International Studies Quarterly, vol. 21, no. 3, September 1977, p.486.

that it had enough supplies to last for three weeks of war”¹⁷⁴ but the unexpected Arab Offensive demonstrated a lack of supplies that could have led to a total collapse of the Israeli Defence Force (IDF).

After two days after the start of the offensive, the Egyptians and the Syrian forces had consolidated gains in both the Golan Heights and the Sinai Peninsula. Meanwhile, in Israel, the situation was so desperate that the former general Moshe Dayan, at the time Israel's Defense Minister, told Golda Meir “that the Third Temple is going under.”¹⁷⁵ Thus, the Prime Minister asked the US administration for support and a rush of supplies began between the US and the Soviets. However, the US where in a perilous position because on the one hand, the Nixon administration had to consider the position of the Arab States due to the oil dependency, while on the other hand, they had to help an ally that was succumbing to Soviet weapons. The US administration realized how massive the amount of resupply by the Soviets to the Arabs was also funded by the Saudis and other states, thus the US decided to intervene. However, “Washington hoped to keep the low profile, but the presumption of secrecy did not take into account an unexpected act of nature.”¹⁷⁶ Nixon and Kissinger wished that the airlift of supplies happened at night, but powerful crosswinds put the transports at risk, henceforth the airlift arrived in broad daylight on October 14th. The hopes of the US to maintain the secret vanished instantly.

In the meantime, in Vienna, the OPEC delegates met the representatives of the oil companies. The meeting was scheduled on October 8th to rediscuss the terms, because the “the Tehran and Tripoli agreements were dead.”¹⁷⁷ The participants of the meeting knew about the surprise attacks just arrived, and the news “created great commotion among the OPEC delegates in Vienna.”¹⁷⁸ Aside from the events of the war, on the negotiating table, the parties had completely different positions, “given that OPEC’s demands now entailed a doubling of the posted prices.”¹⁷⁹ While the *majors* offered a 45-cent increase in the posted prices, the OPEC delegates demanded a three-dollar increase. The reason for the demand for a 100% increase was due to “the combined pressures deriving from increasing

¹⁷⁴ D.Yergin, *The prize*, p.603.

¹⁷⁵ *ivi* p.604.

¹⁷⁶ *ivi* p.605.

¹⁷⁷ *ivi* p.599.

¹⁷⁸ *ivi* p.601.

¹⁷⁹ G. Garavini, *The Rise and Fall of OPEC in the Twentieth Century*, p.202.

market prices, uncontrolled inflation in the industrialized nations, dollar depreciation, peak oil production in the United States and Venezuela, scant investment in alternative energy sources, and scarcely any serious consumer government regulation to enhance energy conservation, all of the above coupled with yet another conflict between the Arab world and Israel,”¹⁸⁰ that add even a political motivation to demand such a high price. Furthermore, the oil companies’ representatives warned the US administration “that any military intervention in support of Israel would have a dramatic impact on the moderate Arab states.”¹⁸¹

On the 16th of October, the Saudi King sent a letter to Nixon that the Saudi-American relations could have been diminished through indifference if the US continued to sustain Israel militarily. The US tried to reassure the Saudis and other Arab states that the military aid was not an anti-Arab stance, but a bigger confrontation against the USSR. That was not enough. As a consequence, in Kuwait City on the 16th of October, the Arab oil ministries decided to enact the first unilateral action, without the intermediation of the majors, by increasing the posted prices. Meanwhile, on the 17th, they decided the oil embargo on the US and agreed also on “cutting production of 5% from the September level, and to keep cutting by 5% in each succeeding month until their objectives were met.”¹⁸² The objective was to achieve “the Israeli withdrawal from the whole Arab territories occupied in June 1967 and the legal rights of the Palestinian people restored.”¹⁸³ The radical Iraqi delegates were against this plan and vehemently proposed “to nationalize US oil interests everywhere, to withdraw all funds from US banks, and to break off diplomatic relations with Washington”¹⁸⁴ to force the US to support the Arab cause. The Iraqi’s plan was not even considered by the other countries.

In these fateful days, Nixon announced a military supply of 2.2 billion dollars to Israel, while the Israeli army, relieved by the previous US support, had finally mobilized and regrouped and started a series of successful counteroffensive in the North and the South, countering the Arabs. However, the gamble of Sadat of using the “oil weapon” as leverage paid off because now the “crisis in the Middle East” was not only a fight in a

¹⁸⁰ *ivi* p.203.

¹⁸¹ *ivi* p.202.

¹⁸² D.Yergin, *The prize*, p.607.

¹⁸³ G. Garavini, *The Rise and Fall of OPEC in the Twentieth Century*, p.218.

¹⁸⁴ *ibidem*.

restricted area between the Arabs and the Israelis but a worldwide issue. On the 20th, King Faisal decided, “along with the rest of the Arab states, to proclaim a total embargo on all direct oil shipments to the United States and a few other countries, including the Netherlands.”¹⁸⁵ The Nixon government had not even considered the embargo as a possible measure to retaliate. One possible reason was that the administration was distracted by a scandal that soon would have led to the impeachment of the President. During this month packed with history, even the Watergate scandal, the crimes of illegal espionage committed by members of Nixon’s Committee to Reelection connected with the President himself, became more and more present in public opinion. Moreover, after the so-called “Saturday Night Massacre” where President Nixon ordered two Attorneys General to fire the Special Prosecutor in Watergate but they refused and resigned the event became relevant and it weakened Nixon’s public image at a moment when other concerns were at stake.

On the 22nd of October, a ceasefire between the warring parties was established through the resolution n. 338 of the Security Council. It was promoted by an agreement between the Secretary of State Kissinger and the Secretary of the USSR Brezhnev. It did not last long and that almost triggered a superpower confrontation in the Middle East. Luckily, the battles in the Canal stopped and “Egyptian and Israeli military representatives met for direct talks for the first time in a quarter of a century.”¹⁸⁶ On the 11th of November, a truce was achieved between the warring parties. However, the OPEC members maintained their decision to cut production. They decided to distinct into three different classes the states that import their oil: “preferred countries, which would receive all of the requested shipments at pre-October levels; neutral countries, which would receive less than their September quotas; embargoed countries, subject to a complete ban.”¹⁸⁷ Even though some countries were even considered “friendly” like France and Belgium, this distinction had the effect of creating a series of political differences and visions among the Western bloc. Thus, it posed “Europe in a difficult position, both concerning Jerusalem and, especially, about Washington.”¹⁸⁸ The events that followed demonstrated it.

¹⁸⁵ *ivi* p.219.

¹⁸⁶ D.Yergin, *The prize*, p.612.

¹⁸⁷ G. Garavini, *The Rise and Fall of OPEC in the Twentieth Century*, p.219.

¹⁸⁸ S. Labbate, *Energia Made in Italy-Le cooperazioni italiane oltre frontiera: dagli albori alle crisi petrolifere degli anni Settanta*, p.112.

On the 5th of November the OAPEC, Organization of Arab Petroleum Exporting Countries, decided “to cut production by 25 per cent across the board,”¹⁸⁹ tightening the already heavy measures taken in October. The further drop led to a reduction of almost 5 million barrels per day in the month of November 1973. The effect produced a widespread fear among the consumer countries about oil scarcity due to the levitating prices. From September to November the price of a barrel almost quadruplicated, from 3\$ to 11\$. The political reaction by the European Economic Community was to adopt a joint declaration “which marked an openly pro-Arab turn.”¹⁹⁰ The EEC members “called on Israel to end its occupation of the territories it has held under its control since the 1967 war, called for respect for the independence, sovereignty and territorial integrity of all states in the region, and demanded that the legitimate interests of the Palestinians be taken into account in the future peace.”¹⁹¹ However, at the conference of Copenhagen, “four Arab ministers who were invited to attend a colloquium with the members of the European Council, meeting scheduled on 14-15 December 1973, did not hesitate to declare that oil supplies would be modulated according to Europe's positions.”¹⁹² Still, “the first formalized Euro-Arab Dialogue was launched.”¹⁹³

Among the European political figures, one of the main endorsers of the joint declaration was Moro, who again was appointed Minister of Foreign Affairs in the summer of 1973. “Italy’s adherence to the joint proclamation of the 6th November seemed almost a necessity because of the serious economic repercussions caused by the exorbitant increase in the price of oil and its limited availability.”¹⁹⁴ The oil shock “was particularly detrimental for the Italian economy, as it reduced the country's oil imports by 20% (the equivalent of

¹⁸⁹ G. Garavini, *The Rise and Fall of OPEC in the Twentieth Century*, p.219.

¹⁹⁰ Labbate, *Energia Made in Italy-Le cooperazioni italiane oltre frontiera: dagli albori alle crisi petrolifere degli anni Settanta*, p.111.

¹⁹¹ L. Monzali, F. Imperato, R. Milano, & G. Spagnulo, *Storia delle Relazioni Internazionali (1919-2021)*, Milano, Mondadori, 2022, p.462.

¹⁹² L. Riccardi, *Aldo Moro e il Medio Oriente (1963-1978)*, part of: F. Perfetti, A. Ungari, D. Caviglia, & D. De Luca, *Aldo Moro nell'Italia contemporanea*, Biblioteca di “Nuova Storia Contemporanea”, Firenze: Le Lettere, 2011, p.576.

¹⁹³ G. Garavini, *The Rise and Fall of OPEC in the Twentieth Century*, p.220.

¹⁹⁴ S. Labbate, *Energia Made in Italy-Le cooperazioni italiane oltre frontiera: dagli albori alle crisi petrolifere degli anni Settanta*, pp.112-113.

11% of its energy needs).¹⁹⁵ Furthermore, the almost total dependence on Arab oil posed Italy in a condition forced to try to win the sympathy of the Arab countries.

Italy on an internal level was facing the most crucial years of its republican history. The widespread social unrest with the outbreak of terrorist activities by the extremists of the right and left wings had the effect of weakening the social tightness of the main party the Christian Democrats. Moreover, “oil shock thus intersected with, and accelerated, growing and widespread social tensions (with the outbreak of terrorism) and political instability.”¹⁹⁶ The sharp increase in oil prices resulted in a decrease in industrial production, “along with salaries, occupation rates and private consumption, while inflation rose, leading to a recession.”¹⁹⁷ Furthermore, the terrorist group “Black September”, formed by Palestinian *fedayeen*, attacked the Italian airport of Fiumicino on the 17th of December killing 32 passengers. This terrorist action was part of a series of terrorist events that had a major impact on public opinion and the shaping of European policies towards international terrorism. From September 1972 to December 1973 several cities in Europe and the Middle East were hit by Palestinian *fedayeen*, among those the most dramatic was in Munich at the Olympic Village against the Israelian National team.

The Palestinian terrorist attack resulted in an increment of the instability that was already higher thanks to the actions of the various Italian terrorist groups. Thus, the Minister of Foreign Affairs decided that it was time to take a clear and decisive stance in favour of the Arabs and the Palestinians. “Moro understood how maintaining a good relationship with the Palestinian world would act as a deterrent to any further terrorist actions on Italian soil.”¹⁹⁸ Moreover, “Italy was also dissatisfied of being listed as neutral [...] and that was a status that Moro struggled to modify it by promising a clarification regarding the Italian position.”¹⁹⁹ The dissertation will explain better the Italian stance on this matter of international terrorism in the next paragraph.

¹⁹⁵ E. Bini, *A Transatlantic Shock: Italy's Energy Policies between the Mediterranean and the EEC, 1967-1974*, p.155.

¹⁹⁶ *ivi* p.156.

¹⁹⁷ *ibidem*.

¹⁹⁸ L. Riccardi, *Aldo Moro e il Medio Oriente (1963-1978)*, p.580.

¹⁹⁹ G. Garavini, *Moro, La comunità europea, la distensione nel mediterraneo*, part of: F. Perfetti, A. Ungari, D. Caviglia, & D. De Luca, *Aldo Moro nell'Italia contemporanea*, Biblioteca di “Nuova Storia Contemporanea”, Firenze: Le Lettere, 2011, p.592.

The US was not pleased by the reaction of their allies, but the Nixon administration, by now almost led by Kissinger, attempted “to promote a cooperated response among the industrial countries.”²⁰⁰ Kissinger wanted to avoid the European countries being forced to make a bilateral agreement with the Arabs, thus he promoted a “energy action group” which “would have addressed the main issues in the energy sector in a multilateral framework.”²⁰¹ The bilateral approach by the Europeans could have “undermined his efforts to negotiate a settlement to the Arab-Israeli war.”²⁰² It would have also created a Euro-Arab dialogue that could have been perilous for the US interests. In addition, the possibility that the industrial states would have started a rush in a competition based on mercantilism and the Italian saying “*ognuno per sé, Dio per tutti*” (Every man for himself, God for everyone). That could have harmed the integrity of the Western bloc. However, what he tried to avoid was already in motion.

2.3 Moro’s trip to the Middle East

The Italian Minister of Foreign Affairs Moro “tried to revive the policy of bilateral agreements for immediate benefits.”²⁰³ Especially, Italy needed to regain its “traditional orientation as a “bridge” country that had often characterized its approach to the states on the southern shore of the Mediterranean.”²⁰⁴ The decision to list Italy as a neutral country was since “the Arab countries accused Italy of supporting the United States and Israel during the war.”²⁰⁵ In particular, the Arab made informal accusations of alleged use by the US of NATO bases in Italy to supply the Israeli Defence Force, as mentioned in a telegram of the US embassy in Rome to the State Department.²⁰⁶ The Italian policy to undertake direct initiatives to obtain more secure oil supplies was only a part of the strategy that the

²⁰⁰ D.Yergin, *The prize*, p.629.

²⁰¹ S. Labbate, *Aldo Moro e la politica energetica dell’Italia*, part of: F. Perfetti, A. Ungari, D. Caviglia, & D. De Luca, *Aldo Moro nell’Italia contemporanea*, Biblioteca di “Nuova Storia Contemporanea”, Firenze: Le Lettere, 2011, p.727.

²⁰² D.Yergin, *The prize*, p.629.

²⁰³ S. Labbate, *Energia Made in Italy-Le cooperazioni italiane oltre frontiera: dagli albori alle crisi petrolifere degli anni Settanta*, p.101.

²⁰⁴ *ivi* p.122.

²⁰⁵ M. Cricco, *Aldo Moro e la cooperazione energetica con i Paesi Arabi*, part of: F. Perfetti, A. Ungari, D. Caviglia, & D. De Luca, *Aldo Moro nell’Italia contemporanea*, Biblioteca di “Nuova Storia Contemporanea”, Firenze: Le Lettere, 2011, p.633.

²⁰⁶ US National Archive (NARA), Telegram from The American Embassy in Rome to the Secretary of State, Washington D.C: “*Allegations of Italian support for Israelis during October hostilities*”, Rome, 26th October 1973. Citation found in: M. Cricco, *Aldo Moro e la cooperazione energetica*, p.633.

government of Rumor intended to achieve. The bilateralism had to be completed by closer cooperation in the EEC. “What was suggested was a kind of twin-track policy in which, in parallel with the pursuit of bilateral agreements, a Community energy policy was to be developed.”²⁰⁷ However, in the EEC, different positions were becoming evident: on one side, the French with a stance openly pro-Arab and on the other side, the Dutch with a position pro-Israel.

In the Copenhagen summit, even though a Euro-Arab dialogue was open, the members “failed to promote a common energy policy but achieved only directives on energy saving.”²⁰⁸ The French deluded by the Copenhagen summit, together with the Italians, “called the decisions on oil taken in Copenhagen, not an oil policy, which would have presupposed collective European agreements on supplies, but an organization of shortages.”²⁰⁹ Another major issue was the promotion by the Nixon administration of an energy conference which would be held in Washington from the 11th to the 13th of February. The French were against this conference and proposed a different and competitive plan based on a Euro-Arab dialogue. Minister Moro evaluated the French plan and the US proposal, considering the whole issue in a more international context, but even in a Mediterranean one. Indeed, “the Paris initiative could be directly linked to Italy's Mediterranean policy,”²¹⁰ but the Italian policy needed to consider “the whole issue with circumspection so that the international balance would not be shaken further.”²¹¹ However, a few days after New Year's Eve, the visit of the Ministers of Energy Yamani, for the Saudis, and Abdesselam, for Algeria, convinced Moro of “the need to start a dialogue with the Arab countries and matured the hypothesis of travelling directly to the region to accelerate this process.”²¹²

Both the Energy Minister “clarified that would not have been obstacles from the Arab side when the Italian would have released a declaration on the Arab-Israeli conflict on the terms, in which they advised Moro.”²¹³ Thus, on the 23rd of January 1974, the

²⁰⁷ S. Labbate, *Aldo Moro e la politica energetica dell'Italia*, p.727.

²⁰⁸ G. Garavini, *Moro, la comunità europea, la distensione nel mediterraneo*, p.592.

²⁰⁹ *ibidem*.

²¹⁰ S. Labbate, *Aldo Moro e la politica energetica dell'Italia*, p.727.

²¹¹ *ibidem*.

²¹² *ivi* p.729.

²¹³ The National Archives, FCO 33/2498, Letter from D.F. Milton (British Embassy, Rome) to R.M. Hunt (Middle East Department, FCO): “*Italy and the Arabs*”, Rome, 17th January 1974. Citation found in: M. Cricco, *Aldo Moro e la cooperazione energetica*, p.635.

Minister released a speech to the Commission of Foreign Affairs of the Senate in which he stated that “the peninsula, while not questioning the very existence and integrity of the State of Israel, recognised the legitimate Arab aspirations to have a homeland of their own. Furthermore, he added that the Palestinians should be guaranteed the possibility of deciding their future, and therefore considered it necessary to end the Israeli occupation of all territories forcibly conquered during the 1967 war, with a broad interpretation of UN Resolution n. 242.”²¹⁴ Moreover, he explained the guidelines of his policy and the intention to depart for a “long journey, from the 25th of January to the 3rd of February 1974 in several Middle Eastern countries like Egypt, UAE, Kuwait, Iran, Saudi Arabia to improve relations with these nations and to obtain bilateral agreements, still maintaining a constant cooperation among the EEC.”²¹⁵ The visits meant even the attempt to protect and preserve the economic privileges with Egypt, Libya, Maghreb countries and Saudi Arabia, which have been damaged by bilateral agreements of other industrialized countries.

In the meantime, even other actors of the Italian government went to the Middle East. The first months of “1974 also saw the visits of Under-Secretary for Foreign Affairs Bensi to Syria and Iraq and of the diplomatic advisor to the President of the Republic, ambassador Sensi, to Saudi Arabia.”²¹⁶ These visits aimed to improve relations that would have paid off in the future. “In the case of Iraq, of course, there were ENI's interests that attached greater significance”²¹⁷ while in Saudi Arabia, the objective was to cultivate favourable relations with the leading oil exporter and producer, guaranteeing the oil supply for the Italian industry.

Even though Moro’s policy in this phase was oriented toward the French plan and in a policy of focus on the Arab stances, the Italian government decided to pursue even the path presented by the USA. Consequently, Italy accepted the invite to Washington for the Conference on Energy that was planned for the 11th to the 13th of February. It was Moro himself that urged the need for cooperation among the consumer countries. During the Conference, he expressed this point focused on cooperation and stressed also “the inevitability of the involvement of developing countries in the producer-consumer

²¹⁴ S. Labbate, *L'Italia e l'ENI di fronte alle crisi petrolifere degli anni Settanta*, p.507.

²¹⁵ S. Labbate, *Aldo Moro e la politica energetica dell'Italia*, p.729.

²¹⁶ M. Cricco, *Aldo Moro e la cooperazione energetica*, p.635.

²¹⁷ *ibidem*.

dialogue.”²¹⁸ The Conference for Kissinger had the intention to put on the table the Western bloc (US, Western Europe and Japan) and cooperate on the energy field to create a united front that could have improved the bargaining power of the consumers, but it “also aimed at reasserting the role of the oil majors, thus avoiding protectionism and bilateral deals.”²¹⁹ However, the Washington Conference, which lasted three days instead of two (probably due to the difficulties at the negotiations table), resulted in a “hard-won compromise, immediately rejected by France [...] they were convinced that rather being interested in moderating petroleum prices, something that could be achieved better through negotiation, the US simply aimed at reinforcing the Atlantic alliance and break OPEC.”²²⁰ Observers of the exporting countries commented the results of the Conference saying that it “engendered more controversy and conflict than cooperation.”²²¹

On the 28th of February 1974 the Italian Minister reported the results of the mission in the Middle East to the “Foreign Affairs Committee of the Chamber of Deputies, attempting to escape criticism of the exclusively bilateral nature of the initiative”²²² emphasizing that this policy was already done before the oil shock and the crises advised not to give up. He “noted that on the part of Islamic countries, there was a cordial friendship for Italy, together with a desire to see our country collaborate intensively, bringing the contribution of its technology and entrepreneurial skills to the economic and social development of these nations.”²²³ Furthermore, Moro highlighted also the agreements reached during the visits. He refers mostly to the Libyan agreement which contributes to “the supply of around thirty million tons of oil that would respond to the peninsula's immediate energy shortages.”²²⁴ Meanwhile, the other agreements were more focused on the creation of a development policy in the Middle East with the technological *know-how* in exchange of the so-called “petrodollars.”

The Italian government further renovated the agreement with Libya by signing a framework agreement for economic, technical, and scientific cooperation. This collaboration was “inaugurated by the visit to Rome of Prime Minister Abdul Salam Jallud

²¹⁸ S. Labbate, *Aldo Moro e la politica energetica dell'Italia*, p.731.

²¹⁹ G. Garavini, *The Rise and Fall of OPEC in the Twentieth Century*, p.233.

²²⁰ *ivi* p.234.

²²¹ *ibidem*.

²²² S. Labbate, *Aldo Moro e la politica energetica dell'Italia*, p.730.

²²³ M. Cricco, *Aldo Moro e la cooperazione energetica*, p.635.

²²⁴ S. Labbate, *Aldo Moro e la politica energetica dell'Italia*, p.730.

from the 21st to 25th of February 1974.”²²⁵ He was received by Prime Minister Mariano Rumor and Foreign Minister Aldo Moro and the accord was referred to as “Protocol Jallud-Rumor.” In practice, the framework agreement envisaged the possibility of increasing the supply from 23 to 30 million tons per year and the establishment of refineries and fertiliser production plants in Libya. Even though the Protocol had the necessities to fill the deficiencies, “by the time the agreement was signed, there were already concrete examples of cooperation between Italy and Libya, both in ENI's equal participation in the exploitation of oil fields and the construction of pipelines and refineries, and many Italian technicians were already working in the Arab country.”²²⁶ “During Prime Minister Rumor's talks with his Libyan colleague, ENI was cited as the jewel in the crown of the negotiations, underlining on the Italian side the oil company's full readiness to take on further commitments in Libya.”²²⁷

Furthermore, in October 1973 ENI was also involved in a massive project “with the Algerian State-owned firm Sonatrach, which followed a long series of negotiations that had started in the early 1960s. The treaty established a mixed company between the SNAM (Gas Pipeline National Company) and Sonatrach, in charge of building a pipeline (TRANSMED) linking Algeria to Sicily through Tunisia.”²²⁸ The President of ENI himself, Raffaele Girotti, negotiated the agreement with the political support of Moro. The pipeline would have assured almost 70% of the country's needs, practically it allowed the transport of 12 trillion cubic meters of gas per year for twenty-five years from 1978. It was part of the “methane option, the strategy of the Italian institute to provide the diffusion of natural gas all over the country through the signing of import contracts with the Netherlands, the Soviet Union and Algeria.”²²⁹ At first, the construction of the pipeline was delayed, and the main reason was that Tunisia, a transit country, demanded higher earnings than those agreed upon.

²²⁵ M. Cricco, *Aldo Moro e la cooperazione energetica*, p.636.

²²⁶ *ibidem*.

²²⁷ M. Cricco, *L'ENI in Libia: dal trattato italo-libico del 1956 ai negoziati degli anni Settanta*, part of: M. Bucarelli & S. Labbate, *L'ENI e la fine dell'età dell'oro: la politica petrolifera dell'Ente Nazionale Idrocarburi in Medio Oriente e nel Mediterraneo negli anni delle grandi crisi energetiche*, “Nuova Rivista Storica”, II Files, May-August 2014. p.507.

²²⁸ E. Bini, *A Transatlantic Shock: Italy's Energy Policies between the Mediterranean and the EEC, 1967-1974*, p.157.

²²⁹ S. Labbate, *L'Italia e l'ENI di fronte alle crisi petrolifere degli anni Settanta*, p.503.

At the same time as the signing of the agreement with Algeria, the Italian government was concerned with another aspect of the relations with the Arab countries: international terrorism. It was already cited the Fiumicino attack on the 17th of December 1973, but what was not mentioned was the Italian government's attempt to avoid any kind of terrorist act on its soil linked with the Arab cause. Already in December 1972 "Italian service of information referred to an attempt to halt the attacks by dealing with the Palestinian Resistance, highlighting the fact that a similar initiative was developed by some European countries, for their respective needs."²³⁰ However, according to the historian Valentine Lomellini, for the Italian situation, it is possible to distinguish the process into two phases. "A first one from 1969 to 1973, with an informal nature run by the secret services on the initiative of the Foreign Ministry and the support of the Interior and Justice Ministries; a second, since 1974, more formal, developed directly from *Farnesina*, with a sympathy from *Quirinale*."²³¹ The crucial moment that linked the two phases was again the critical month of October 1973. "A document, dated October 26th, 1973, quite clearly identifies the development of an interlocution with the PLO."²³²

The text discussed the five Arab terrorists who were arrested in September in the city of Ostia, near Rome, because found with several missile launchers fabricated in the USSR. The document stated that the Vice General Director of Political Affairs, Dr. Milesi, communicated that through informal channels, some solicitations were made to the Minister of Foreign Affairs to obtain the release of the five Arabs. It also affirmed that "the PLO would have assured that in case of the release, no terrorist actions would have been done in Italy."²³³ Thus, it could be the origin of the mysterious "*Lodo Moro*." It seems that the negotiation of the understanding started from the PLO, and it was a "structured diplomatic initiative that well suited in the developing of a political project aiming to ascribe the PLO in the international diplomacies."²³⁴ But if the understanding was reached at the end of October with the main actor of the Palestinian resistance, how can it be

²³⁰ V. Lomellini, *Il "lodo Moro": Terrorismo e ragion di Stato 1969-1986*, Ebook Edition, Bari-Roma Editori Laterza, 2022. Kobo, ch. III sec.2.

²³¹ *ivi*, ch. IV sec.3.

²³² *ibidem*.

²³³ *ibidem*.

²³⁴ *ibidem*.

explained the terrorist attack on the Italian soil perpetrated in December. The answer laid on the divisions and different strategies among leaders inside the PLO.

“A note of the Ministry of Internal Affairs in September 1973 it was described that the Italian authority knew the high contrasts between Al Fatah and the PFLP.”²³⁵ The latter was the Popular Front of the Liberation of Palestine led by Salah Khalaf and Wadi Haddad, the left side of the PLO but with a different vision on promoting the Palestinian cause. Meanwhile, Arafat was keen on a more moderate and more projected approach to find recognition of the PLO in the international context, the PFLP leaders wanted to solve the problem with an intensification of the terrorist acts and started what was called the *rejection policy* on Arafat’s strategy. According to the same note “Arafat was able to control the 60% of the forces of the Palestinian Resistance, and Salah Khalaf and Wadi Haddad of the PFLP respectively the 25% and 15%.”²³⁶ Moreover, two radical States moved and were part of the funding and support of the heterogenous groups inside the PLO: Libya with Muammar Ghaddafi and Iraq led by the Baathist Party, in which leaders were Ahmed Hasan al-Bakr and Saddam Hussein. “A qualified source reported the support of the Baathist government of Al-Bakr and Hussein for the European actions of the Palestinian terrorists, which was associated with a logistic-organisational availability: in Iraq, the Abu Nidal group (another leader inside Fatah not in line with the strategy of Arafat) could count on an extensive training camp to prepare their actions.”²³⁷ Meanwhile, Ghaddafi supported it through logistical assistance by using the Libyan embassies and the use of not prosecutable diplomatic bags. Furthermore, the Palestinians were funded by these two States through the Palestinian National Fund.

As a consequence, even though these two radical States favoured or were indirectly involved in the Fiumicino attack, the Italian Minister of Italian Foreign Affairs decided to push on a realist strategy through the already mentioned filo-Arab policy that practically solved the security theme “in a systematic dimension, in which the economic and social security of the State intertwined with the security of individuals.”²³⁸ Italy, as the analysis aforementioned, “revitalised and consolidated its privileged relationship with Libya and

²³⁵ *ivi*, ch. III sec.3.

²³⁶ *ibidem*.

²³⁷ *ivi*, ch. V sec.1.

²³⁸ *ivi*, ch. V sec.2.

Iraq on the energetic supplies.”²³⁹ Preserving and strengthening the relationship with Ghaddafi was the primary objective of Italian diplomacy, even if he “had contributed in a relevant way to a slaughter in the Italian soil.”²⁴⁰ In addition, the conciliant approach of Italian diplomacy would have led to a concrete result for the “*Lodo*” because it could have ceased the terrorist threat by extremist fringes of the PLO, considering the previous agreement with Arafat as the document of October demonstrated. The visits of the Libyan Prime Minister Jallud in February and the Iraqi Minister of Foreign Affairs Hadil Taqa in July of 1974 were proof of the Italian demeanour towards these countries.

The latter one had the aim of settling an agreement to expand the possibilities for cooperation between the two countries. During the official visit, the “President of the Republic Giovanni Leone emphasized the importance of the signed agreement that guaranteed the supply of raw materials and energy sources on the Iraqi side and the transfer of technology and know-how on the Italian side (in a classical *Formula Mattei*). The special partnership was thus further confirmed: a ten-year economic and technical cooperation agreement was signed in July 1974 between Italy and Iraq, extending the 1963 agreement.”²⁴¹ The Italian government knew that this relationship was not able to end the Iraqi’s (and Libyans) strategy of sponsoring international terrorism. In a note on the visit of the Iraqi Minister, the diplomatic adviser of the President of the Republic affirmed that even though Iraq was prompt to collaborate with the West, still, “the Iraqi leadership fully supports the Palestinian movement and particularly its most extremist fringes, which seem to have always obtained financial and logistical support in Baghdad, even for terrorist actions.”²⁴²

Overall, the dissertation demonstrated that the problems of the 60s decades unresolved led to several consequences at the global, regional, and national levels. From the Israeli occupation of the Sinai Peninsula that consolidated Arab nationalism, which manifested from revolutionary governments like in Libya and Iraq to the Palestinian campaign of international terrorism and, finally, the war organized and wanted by Egypt

²³⁹ *ibidem*.

²⁴⁰ *ivi*, ch. V sec.3.

²⁴¹ *ibidem*.

²⁴² Historical Archive of the President of the Republic, *Office of the Diplomatic Adviser*, b.856. B/8 (14) Visit in Italy of Head of State and foreign personalities: 1973-1975, fasc.7. Visit in Rome of the Minister of Foreign Affairs of Iraq, Hadil Taqa, 18th of July 1974.

and Syria to reclaiming the territories lost in the “third Arab Israeli War.” At the same time, the study displayed how OPEC countries became the principal suppliers in the world and the weaponization of oil, only a dream for the Arab nationalists a short time before, to pressure the West. The weaponization of oil was done in prevalence in European countries to achieve political results. The dependence on oil supplies from the Middle East had the effect of generating panic. The European states were forced to act swiftly in favour of the Arabs. Italy was no different. Central, in this period, was the political figure of Moro, who responded to the challenges precipitated by the disruption in global energy markets via economic, diplomatic, and political actions. Even, attempting to mitigate international terrorism. Besides all these efforts, Italy needed to strategically diversify its energy sources to find new resources.

Chapter Three

The inter-crisis period and the second oil shock

3.1 ENI and government convergence

During these chaotic times, “in the winter of 1973, many consuming countries adopted conservation measures.”²⁴³ Even in Italy, some conservative measures were embraced to challenge the energy crisis. The fourth Rumor’s government passed several measures to enforce the containment of energy consumption in response to the OPEC decision and the subsequent increase in oil prices. “Such measures ranged from the imposition of speed limits on the urban centres and the highways to carless Sundays to so-called “odd-even” rationing”²⁴⁴ to the closure of the petrol pumps in the vicinity of the holidays and even shops and public offices had to close earlier, lastly public lighting in municipalities had to be reduced. Those measures were defined as austerity and had effect only in the short term, but “have both a psychological and an economic impact on consumers.”²⁴⁵ They raised awareness regarding the fragility and dependence of the economic and production system that relied on one of the most unstable areas of the international context. However, what was damaging to the lifestyle of the Italian citizens was the growth of inflation, caused by the surge of oil prices and by the fluctuation of the currency, which produced a general increase in the cost of living. It also triggered wage adjustments to counter the rise in the cost of living and on labour costs. This run-up pushed prices ever higher, grafting itself into a socio-economic framework with a high level of conflict, caused above all by the increase in unemployment. A conflict that was already in motion by the terrorist acts of the *Years of Lead* by the right and left extremists.

The Italian instability was part of a larger context in which the whole of Southern Europe was plagued by crisis. On the 25th of April, some officials and soldiers of the Army overthrew Caetano’s regime, the successor of Salazar after he died in 1970, in Lisbon. They “established a provisional government, intending to start a process of democratization, decolonisation and economic reforms.”²⁴⁶ The discontent of the Portuguese army was

²⁴³ G. Garavini, *The Rise and Fall of OPEC in the Twentieth Century*, p.230.

²⁴⁴ *ibidem*.

²⁴⁵ *ibidem*.

²⁴⁶ T. Judt, *Postwar: a history of Europe since 1945*, p.634.

partially due to the “costly, bloody and useless”²⁴⁷ defence of the colonial territories that led to over 11 thousand deaths in Angola, Mozambique, Guinea-Bissau, and Cape Verde, but even for Portugal's economic and social backwardness (at the time the poorest country of Europe). Meanwhile, in the summer the Greek “*colonels' regime*” provoked a coup in Cyprus and established a puppet government with the intent of taking direct control of the island. On the 15th of July tensions erupted between the Greek governments and the president of Cyprus, Makarios, “considered in Athens, due to his neutralist policy and his desire to safeguard the independence of the island, an enemy of the «*Enosis*»”²⁴⁸ (the union between Greece and Cyprus). However, the Turkish government responded by landing troops on the island to defend the interests of the Turkish community. “On the 20th of July, the Turkish government implemented a military initiative, «Operation Attila», [...] by rapidly occupying large parts of the country.”²⁴⁹ The Turkish army occupied two-fifths of Cyprus and the humiliation led to the fall of the Greek *junta*. The transition brought to a civil government led by Karamanlis that won the election in November of the same year.

Thus, another turbulence in the Levantine Mediterranean shook Italian politics and “on the Italian side, support was openly expressed for the re-establishment of the complete unity and independence of Cyprus and mediation channels were sought between the Turks and Greeks.”²⁵⁰ Besides that, in the summer of 1974, the Italian government entered into a crisis, due to several factors. At first, the division on the divorce theme led to divergencies among the coalition inside the government. Furthermore, the political stability of DC was also undermined by the growing influence of the PCI (Italian Communist Party). Finally, the results of the abrogative referendum of 1974 on divorce saw the defeat of the position of the Christian Democrats and marked the end of Fanfani’s leadership of the DC. Hence, “Fanfani's management of the party had proved unsuccessful and divisive.”²⁵¹ Thus, “Moro gradually assumed the role of undisputed leader of a party that seemed to need a leader who could unify its various souls and indicate a new political strategy.”²⁵² Thus, “Moro returned

²⁴⁷ *ivi* p.633.

²⁴⁸ M. Del Pero, V. Gavín, F. Guirao & A. Varsori, *Democrazie. L'Europa meridionale e la fine delle dittature*, Firenze, Le Monnier, 2010, pp.48-49.

²⁴⁹ *ibidem*.

²⁵⁰ L. Monzali, *Aldo Moro e la politica estera italiana (1963-1978)*, part of: F. Imperato, R. Milano & L. Monzali, *Fra diplomazia e petrolio. Aldo Moro e la politica italiana in Medio Oriente (1963-1978)*, Bari, Cacucci Editore, 2018, p.45.

²⁵¹ *ibidem*.

²⁵² *ibidem*.

as the central pivot of the executive. [...] The Christian Democracy considered him an «inevitable leader, not a chosen one».²⁵³ He envisioned the necessity of a more collaborative approach towards the PCI and also the possibility of including them in a government of “*solidarietà nazionale*” (national solidarity). Meanwhile, a new strategy was adopted even in the energy sector with a revival of programs of investments in sectors alternative to oil: specifically in nuclear energy.

“The start of new and more substantial funding in the nuclear field was an unavoidable starting point. However, the urgency of the situation made it necessary to find quicker solutions: the construction and commissioning of new nuclear power plants took too long - approximately ten years. This contingency led to the acceleration of European and international cooperation projects that had already taken place in previous years.”²⁵⁴ For example, the Association d’études regarding the gaseous diffusion method called EURODIF composed of France, the German Federal Republic, Belgium, the UK, the Netherlands, and Italy. This project was seen positively due to “the possible supplies of enriched uranium that it could have guaranteed to the peninsula, and due to the considerable economic return to the national industry, especially if the plant had been built in Italy.”²⁵⁵ However, on the 27th of November 1973, the new society proceeded to decide on the realization of a plant for uranium enrichment by gaseous diffusion: the choice led to the site of Tricastin, wanted by Paris, against the Italian candidature of the site in Montalto di Castro. In return “the French undertook to order supplies of components for the gaseous diffusion system from the Italian industry, including the most technologically advanced ones, as well as equipment for the power stations beyond the Alps for a value corresponding to the construction of a plant.”²⁵⁶ EURODIF would have granted a significant amount of production of enriched uranium in Europe, although at a high cost.

In Italy “the supply of enriched uranium destined for Italian nuclear power plants still depended on the de facto monopoly held by the United States.”²⁵⁷ Thus, the Italian government itself asked ENI to find other suppliers and end the dependence on one provider

²⁵³ G. Formigoni, *Aldo Moro: lo statista e il suo dramma*, Ebook Edition, Bologna, Il Mulino, 2023, p.840.

²⁵⁴ S. Labbate, *Energia Made in Italy-Le cooperazioni italiane oltre frontiera: dagli albori alle crisi petrolifere degli anni Settanta*, p.114.

²⁵⁵ *ivi* p.109.

²⁵⁶ *ivi* p.115.

²⁵⁷ *ibidem*.

of uranium supplies.²⁵⁸ AGIP attempted to start negotiations with Technabexport, a soviet society, concerning the supply of enriched uranium. The negotiations were a first step toward wider cooperation between Italy and the USSR. Ultimately, the two societies found an agreement and signed a contract in 1974. However, this contract “drew criticism from both the European Community and Washington, in return, it resulted in Italy obtaining more advantageous conditions.”²⁵⁹ Even the already mentioned plan ENEL-EDF-RWE reached an agreement in December of 1973 regarding the relations of the three entities. The success of this plan, still experimental, could have brought to an end the foreign dependence on nuclear supplies. “The importance of fast-neutron self-fertilising reactors stemmed from the fact that they were able to produce, according to studies of the time, more atomic fuel than what consumed to produce energy.”²⁶⁰ Still, the provisions on these projects were in the longer run, the EURODIF could have realistically started production no earlier than 1985, whereas the ENEL-EDF-RWE plan only at the end of the 1980s. Thus, nothing was capable of being used in the short term.

In the meantime, the Italian Parliament voted in March of 1974 on an Oil Plan, which was defined by the President of ENI as “the first attempt carried out in our country to plan the development of a sector which is fundamental in meeting the country's energy need.”²⁶¹ The Plan had the purpose of involving the public in the oil needs of the nation, and it also “assigned the state and the government the task of strengthening oil consuming countries' ability to shape international oil politics [...] and the “development of foreign and commercial policies aimed at facilitating and promoting new ways of supplying oil, based on forms of exchange, investments in industrial sectors, and economic cooperation.”²⁶² Other than assuring an importance role to ENI, due to the technical expertise, the raise of funds and the expanding of exploration, the Plan “represented a particularly important moment in the history of Italian energy policies.”²⁶³ It marked a sort of convergence between the state and the oil company: promoting a merge of Italian diplomacy and international oil politics and, at the same time, strengthening “ENI's role as a national economic planning tool, by linking the provisioning of energy resources to the

²⁵⁸ *ivi* p.116.

²⁵⁹ *ibidem*.

²⁶⁰ *ivi* p.117.

²⁶¹ E. Bini, *A Transatlantic Shock: Italy's Energy Policies between the Mediterranean and the EEC, 1967-1974*, p.160.

²⁶² *ibidem*.

²⁶³ *ibidem*.

achievement of full employment, the increase of mass consumption and the provisioning of social services, and the end of imbalances between the North and the South.”²⁶⁴ Other than an internal aim, the plan had an external objective of “planning on the basis of a principle of coherence and harmony between foreign policy, trade policy and cooperation policy with developing countries.”²⁶⁵ However, the results of the Oil Plan were not satisfying in the longer terms due to the timing which led to its ineffectiveness, thus, it was not implemented.

As the analysis confirmed, the Italian government, through incentives and propositions at the European level on the nuclear sector, the strategy of official visits to the exporter countries with the signing of several contracts of supply, the approval in the Parliament of an Oil Plan and the participation of international forums on the energy issue tried to contrast the lack of resources. The latter policy led, on the 15th of November 1974, during a summit of the Organization for Economic Cooperation and Development (OECD), to the creation of the International Energy Agency (IEA) “with the task of implementing a global cooperation programme on energy issues following the guidelines expressed at the meeting in Washington”²⁶⁶ from the 11th to the 13th of February of the same year. Sixteen countries adhered to the new entity, including Italy. Meanwhile, only three countries abstained, in which the most prominent were the French. France continued to have a divergent position with respect to the American stance. The ambition of the IEA was to create a counterbalance to OPEC. The agency “potentially represented one of the greatest successes in terms of cooperation between the major industrialised democracies, seeking to facilitate the coordination of member countries' energy policies to ensure the stability of energy supplies in order to support economic growth.”²⁶⁷ Furthermore, “the IEA would have helped to deflect the drive to bilateralism”²⁶⁸ a strategy not well seen, especially, by the US administration. However, the new Italian government, established almost simultaneously with IEA, was led by the figure who most represented the policy of bilateral agreement in Italian politics: Aldo Moro.

²⁶⁴ *ibidem*.

²⁶⁵ B. Bagnato, *Il profilo internazionale di ENI*, p.254.

²⁶⁶ S. Labbate, *Energia Made in Italy-Le cooperazioni italiane oltre frontiera: dagli albori alle crisi petrolifere degli anni Settanta*, p.127.

²⁶⁷ *ibidem*.

²⁶⁸ D. Yergin, *The prize*, p.630.

In November of 1974, Moro assumed the Presidency while Rumor became Minister of Foreign Affairs. The new cabinet was backed by the Republicans and it “could count on the external support of socialists and social democrats but above all on a friendly and cooperative communist attitude.”²⁶⁹ The principal intent of the fourth Moro government was to create a dialogue with the PCI. However, the season of bilateral agreements continued. The negotiations of ENI focused on two main exporter countries: Saudi Arabia and Iran. However, these led to delays regarding the agreement with the Saudis and an incomplete project on the transportation of Iranian gas towards the industrialised regions of Europe. On the other hand, several factors were against Italy. As a matter of fact, in 1974 the whole of “Europe was chasing Iranian affairs.”²⁷⁰ Furthermore, “the serious economic and financial situation induced by the shock and the political crisis that hit Italy, starting in the summer of 1974, exacerbated the country's indebtedness, exposing the government in Rome to international pressure and discouraging investment.”²⁷¹ Moreover, the parties have different positions on the contractual terms linked to the new dynamics of the market and the Iranians’ unwillingness to sign long-term deals. The President of the Republic Giovanni Leone tried through an official visit to revive the deadlock in the negotiations. “He, therefore, tried, at the end of 1974, to obtain directly from the Shah, the man who alone decides and alone commands, a commitment to the realisation of the projects that Italian companies, ENI in particular, were pursuing in Persia.”²⁷²

Still, the visit brought as results only the “awarding of important contracts concerning the Bandar Abbas project and the signing of a bilateral financial agreement”²⁷³ to support Italian investments and exportations towards the Persian country. The agreement, which aimed to replace the economic relationship, “had little impact on ENI’s project”²⁷⁴ which was the real objective of the visit. According to the US ambassador in Italy the visit “had mainly a symbolic value, having helped to revive Italian credibility in

²⁶⁹ L. Monzali, *Aldo Moro e la politica estera italiana (1963-1978)*, p.45.

²⁷⁰ R. Milano, *L’ENI e l’Iran (1973-1978)*, part of: M. Bucarelli & S. Labbate, *L’ENI e la fine dell’età dell’oro: la politica petrolifera dell’Ente Nazionale Idrocarburi in Medio Oriente e nel Mediterraneo negli anni delle grandi crisi energetiche*, “Nuova Rivista Storica”, II Files, May-August 2014, vol. 98, n. 2, p.622.

²⁷¹ *ibidem*.

²⁷² *ivi* p.623.

²⁷³ *ibidem*.

²⁷⁴ *ibidem*.

Iran and to support and spread a climate of greater trust in Italy.”²⁷⁵ Meanwhile, with the Saudis the President of ENI Raffaele Girotti “once again insisted on the importance of acquiring energy sources for Italy's industrial development by proposing the construction of a refinery and petrochemical plant for the production of urea on the northern coast of the Red Sea.”²⁷⁶ The Minister of Oil Yamani was pleased by the project and it led to the start of a committee composed by experts of ENI and *Petromin* on the project’s feasibility. On 28 July of 1974, “the Supreme Petroleum Council authorised *Petromin* to immediately supply Italy with one million tonnes and to budget a shipment of up to ten million tonnes for 1975.”²⁷⁷ However, divergencies on the amount of the discount on the posted prices led to a renegotiation of the contract.

Thus, in this stage, Italy was keen on “intensifying ENI's production effort by searching for new hydrocarbons both domestically and especially abroad.”²⁷⁸ In the Adriatic Sea, several oil fields were found, however, the principal activities of research were done outside the national soil. Even abroad ENI focused more on the seabed and the continental shelf. “Indeed, in 1975 two thirds of the concessions gained by AGIP were referred to offshore wells.”²⁷⁹ In the meantime, gigantic gas infrastructures were finished in Europe, as in April of 1974 the gas fields of Drenthe were connected through a methane pipeline, “while in May the gas pipeline from the USSR was completed.”²⁸⁰ During this time of energy crises, the strategy of the ENI’s President Girotti was to spread natural gas in Italy to overcome the uncertainty and dependence on oil. Thus, even a “methane’s option” was pursued by ENI through the signing of contracts of import with the main gas exporters: the Netherlands, Algeria, and the USSR. This latter option was part of a broader development that involved the attempt to de-escalate the Cold War in Europe: the process of “*détente*”.

²⁷⁵ *ibidem*.

²⁷⁶ I. Tremolada, *L’ENI in Arabia Saudita: dalla concessione mineraria alle conseguenze dello shock petrolifero del 1973*, part of: M. Bucarelli & S. Labbate, *L’ENI e la fine dell’età dell’oro: la politica petrolifera dell’Ente Nazionale Idrocarburi in Medio Oriente e nel Mediterraneo negli anni delle grandi crisi energetiche*, “Nuova Rivista Storica”, II Files, May-August 2014, vol. 98, n. 2, p.598.

²⁷⁷ *ivi* p.599.

²⁷⁸ S. Labbate, *Energia Made in Italy-Le cooperazioni italiane oltre frontiera: dagli albori alle crisi petrolifere degli anni Settanta*, p.138.

²⁷⁹ *ibidem*.

²⁸⁰ *ibidem*.

3.2 The process of Helsinki and the *détente*: easing the struggle

The process of *détente* began far earlier but what was the main achievement of this period was the Helsinki Final Act. It was accomplished after “a phase of exploration and verification of their respective positions, that concentrated in three years of meetings from 1972 to 1975.”²⁸¹ The start of the process of Helsinki is considered the 17th of March of 1969 when the members of the Warsaw Pact proposed in Budapest a conference concerning security in Europe. During this period the two blocs started a *détente* in their stances that brought several measures adopted in agreements by the two Superpowers. In 1971, it was signed the Treaty on the Prohibition of movements of nuclear weapons on the seabed or in the ocean, a further step after the landmark Treaty on the Non-Proliferation of Nuclear Weapons (NPT) signed in 1968 and entered into force in 1970. There was also a reduction of the strategic armaments like the antiballistic missile (ABM) thanks to the signing of the Anti-Ballistic Missile Treaty in May of 1972 by the President of the US Nixon and the Secretary General of the Communist Party Brezhnev in Moscow. Moreover, even the intercontinental ballistic missile (ICBM) was part of a discussed reduction through the so-called SALT I, which stands for Strategic Armaments Limitations Talks. Meanwhile, in 1971 the US Congress showed interest in gradually reducing the military force in Central Europe, this led to preliminary discussions between NATO and the Warsaw Pact. However, the opening of the negotiations occurred only two years later in Vienna in October where the conference on the Mutual and Balanced Force Reduction (MBFR) started.

The easing of the relationship between the US and the USSR led to a general *détente*, at least in Europe. An example was the policy of *Ostpolitik* by Chancellor Willy Brandt of the *Bundes Republik*. Through this period, the *Bundes Republik* signed several agreements with Poland and the DDR, supervised by the USSR, establishing for the first time diplomatic ties. This was longed craved by the USSR, which wanted “to pursue the recognition of the reality of the post-war, especially the recognition of the *Deutsche Demokratische Republik* (DDR).”²⁸² The intention of the Superpowers, in particular the USSR, was to recognise the two blocs and to maintain the *status quo* through a regulated

²⁸¹ C. Meneguzzi Rostagni, *Aldo Moro, l'Italia e il processo di Helsinki*, part of: F. Perfetti, A. Ungari, D. Caviglia, & D. De Luca, *Aldo Moro nell'Italia contemporanea*, Biblioteca di “Nuova Storia Contemporanea”, Firenze: Le Lettere, 2011, p.387. Cfr. also: A. Romano, *From Détente in Europe to European détente: how the West shaped the Helsinki CSCE*, Bruxelles, P.I. E. Peter Lang, 2009.

²⁸² *ivi* p.388.

balance of power. Meanwhile, the US, in this favourable political period, opened to Communist China with the visit of Nixon to Mao in February of 1972. This period of *détente* had Kissinger, Nixon, and Brezhnev as the main protagonists and it envisioned the world balance in a strong realist idea. The distention had to be pursued by the Superpowers with the help of their allies but without the involvement of the UN or other actors in a proper realist fashion. The aim of the request by the Warsaw Pact's members to convene a security conference was to consolidate the *status quo* in political and territorial terms "without following a constructive political objective, but only with a procedural aim to convoke a conference."²⁸³

However, the Italian stance regarding the summoning of the Conference differed with that of the US and USSR because "security could not reduce on the mere registration of the current situation, on the contrary, the conference should have been a tool to overcome the blocs, to stabilise the free contact among Europeans peoples."²⁸⁴ Moro, again was the embodiment of this Italian posture. "He was convinced that only an effective distention would have resolved the underlying problems of the Old World. [...] A political strategy based not on power, nor sharpness, but on the balance based on mutual respect and an assured non-interference."²⁸⁵ In addition, Moro wished that the *détente* would have opened the contacts and the trade exchanges not only with the USSR but even with the other members of the Warsaw Pact, thus, the process would have an assumed broader sense. Still, already in 1970, the Finnish government appointed an itinerant ambassador, Ralph Enkell, to facilitate the establishment of the conference. To obtain its task the ambassador moved and negotiated with all the European states involved. These different positions of intent, shared among the members of the EEC, brought several delays in the summon of the conference. After the visits of the US President to China and the USSR in 1972, "Nixon had truly inaugurated the phase of negotiation and it was now Europe's turn."²⁸⁶ Thus, the European countries, favoured by the political environment, began "to lift their reservations and declare their readiness to move to the stage of multilateral preparation, as formulated by the Finnish government in November 1970."²⁸⁷ The path was open for the gathering of diplomats in Helsinki. In July of 1973, the Conference on the Security and Cooperation in

²⁸³ *ivi* p.389.

²⁸⁴ *ibidem*.

²⁸⁵ *ibidem*.

²⁸⁶ *ivi* p.398.

²⁸⁷ *ibidem*.

Europe (CSCE) was assembled with the participation of 35 countries, practically all of the European States plus the US and Canada.

During the negotiation, the events described in the analysis happened like the war of Yom Kippur, the Oil Shock, and the Palestinian international terrorism. Thus, these influenced the negotiation and the Italian position on security in Europe. “The response to this context and to pressure from Arab and Mediterranean countries was the draft, presented by Italy on 13 June 1974, of a declaration on the Mediterranean, the text of which had been drafted in the early months of the year and had been approved at the EEC Political Committee on 13 March.”²⁸⁸ The declaration did not lead to consistent policies, but it showcased the expansiveness of Moro's vision. For the politician, it stood as the pinnacle of his dedication and endeavours to incorporate the Mediterranean issue into the European context. The negotiation based on three dimensions (called “basket”): political-military, economic and on the protection of Human Rights. Meanwhile, the first one established the principle of non-intervention in internal affairs, the inviolability of frontiers and the territorial integrity of States. Thus, it served to recognise and accept the existing borders between European states, including the one that divided Germany into two distinct and sovereign political entities. Instead, the second one focused on the new energy issue and even on environmental protection as an additional key factor in enhancing security. Finally, the “third basket” concentrated “freedom of information and movement, the guarantee of human rights, including the right to ethnicity and self-determination of every people.”²⁸⁹

On the “third basket”, concerning human rights and their respect, the different positions of the countries regarding security become clear in Helsinki. On this matter the EEC members, “using the mechanism of political cooperation for the first time, had been able to resist opposing pressure from Moscow and Washington, thanks to the constructive support of the neutrals and non-aligned.”²⁹⁰ There was a certain detachment by the US on the “third basket.” However, “The USSR, above all, had been intransigent, supported by the united approval of the Warsaw Pact delegations (with the sole exception of Romania).”²⁹¹ The Soviets attempted to counter the EEC offensive by employing diverse tactics, occasionally delaying the works on the subject and other times accelerating the

²⁸⁸ *ivi* p.402.

²⁸⁹ *ivi* p.406.

²⁹⁰ *ivi* p.407.

²⁹¹ *ivi* p.408.

conclusion of the conference, with the belief that this approach could diminish its substantive content. Even, by trying to “subject the third basket on the respect for sovereignty and non-intervention in internal affairs or to include human rights in the “second basket”.”²⁹² The intransigence of the European States led to the acceptance of the Soviets of the third basket, in which it was asserted that human rights arise from the inherent dignity of every person, not as favours granted by states. Furthermore, it underscored that acknowledging and actively implementing these human rights were crucial elements for maintaining peace.

The Final Act of the CSCE in Helsinki was signed on the 1st of August 1975 by the 35 countries that participated in the conference, and it was the peak of the process of *détente*. The Italian government, as mentioned before, “wanted to reaffirm Italy's commitment to taking into account the importance of the Mediterranean dimension in the inter-European co-operation process.”²⁹³ Thus, Italy pushed for the participation of Algeria, Egypt Israel, Syria, Tunisia and Morocco as partners during the conference with the consequence of giving “full effect to the results of the Conference and to assure, among their States and throughout Europe, the benefits deriving from those results and thus to broaden, deepen and make continuing and lasting the process of *détente*.”²⁹⁴ The Arab countries approved this vision and supported Moro's position, and “it was in part thanks to him that North African countries had a voice at the Helsinki Conference in 1975, through which they put forward their political and economic requests.”²⁹⁵ Besides, the involvement of the Mediterranean States in the conference, the ease of the *détente* had another impact on Italy: a rapprochement with the Soviet Union.

As a consequence, the Italian government in 1972, even before the oil shock, “took into consideration the hypothesis of close cooperation with the Soviet Union, which could offer Italy both oil and gas in huge quantity. Such perspective was regarded with some interest by the Soviets too.”²⁹⁶ The Soviet leader proposed to enhance the relations between

²⁹² *ibidem*.

²⁹³ L. Monzali, *Aldo Moro e la politica estera italiana (1963-1978)*, p.37

²⁹⁴ Conference on Security and Co-operation in Europe. Final Act of the Conference on Security and Co-operation in Europe. Helsinki, 1975, p.2.

²⁹⁵ E. Bini, *A Transatlantic Shock: Italy's Energy Policies between the Mediterranean and the EEC, 1967-1974*, p.161.

²⁹⁶ A. Varsori, *Italy and the West Siberian Pipeline: A complex and Long Story*, yet to be published, p.5.

the two nations, emphasizing the Soviet interest in bolstering ties, particularly in the energy sector. Following a visit of Andreotti in Moscow, a joint protocol for bilateral cooperation across multiple domains was signed. “An important twenty-year agreement was signed between ENI and the Soviet authorities for the delivery of 100 billion m³ of natural gas.”²⁹⁷ In the meantime, while the Christian Democrat’s government led by Moro increased the contacts with the USSR, Italy experienced “the disturbing rise and strengthening of the Communist Party. The Italian local elections of June 1975, were marked by strong PCI successes,”²⁹⁸ thus, it had created the international impression that political changes were imminent in Italy. Still, the Italian authorities continued to pursue their own *Ostpolitik*. “In November 1975 the President of the Republic Giovanni Leone and the Foreign Minister Mariano Rumor, both influential representatives of the Christian Democracy, paid an official visit to the Soviet Union, where they met the Soviet President Nikolaj Podgorny and Foreign Minister Andrei Gromyko.”²⁹⁹ The mood was particularly favourable due to the Final Act of Helsinki and the parties aimed and were keen to achieve long-term agreements in the realms of economic collaboration.

In the intervening time, the *détente* reached its apex in Italy. The Moro government decided to put an end to the issue of the Italian border with Yugoslavia. “Moro took it upon himself to decide to close the border dispute, despite the high political cost for a party like the DC, which ran the risk of losing the votes of many Italian exiles from Venezia-Giulia and Dalmatia.”³⁰⁰ However, his decision was facilitated by the willing of the PCI to collaborate with the Yugoslavia of Tito and it was again part of the Moro’s plan of “*solidarietà nazionale*” which characterised this season of the Italian Republic. Moro advocated that a territorial agreement would have accomplished “the explicit and legally relevant recognition of the border line which, having overcome the artificial contrivance of the free territory of Trieste, assigns the Julian city to Italy without any more reservations.”³⁰¹ Thus, after gaining a large consensus in the Parliament his government proceeded to sign the several agreements negotiated in the previous encounters. On the 10th of November 1975 the treaties of Osimo, a little town in the Marche region, led to the

²⁹⁷ *ibidem*.

²⁹⁸ L. Monzali, F. Imperato, R. Milano, & G. Spagnulo, *Storia delle Relazioni Internazionali (1919-2021)*, p.490.

²⁹⁹ A. Varsori, *Italy and the West Siberian Pipeline: A complex and Long Story*, p.5.

³⁰⁰ L. Monzali, F. Imperato, R. Milano, & G. Spagnulo, *Storia delle Relazioni Internazionali (1919-2021)*, p.465.

³⁰¹ *ibidem*.

termination of the border issue, which lasted almost thirty years, by defining the borders of the two countries in the Istrian Peninsula and along the city of Trieste.

However, “between 1975 and 1976, the Western powers’ fears about Italy’s internal situation reached its climax.”³⁰² This period was characterised by a general crisis in Italy. The Italian political landscape was afflicted by terrorist acts of the red and black matrix, and the government was not able to counteract this threat. Moreover, the economic situation in Italy had worsened heavily. The increase in unemployment, due to the stagnant and inflated economies, the progressively more organized labour, thanks to the rapid urbanization and employment in industrial sectors strengthening trade unionism, the instability in the international financial system after the end of the *gold standard*, and the reduction in productivity and profitability led to the weakening of the Italian economy. Even though, these characteristics affected all the Western Power’s economies, Italy had in its own political system an alternative. This was the Italian Communist Party, led by Secretary Berlinguer, which was in a steep rise of consensus. Italy was seen as the “sick man of Europe,” and “in this context, Italy was more an object than a subject of foreign policy.”³⁰³ Yet, the Western powers wanted to avoid losing Italy from the liberal bloc thus, “the Western nations gave substantial financial support to the Italian economy and helped the authorities in Rome to produce the image of a country which was still part of the Western system: in late 1975, this led to Italian involvement in the creation of the G7.”³⁰⁴

The first meeting of the then G6 (Canada was excluded at first) was held in Rambouillet on the 15th of November and lasted two days. “The Big Six” i.e., the US, Great Britain, Germany, France, Japan, and Italy participated in this meeting and the aim was to develop “a common strategy to resolve the international economic crisis, based on cooperation among the most powerful Western countries.”³⁰⁵ Nonetheless, the meeting did not achieve this ambitious objective, but it “inaugurated a practice of organising meetings

³⁰² A. Varsori, *Italy’s foreign policy in the 1980s: from enthusiasm to disillusion*, part of: A. Varsori & B. Zaccaria, *Italy in the International system from détente to the end of the Cold War: The Underrated Ally*, Security, Conflict and Cooperation in the Contemporary World, London-Nottingham, Palgrave Macmillan, 2018, p.101.

³⁰³ *ibidem*.

³⁰⁴ *ibidem*.

³⁰⁵ M. Neri Gualdesi, *Under a multinational mantle: Italy’s participation in the G7 (1975-1976)*, part of: A. Varsori & B. Zaccaria, *Italy in the International system from détente to the end of the Cold War: The Underrated Ally*, Security, Conflict and Cooperation in the Contemporary World, London-Nottingham, Palgrave Macmillan, 2018, p.83.

which became consolidated in the years to come.”³⁰⁶ Even though Italy had a marginal role and almost risked being excluded from the meeting in Rambouillet, the participation had the effect of reaffirming Italy’s firm stance on the Atlantic side. However, in January of 1976, the fourth government of Moro entered into a crisis due to “the socialists’ decision to force and accelerate the PCI’s full inclusion in the government of the country.”³⁰⁷ The weakness of Italy reached almost its highest point and shortly thereafter, it marked the gradual loss of importance of Moro due to his own willingness “to withdraw from government posts and to concentrate on the preparation of a major domestic political breakthrough, called third phase.”³⁰⁸ During this phase, the DC leader wanted to prepare the stage “to form political collaboration among the mass parties to channel the change within the ends and means of the parliamentary democracy of the Republic.”³⁰⁹ Thus, he tried to consolidate his vision within his party.

Still, he remained at the Presidency of the Council until June 1976, when the elections were called by the President of the Republic. “In the major Western capitals, it was thought that the Italian Communists would win and come to power through legal means.”³¹⁰ Even the changes brought by the Secretary of Berlinguer like the Eurocommunism, the idea that sought to develop a distinct form of communism that was more independent from the influence of the Soviet Union and aimed to create a communist version more democratic and pluralistic, was not enough. Still, “the West could not accept the possibility of an Italian government involving the Communists.”³¹¹ Ultimately, these fateful days of elections for Italy occurred and “saw the advance of the PCI in the face of a substantial hold by the DC.”³¹² Only one week after the elections another G7 meeting, this time with the inclusion of Canada, happened in Puerto Rico. To understand how much the so-called “Big Four” (USA, Germany, France, and Great Britain) were afraid of the Italian situation, the Head of State of these countries had a confidential meeting to assess the conditions to give economic aid to Italy before the official opening of the G7. “It was clear that Western financial support to the Italian economy was affected by the exclusion of the

³⁰⁶ *ibidem*.

³⁰⁷ L. Monzali, *Aldo Moro e la politica estera italiana (1963-1978)*, pp.49-50.

³⁰⁸ *ibidem*.

³⁰⁹ P. Scoppola, *La Repubblica dei partiti. Profilo storico della democrazia in Italia (1945-1990)*, Bologna, Il Mulino, 1991, pp.370-371.

³¹⁰ A. Varsori, *Italy’s foreign policy in the 1980s: from enthusiasm to disillusion*, p.102.

³¹¹ *ibidem*.

³¹² L. Monzali, *Aldo Moro e la politica estera italiana (1963-1978)*, p.50.

Communists from governmental responsibilities.”³¹³ Thus, in this meeting, it was reaffirmed the inevitable exclusion of the Italian Communist Party from any government seat and position.

Anyway, the new government led by Andreotti, his third, had the abstention of the PCI, thus, it was referred to as the “*governo della non sfiducia*” (no-no-confidence government). In practice, it was the first government of “*solidarietà nazionale*.” Nevertheless, Andreotti “confirmed that he would never accept direct communist participation in his government.”³¹⁴ This fact joined with the figure of Andreotti, who was part of the right side of the Christian Democrat, reassured the Western allies on the matter. Furthermore, in the same year 1976, the election of Carter as the 39th President of the United States changed the posture of the US on the Italian political events “due to the attitude of the new US administration, as his presidency rejected the tradition of intervention in other countries’ internal affair.”³¹⁵ Still, the new government did not change the trajectories in the Italian foreign affairs done by the past ones. As an example, Andreotti and the new Foreign Minister, Arnaldo Forlani “exploited the atmosphere of international *détente*; so, if the relationship with the US and the European Community was of paramount importance, the relations with Moscow were regarded as of some relevance, especially from the economic viewpoint.”³¹⁶ Furthermore, as Valentine Lomellini stated, even the “*Lodo*” continued “even once Moro left the government, replaced by Giulio Andreotti as Prime Minister in July 1976.”³¹⁷ However, the Italian government was less able to manoeuvre and act because it was affected by relative isolation at the international level due to the external participation of the Communists.

3.3 Hawks and Doves, the Iranian Revolution and Moro’s fate

In this paragraph, the dissertation will analyse the different events that occurred in the Middle East. Focusing not only on OPEC and its division but also on the new developments in Israel-Egypt relations and in the fall of the Pahlavi dynasty in Iran. This

³¹³ A. Varsori, *Italy’s foreign policy in the 1980s: from enthusiasm to disillusion*, p.102.

³¹⁴ *ivi* p.103.

³¹⁵ *ivi* p.102.

³¹⁶ A. Varsori, *Italy and the West Siberian Pipeline: A complex and Long Story*, p.5.

³¹⁷ V. Lomellini, *Il “lodo Moro”: Terrorismo e ragion di Stato 1969-1986*, ch. VI sec.2.

latter event will be significant for the outbreak of the second oil shock. This paragraph will consider even the kidnap of Moro in 1978.

The first oil shock, caused by a unilateral decision of the exporting countries of OPEC, had King Faisal as one of the key figures. Another fundamental figure involved in the shock was President Nixon, who endured Faisal's decision. These two prominent actors left in different ways the international stage almost at the same time. Nixon, terribly weakened by the Watergate Scandal and sure of facing impeachment by the Congress, resigned on the 8th of August 1974 leaving the lead of the US government to Vice President Gerald Ford. Meanwhile, Faisal suffered the worst fate. On the 25th of March 1975, he was receiving the Kuwaiti oil minister, when his nephew, Prince Faisal Bin Musaid, approached the King and fired several shots. The King died a few moments later at 68th years old and his death remained shrouded in mystery. Thus, lost one of the major representatives of OPEC, a division developed within the organization. After the decision to limit production in late 1973, the members of OPEC faced a dilemma on what to do after pursuing the same policy or changing radically.

These different positions were visible in September of 1975 in Vienna when the OPEC countries had a meeting and discussed oil prices. "Iran proposed a 15 per cent hike to keep up with dollar inflation. Saudi Arabia, joined by Algeria, a vocal supporter of the need for a global dialogue on energy and development, proposed a more modest 5 per cent increase."³¹⁸ The Algerian plan was supported by some European states, in particular France. Meanwhile, the Ford administration opposed any type of negotiations with the OPEC countries. This posture changed in September of 1975 when the US consented to agree on an engagement with the exporter countries. The factors that influenced this decision were several: "the increasing isolation of the United States within the UN system; growing anti-American sentiment throughout the Third World and Western Europe; the tarnished legacy of the Nixon administration within the United States itself; the rise of socialist and communist movements in southern Europe, and the danger stemming from anti-colonial revolutions in Africa from Angola to Mozambique."³¹⁹ Thus, in December 1975 the Conference for International Economic Cooperation (CIEC) met in Paris involving developed and developing countries. Journalistically speaking this event was

³¹⁸ G. Garavini, *The Rise and Fall of OPEC in the Twentieth Century*, p.257.

³¹⁹ *ivi* p.259.

referred to as the *North-South dialogue*. “The formal dialogue between OPEC, OECD members, and oil-importing developing countries lasted nearly two years between the end of 1975 and the middle of 1977.”³²⁰ During this period the Saudis were able to keep the prices stable at least until December 1976.

However, the OPEC countries remained divided. “On one side were the “hawks,” petrostates with larger populations and relatively smaller petroleum reserves that sought higher prices to promote rapid industrialization and full employment [...] On the other were the “doves”, countries with smaller populations and abundant reserves that could afford a longer-term approach and had a vested interest in the stability of industrialized countries of the West.”³²¹ The main representatives of both sides were: Iran as the “hawk” and Saudi Arabia as the “dove.” In May 1976, the exporting countries met in Bali and “agreed to set aside \$400 million from the OPEC Special Fund for the creation of the International Fund for Agricultural Development (IFAD).”³²² This was one of the few and last times in which the organization managed to decide unanimously. After Bali, intense fighting began between “Saudi Arabia, a supporter of stable prices, and Iran (backed by the majority of the other members) calling for crude price increases to keep pace with global inflation.”³²³ This fight was also fought with rhetoric means. The Shah began to talk about the “Coca-Cola paradox.” Questioning how a litre of oil costs less in respect of a can of Coca-Cola. The fight became more and more harsh and in December of 1976, in Doha, the Iranian position prevailed.

At the opening of the meeting the Emir of Qatar “underlined that while OPEC countries were experiencing “imported inflation” (price for the goods purchased by petrostates) in the order of 110 per cent they had increased prices only by 10 per cent between 1975 and 1976. [...] Moreover, OPEC’s purchasing power had fallen by 26 per cent compared to October 1975, and argued that by now even the industrialized countries expected a hike in prices.”³²⁴ The meeting resulted in the “Doha Split” compromise. Regarding pricing, eleven countries, excluding Saudi Arabia and the UAE, agreed to raise the price from \$11.51/barrel to \$12.70/barrel on January 1, 1977. It was also decided to

³²⁰ *ivi* p.256.

³²¹ *ivi* p.260.

³²² *ivi* p.261.

³²³ *ibidem*.

³²⁴ *ivi* p.262.

higher the price in the summer of the same year at \$13.30/barrel. In contrast, Saudi Arabia and the UAE opted for a 5% price hike. Creating a two-tiered price system.

Interestingly, the reasons why the Saudis were so reluctant to raise the price were: “their willingness to prove themselves a credible US partner before the inauguration of the new Carter administration; as a way to discourage the emergence of alternative energy sources; and as a move to ease the situation in Western European countries, already under strain from protest movements and growing support for communist parties.”³²⁵ Concerning this latter reason, the Minister of Oil during an interview stated: “There were important economic and political reasons. We are extremely worried about the economic situation in the West, worried about the possibility of a new recession, worried about the situation in Great Britain, Italy, even in France and some other countries. And we do not want another regime to come to power in France or Italy.”³²⁶ Even the Saudis perceived the Italian economy and internal situation on the brink of a breakdown.

In the meantime, the CIEC ended with an understanding “signed on June 2, 1977, concerned the need to ensure a transition to alternative energy sources, acceptance in principle of the establishment of a common fund for commodities under UNCTAD management, an increase in the volume of aid from industrialized countries, a “special action” totalling \$1 billion for the poorest countries, and access for developing countries to the Western capital market.”³²⁷ These results were delusional, mostly for the countries of OPEC in favour of a moderate posture on the oil price. Thus, “the failure of the CIEC was a defeat for OPEC itself.”³²⁸ Saudi Arabia was the one more affected by this failure. Thus, due to these results and even technical failure, the Saudis decided to follow the other exporting countries in the price of oil. The OPEC Secretary General announced, “already in June the end of the two-tiered price system.”³²⁹ The Saudis in this period acknowledged the impossibility of influencing the oil price unilaterally.

In the meantime, as the analysis had shown, another event had been decisive in the breakout of the energy crisis, the fourth Arab-Israeli war and the Arab claim on territory

³²⁵ *ivi* p.263.

³²⁶ *ivi* p.264.

³²⁷ *ivi* p.265.

³²⁸ *ibidem*.

³²⁹ *ivi* p.266.

occupied by the Israeli forces since 1967. In this regard, something new was at stake. Firstly, the weak government of Golda Meir, accused of being unprepared for the Egyptian and Syrian joint attack, left the scene to the new government led by Prime Minister Yitzhak Rabin, supported again by the Labour Party. Then during a series of negotiations and meetings between Egyptian and Israeli authorities favoured by the mediation of the US, with the shuttle diplomacy of Kissinger, in June of 1975 “the Suez Canal reopened in application of the first disengagement agreement between Egypt and Israel.”³³⁰ This was the first step that brought to the “signing of a new settlement named Sinai II, which comprehended the presence of monitoring station in the neutral zone handled by American personnel, which happened on the 4th of September 1975, after a gruelling round of negotiations led in person by the US Secretary of State.”³³¹ Meanwhile, in the same period, a new conflict erupted and might have influenced the negotiations. “In Lebanon, where the changed demographics due to a massive influx of Palestinian refugees from the areas occupied by Israel after the Six-Day War and the presence of PLO militants, led to an internal clash between the Muslim and Christian Maronite components that would last for about fifteen years.”³³² Luckily, the outbreak of violence did not affect the discussions.

Italy applauded these new developments especially the reopening of the Suez Canal. In addition, the Italian authorities showed strong support for Sadat's desire for lasting peace. “During the short-lived last government of the sixth Republican Legislature, the main event of the Italian Middle Eastern policy was the official visit of Sadat in Rome from the 5th to 8th April of 1976.”³³³ The preparation of the discussions, done with great attention to detail, focused on communicating to the President of Egypt the Italian support for the political line taken by Sadat already in 1975. The talks were extremely pleasant. “Sadat began his exposition by demonstrating his gratitude towards Italy for its behaviour in 1967 when Egypt was left alone by most European countries and faced a very difficult moment.”³³⁴ This statement was a direct appreciation to Moro who was President of the Council during

³³⁰ L. Riccardi, *Sempre più con gli arabi. La politica italiana verso il Medio Oriente dopo la guerra del Kippur (1973-1976)*, “Nuova Storia Contemporanea”, 2006, n. 6, p. 77.

³³¹ *ibidem*.

³³² F. Imperato, *Tra equidistanza e filoarabismo. Aldo Moro e il conflitto arabo-israeliano*, part of: F. Imperato, R. Milano & L. Monzali, *Fra diplomazia e petrolio. Aldo Moro e la politica italiana in Medio Oriente (1963-1978)*, Bari, Cacucci Editore, 2018, p.97.

³³³ L. Riccardi, *Sempre più con gli arabi. La politica italiana verso il Medio Oriente dopo la guerra del Kippur (1973-1976)*, p.79.

³³⁴ *ivi* p.80.

the third Arab-Israel war. Meanwhile, Moro had positive words concerning the “progressive decline in the relationship between Egypt and the Soviet Union. The latter had essentially stopped the supply of new armaments and spare parts and also refused any talks on debt restructuring in Cairo.”³³⁵ This occurred for the gradual, but always faster, shift of Sadat’s foreign policy far from the Soviet and towards the US, revealed by its protagonist role in the mediation.

The negotiations proceed, even after the election of a new US administration. “Despite the Carter administration’s explicit desire to deconstruct the fundamentals of Nixon’s and Kissinger’s foreign policy, its approach to the Middle East was based on deepening various aspects of its predecessors’ actions.”³³⁶ Carter pursued the path started by Nixon and continued by Ford of disengaging Egypt from the Soviet Union and pushing for a rapprochement between Cairo and Tel Aviv. The hopes of a long-lasting peace trembled when in May of 1977 the right-wing and ultranationalist party, Likud, won the election in Israel, ending 30 years of political dominion by the labourists. The new Prime Minister became Menachem Begin. Sadat, attempting to avoid a possible stalemate in the negotiation, “decided to accelerate Egyptian-Jewish reconciliation by proposing to the Israelis to pay a visit to Jerusalem.”³³⁷ This new circumstance had different effects. In Italy, the Egyptian foreign policy was seen as extremely positive. Moro, outside of any government posts, wrote an article in January of 1978 devoted to developments in Egyptian foreign policy. In his article “Moro showed admiration for the courage of the Egyptian leader, who had broken a Middle Eastern political framework characterised by inconclusiveness, mistrust, and stagnation. The Egyptian move was a «spectacular, risky, almost desperate initiative given past failures, but profoundly honest», and «utopian, but not egotistical.»”³³⁸ This position was shared in the Andreotti’s government but even in Europe. The same could not be said of the Middle Eastern countries. These States viewed the process produced by the Egyptian initiative with suspicion.

Besides that, the oil price was again at the top of the priorities for the exporters. At the end of 1977, a new development for OPEC occurred when the Iranians shifted from

³³⁵ *ibidem*.

³³⁶ L. Monzali, F. Imperato, R. Milano, & G. Spagnulo, *Storia delle Relazioni Internazionali (1919-2021)*, p.492.

³³⁷ *ivi* p.493.

³³⁸ L. Monzali, *Aldo Moro e la politica estera italiana (1963-1978)*, p.51.

their extremist position. Iran came “out of the hawkish ranks. In the second half of 1977, the Shah, faced with intensifying internal unrest, came out in favour of moderation, perhaps in the hope of greater military and diplomatic support from the US.”³³⁹ Moreover, another particular reason was that “the Western economies were not in such good shape, especially in Europe, and if they were brought under more pressure, they might not be able to solve their problem of unemployment. This could in turn affect the situation in France, Italy, and other countries. Iran would feel it very badly if something happened in Europe.”³⁴⁰ The Italian political and economic situation was a concern for several states around the globe. During the OPEC conference of December 1977 in Caracas, divisions among the members were again visible. But this time, Iran was on the same side as Saudi Arabia, with the most radicals, like Libya and Iraq, protesting that they were losing purchasing power by the imported inflation. According to the Libyan Oil minister Al-Mabruk the Saudis and Iranians were so moderate that “«they had been far more concerned about world economy, indeed more so than the industrialized countries themselves. »”³⁴¹

The Iranian authority’s strategy of gaining support from the West was a response to a growing fear of internal tension. In 1977, “Iranian intellectuals and professionals began to circulate petitions and letters calling for an extension of democratic rights.”³⁴² This was a consequence of the Shah’s policy of consolidating and centralizing political power by restricting political rights. Every political party was banned and the SAVAK, the secret police, started a campaign of terror and torture against the dissidents and objectors of the Shah. Furthermore, “Iran faced galloping inflation, shortages of housing and consumer goods, and an increase of rural to urban migration”³⁴³ and a visible increase in corruption phenomenon. Moreover, the Pahlavi dynasty promoted a secularized and centralized Persia modelled on the Kemalist scheme in Turkey. This change antagonized the *ulama* powerful class, literally the “learned of Islam”, the religious erudite of the Islamic community. The main objector of this policy was Ruhollah Khomeini who was arrested and sentenced to exile in 1963. Lastly, despite a high annual growth rate and a positive economic forecast made possible by the oil sector, the revenues could not bear the expenditure in investments

³³⁹ G. Garavini, *The Rise and Fall of OPEC in the Twentieth Century*, p.268.

³⁴⁰ *ibidem*.

³⁴¹ *ivi* p.269 .

³⁴² N. R. Keddie, *Iranian Revolutions in Comparative Perspective*, The American Historical Review. Oxford University Press, 1983, vol.88, no. 3, p.588.

³⁴³ *ibidem*.

for industrialization, plus the vast spending on the military. Mohammed Reza Pahlavi attempted to make Iran a military power and “tried to build his army to fulfil this role, purchasing some of the West’s most sophisticated military technology and trying to force-feed it quickly to his undertrained army with the help of American advisers.”³⁴⁴

Thus, the Iranian people at the end of the 70s were facing an economic, political, and religious deterioration with foreign powers involved in resources and military internal affairs. The situation was so dramatic that a bizarre alliance was formed between the *bazaar* (the merchant class) and the *ulama* class on one hand, and the secularized liberals and intellectuals on the other. At the beginning of 1978, the straw that broke the camel’s back occurred. In January 1978, the journal *Ettela’at* published an offensive article against Khomeini who was in exile in Iraq. Demonstrations against the Shah followed all over the country, supported by everyone from the clergy to the intellectuals, from the nationalists to the liberals. The response of the Shah was harsh, and several insurgents died due to the intervention of the army and the police. Still, the brutality of the repression was not enough to prevent the involvement of “the broadest sectors of the population, which is to say from the intellectuals to the workers in the factories of Abadan, from the *bazaar* of Tehran to the farmers of the East of Iran in the regions furthest from the centre.”³⁴⁵ Thus, the revolt continued. The country which President Carter referred as an «island of stability in one of the more troubled areas of the world»³⁴⁶ became another troubled area in the Middle East region only a few weeks later.

An additional troubled country at the time was Italy. The dissertation demonstrated that the most diverse authorities of different countries were concerned with Italian internal affairs. Andreotti’s third government, from 1976 to the start of 1978, was able to obtain a much-needed loan from the International Monetary Fund and “drafted a significant early agreement with the trade unions.”³⁴⁷ But, “in 1977, the country was particularly affected

³⁴⁴ Y. M. Ibrahim, *Years of autocratic rule by the Shah threw Iran into turbulence*, New York Times. January 17th, 1979. p.9, section A. URL: <https://www.nytimes.com/1979/01/17/archives/years-of-autocratic-rule-by-the-shah-threw-iran-into-turbulence.html>. Site last time visited on the 14th of January 2024.

³⁴⁵ S. Vaccarino Bremner, *Introduction to Michel Foucault’s “Political spirituality as the will for alterity”* Critical Inquiry, Autumn 2020, p. 123.

³⁴⁶ Jimmy Carter toast to his host, Shah Mohamed Reza Pahlavi, at New Year’s Eve celebration in Iran on the 31st of December 1977.

³⁴⁷ A. Varsori, *Italy’s foreign policy in the 1980s: from enthusiasm to disillusion*, p.102.

by increasingly violent terrorism and mass turmoil.”³⁴⁸ This violence was not stopped even in 1978. Rather, “in 1978, the Red Brigades (the strongest left-wing terrorist group) which by then had also established themselves in Rome, were organisationally and militarily ready to strike at the top of politics, which in their vision meant striking at the top of the Christian Democrat.”³⁴⁹ In January of 1978, Carter’s administration declared its “hostility to the emergence of Italian governments based on the direct participation of communists.”³⁵⁰ Thus, marking a continuity with the policy of Ford’s administration. “Faced with American opposition, the Italian parties decided to continue with the *solidarietà nazionale* formula, based on the PCI’s external support for a centre-left executive led by Giulio Andreotti.”³⁵¹ In the same January, Andreotti resigned to allow a new reshuffle in agreement with the Communists of Berlinguer. On the 16th of March 1978 “a new government, a mono-coloured DC led by Andreotti, presented itself in the Chamber of Deputies. According to the agreements of which Moro and Berlinguer had been the main architects, it was to bring a significant novelty in the political framework: the entry of the PCI into the coalition that would support the government in Parliament.”³⁵² Still, they had no seats or positions in the government, mostly due to the US requests. But they had been included in the creation of the fourth Andreotti government. However, some personalities were disliked by the PCI, thus there was uncertainty about the confidence vote at the Parliament.

Then, news spread: Moro was kidnapped in “the most dangerous attack ever made on the democratic system.”³⁵³ The morning of the 16th of March “a group of at least ten elements - but more probably twelve, counting two still unidentified motorcyclists - took by surprise and annihilated the five men (of whom two were behind the wheel) who formed Aldo Moro’s armed escort, Iozzino, Leonardi, Ricci, Rivera and Zizzi, and seized the statesman.”³⁵⁴ The attack perpetrated in Via Fani shocked the entire country and “led to the creation of a *national unity* government, supported by the Communists”³⁵⁵ and not only.

³⁴⁸ *ibidem*.

³⁴⁹ V. Satta, *Il sequestro e l’omicidio Moro*, part of: F. Perfetti, A. Ungari, D. Caviglia, & D. De Luca, *Aldo Moro nell’Italia contemporanea*, Biblioteca di "Nuova Storia Contemporanea", Firenze: Le Lettere, 2011, p.280.

³⁵⁰ L. Monzali, F. Imperato, R. Milano, & G. Spagnulo, *Storia delle Relazioni Internazionali (1919-2021)*, p.491.

³⁵¹ *ibidem*.

³⁵² V. Satta, *Il sequestro e l’omicidio Moro*, p.280.

³⁵³ A. Varsori, *Italy’s foreign policy in the 1980s: from enthusiasm to disillusion*, p.103.

³⁵⁴ V. Satta, *Il sequestro e l’omicidio Moro*, p.280.

³⁵⁵ A. Varsori, *Italy’s foreign policy in the 1980s: from enthusiasm to disillusion*, p.103.

Due to the emergency situation, the government won a broad and swift confidence. The political forces reacted immediately, “speeding up the parliamentary debate to allow the executive to take office as soon as possible.”³⁵⁶ Politically, two different positions emerged that will last until the end of the crisis: the first one, the “firmness put the fight against terrorism at first and, from this perspective, feared the negative consequences of capitulating; on the other hand, the negotiation gave priority to the survival of the hostage.”³⁵⁷ The Christian Democrats and the Communists backed the firmness policy, because they were the “the ones most involved in the realisation of the political project agreed upon by Moro and Berlinguer, thus, they had the most to lose by sticking to a position that gave little hope of getting the hostage back alive.”³⁵⁸ The Communists were maybe the most uncompromising during the entire crisis, due to the fear that the terrorist group could have increased its support on the radical left electoral basin, stealing voters and gaining legitimacy. This fear will not become apparent. Meanwhile, the Socialists were the most in favour of the negotiation strategy, with Craxi as the main leader of this cause, “because he did not look favourably on the rapprochement between the DC and PCI.”³⁵⁹

“The popular reaction to the news of the *Via Fani massacre* was one of shared solidarity with the victims and with the institutions. With sporadic exceptions, there were massive demonstrations in defence of democracy and repudiation of terrorism.”³⁶⁰ Thus, the main objective of the Red Brigades attack failed. They hoped that this spectacular kidnapping against the prominent figure of the party that dominated the Italian political system for over thirty years could have “awaken dormant revolutionary spirits, particularly in the working class.”³⁶¹ These hopes disappeared immediately. This reaction was well received by the capitals in the West. “The Western powers appreciated the apparent positive reaction by Italian opinion and the political world.”³⁶² During his imprisonment, Moro wrote letters to his “family, while in those to Interior Minister Cossiga, and to DC Secretary Zaccagnini Moro raised the delicate issue of negotiation even before the Red Brigades had done so.”³⁶³ The Red Brigades announced the start of the process to the leader of the DC.

³⁵⁶ V. Satta, *Il sequestro e l'omicidio Moro*, p.281.

³⁵⁷ *ivi* p.282.

³⁵⁸ *ibidem*.

³⁵⁹ *ibidem*.

³⁶⁰ *ibidem*.

³⁶¹ *ibidem*.

³⁶² A. Varsori, *Italy's foreign policy in the 1980s: from enthusiasm to disillusion*, p.103.

³⁶³ V. Satta, *Il sequestro e l'omicidio Moro*, p.288.

“The kidnapers did not offer any clear indication of the kidnapped fate until 15 April, the day on which, in communiqué n. 6, they announced that the so-called 'trial' they had brought against Moro was over: the Honourable Member declared guilty, was sentenced to death.”³⁶⁴

After five convulsive and dramatic days, with red herrings and even discoveries of covert hideouts, the n.7 communique was published by the Red Brigades in which they “they would only release him in exchange for the release of communist prisoners. The DC and the government had 48 hours to accept the offer.”³⁶⁵ The terrorist group on the 24th of April gave thirteen names to free in exchange, “among them Curcio and Franceschini, the founders of the group.”³⁶⁶ This request was inadmissible for everyone. After 50 days of captivity, the last communique of the terrorist group wrote that they “were executing the sentence.”³⁶⁷ On the 9th of May 1978 Moro was found killed in *Via Caetani*, just hundreds of meters from the PCI headquarters in *Via delle Botteghe Oscure* and DC headquarters in *Piazza del Gesù*. The outcome of the 55 days of captivity of Moro and his murder demonstrated the complete change from the weakness shown by the Italian authorities until that moment and the firmness and reaction showed during the kidnap and after. “In the second half of 1978 and during 1979 the fight against the Red Brigades became much more incisive.”³⁶⁸ “As for national politics, despite the disappearance of Moro, the agreements between the DC and PCI were respected.”³⁶⁹ Only at the end of 1978, the Communists left the coalition, when internationally the atmosphere of *détente* was already damaged and it was, actually, turning towards a “New Cold War.” Besides that, the main architect of political and economic strategies from the 60s to the late 70s of Italy, Aldo Moro, left the international and internal scene after a violent death.

During the intervening time, in Iran, the internal situation was degrading in the blink of an eye. In August, “the death of more than four hundred persons in a cinema due to a fire in Abadan sparked protests and mass demonstrations against the government, which was accused of being responsible for the catastrophe. Despite the imposition of martial law,

³⁶⁴ *ivi* p.290.

³⁶⁵ *ivi* p.293.

³⁶⁶ *ivi* p.294.

³⁶⁷ *ivi* p.296.

³⁶⁸ *ivi* p.297.

³⁶⁹ *ivi* p.298.

street protests continued. On 8 September 1978, the armed forces fired into the crowd protesting in the streets, killing dozens of people. It followed escalating armed clashes between opposition groups and army and police forces.”³⁷⁰ The Iranian protestor started to strike and “the population opted for a boycott of the country's oil activities.”³⁷¹ The latter became to be an international issue. However, the interruptions did not have an immediate effect, even though Iran was “the world's fourth largest producer of crude oil.”³⁷² Meanwhile, “the long series of strikes that characterised the Iranian revolution of 1978-1979 deprived the regime of the instrument of coercion, as it was impossible even for the secret police, the SAVAK, to force millions of Iranians to return to their workplaces.”³⁷³ Furthermore, in this state of the event the Shah was in bad health and he was experiencing a tense relationship with the US, Iran’s main ally. Carter’s administration based its policy on the respect of human rights and the events happening in Iran were the complete opposite. Thus, in late December of 1978, under US pressure the Shah “dissolved the current military government and appointed as prime minister Shapur Bakhtiar,”³⁷⁴ a Mossadegh supporter and republican.

At that time, the international and internal pressure became massive because the newly appointed Prime Minister started to push the Shah to leave the country, and simultaneously, he “proceeded to liberalize the Iranian regime granting the right to strike, freeing the political prisoners, ending the censorship and dissolving the infamous SAVAK.”³⁷⁵ Thus, in mid-January, the Shah and his family left the country, while a few days later, Bakhtiar agreed to Khomeini's return. “At the end of January of 1979, the return of Khomeini was greeted by an immense crowd of 7 million people.”³⁷⁶ In March of the same year, a referendum passed, which changed the institutional form of the state from a monarchy to an Islamic Republic. Thus, Shah Mohammed Reza, after Nixon, Faisal, Meier and Moro, protagonists of the first energy crisis (Moro in a smaller dimension) left the political and international scene.

³⁷⁰ L. Monzali, F. Imperato, R. Milano, & G. Spagnulo, *Storia delle Relazioni Internazionali (1919-2021)*, p.499.

³⁷¹ S. Labbate, *L'Italia e l'ENI di fronte alle crisi petrolifere degli anni Settanta*, p.523.

³⁷² *ibidem*.

³⁷³ L. Monzali, F. Imperato, R. Milano, & G. Spagnulo, *Storia delle Relazioni Internazionali (1919-2021)*, pp.499-500.

³⁷⁴ *ibidem*.

³⁷⁵ *ibidem*.

³⁷⁶ *ibidem*.

3.4 The second oil shock and a new era ahead

“Concerning the oil international market, while trying to figure out how and when Iranian production would resume, there were inescapable consequences: firstly, the price of crude oil had risen further and showed no signs of changing course; secondly, it was still uncertain what strategy OPEC countries would adopt in response to the Iranian oil shortage.”³⁷⁷ The response was not long in coming. When the oil market started to crumble again already in December 1978, the OPEC members, “in response to the shortage of crude oil after the Iranian boycotts, decided on a further increase in its price; and, unexpectedly, the overall increase was 14%, including both the spot and the regular market.”³⁷⁸ The spot market, which was an alternative to traditional long-term contracts due to the immediate buying or selling of oil, was increasingly used by both buyers and sellers. However, prices in this market were influenced by current supply and demand, making higher the costs in respect of a regular market. This new development in the oil market marked the start of “a new shock that would have led to a rise in the price of black gold from thirteen to thirty-six dollars per barrel, which would have had repercussions not only in the oil industry but also (as in 1973) in the world economy and international politics.”³⁷⁹ At first, the “dove” Saudi Arabia attempted to compensate the Iranian loss by increasing the production “from its self-imposed ceiling of 8.5 million barrels per day to 10.5 million barrels by the end of 1978.”³⁸⁰ However, what was feared was the internal situation in Iran which was far from stabilised.

The government of Bakhtiar fell after being criticised by Khomeini, and in March 1979, the “head of the provisional executive became the nationalist Mehdi Bazargan, the closest supporter of the Shia clerical leader and political heir of Mosaddegh.”³⁸¹ However, the relationship between these two was tense, due to the different political positions. Bazargan was more in favour of the democratization of the new Republic, while Khomeini envisioned a theocracy for Iran. Thus, “even with the proclamation of the Islamic Republic, strong anxieties remained in the country.”³⁸² Nevertheless, “against all odds, from March onwards, Iranian exports began again, albeit at a very mild pace.”³⁸³ The government of

³⁷⁷ S. Labbate, *L'Italia e l'ENI di fronte alle crisi petrolifere degli anni Settanta*, p.526.

³⁷⁸ *ivi* p.529.

³⁷⁹ *ibidem*.

³⁸⁰ D. Yergin, *The prize*, p.685.

³⁸¹ S. Labbate, *L'Italia e l'ENI di fronte alle crisi petrolifere degli anni Settanta*, p.525.

³⁸² *ivi* p.529.

³⁸³ *ivi* p.531.

Bazargan seemed to have control of the internal situation, to the extent that, after “a first positive contact between ambassador Tamagnini and the Iranian Deputy Prime Minister Amir Entezam, the new president of ENI, Giorgio Mazzanti [...] who was the first manager of a foreign oil company after the fall of the Shah to personally visited Tehran.”³⁸⁴ Again Italy was demonstrating its role as a bridge country between Europe and the Middle East. Even though the meeting had not concrete results, the “atmosphere at the meetings was very cordial and, with the Iranian side repeatedly recalling the positive precedents of the Mattei era, direct relations were established at the top of the two organizations, which could form the basis on which future collaborations could be built.”³⁸⁵

Then, at the end of March, three historical events had important implications. Chronologically, the first one was the famous Accords of Camp David, the apex of Carter’s administration, where “after more than six months of negotiations, the Treaty of Peace between the Arab Republic of Egypt and the State of Israel was signed by President Jimmy Carter, Egyptian President Anwar Sadat, and Israeli Prime Minister Menachem Begin.”³⁸⁶ The treaty comprehend security arrangements between the parties, but even “the normalization of political, economic, and cultural relations, including the exchange of ambassadors and the termination of economic boycotts.”³⁸⁷ These agreements were not well seen in the Middle East. Especially, by the Saudis that were in the uncomfortable “position of having to choose between Egypt, which would imply abandoning the Palestinian cause and the fight against Israel (a legacy of the late Faisal) and Iraq, by now the standard-bearer of Arab nationalism.”³⁸⁸ The Saudi chose to side with Iraq and Egypt was expelled from the Arab League. Subsequently, the OPEC members had a meeting in Ginevra on the 26th and 27th of March, in which they decided on a moderate increase of the prices and “on the other hand, substantial freedom of action for each country, which from then on could decide further new price increases according to its own domestic needs.”³⁸⁹ In practice, “the exporters were abandoning any notion of an official price structure. They

³⁸⁴ *ivi* p.532.

³⁸⁵ *ibidem*.

³⁸⁶ Foreign Relations of the United States, 1977-1980, Vol. IX, Arab-Israeli Dispute, August 1978-December 1980, Second, Revised Edition, ed. Alexander R. Wieland (Washington: Government Publishing Office, 2018) doc.239.

³⁸⁷ *ibidem*.

³⁸⁸ G. Garavini, *The Rise and Fall of OPEC in the Twentieth Century*, p.270.

³⁸⁹ S. Labbate, *L’Italia e l’ENI di fronte alle crisi petrolifere degli anni Settanta*, p.534.

would charge whatever the market would bear.”³⁹⁰ The only exception was made by the Saudis with the “Yamani Edict” which opposed the new situation at least until that time. Finally, on the 28th of March 1979 an incident at the nuclear power plant in Three Mile Island “brought a further wind of pessimism throughout the industrialised world and seriously jeopardised peaceful nuclear investments.”³⁹¹

Furthermore, “in the second quarter of 1979, the Saudis cut production, bringing it back to the pre-crisis “ceiling” of 8.5 million barrels per day. Despite the Saudi insistence on keeping to official prices, that cutback helped to send spot prices soaring.”³⁹² Meanwhile, in June the OPEC countries increased the average cost of oil by about 15 per cent. The IEA tried to propose plans for emergencies, but these were received with reluctance. “Therefore, having failed to respond with concerted action, each country attempted to revive the policy of bilateral agreements with producers.”³⁹³ Again the Western administration decided to act as they had acted after the first oil shock. Carter’s reaction was the famous speech on energy, which was a new sectoral plan that would have reduced “American dependence on OPEC by September 1981 by reducing oil imports and investing massively in alternative sources. An integral part of the plan was both a drastic reduction in domestic consumption and the gradual liberalisation of the prices of crude oil produced in the United States.”³⁹⁴

Italy found itself totally unprepared for the new energy crisis, and, despite having been involved in every communitarian plan on the development of the nuclear sector or even having planned a “methane option”, Italy was still dependent, almost at 80%, for the imports of oil. “In this framework, ENI during 1979 had fundamental subrogation function vis-à-vis the other operators for the fulfilment of national oil consumption by avoiding the spot market, thanks to the existing multi-year contracts with some producing countries and through a hidden trade policy.”³⁹⁵ At the same time, the Italian energy entity began to develop “a more robust penetration in the world’s major oil areas based on the cooperation

³⁹⁰ D. Yergin, *The prize*, p.689.

³⁹¹ S. Labbate, *L’Italia e l’ENI di fronte alle crisi petrolifere degli anni Settanta*, p.534.

³⁹² D. Yergin, *The prize*, p.690.

³⁹³ S. Labbate, *L’Italia e l’ENI di fronte alle crisi petrolifere degli anni Settanta*, p.535.

³⁹⁴ *ibidem*.

³⁹⁵ S. Labbate, *Energia Made in Italy-Le cooperazioni italiane oltre frontiera: dagli albori alle crisi petrolifere degli anni Settanta*, p.141.

and on the support of the industrial initiative.”³⁹⁶ Again, ENI responded similarly on what was done after the first shock, following the path of the “*formula Mattei*.” In this framework, the President of ENI went in Iran and achieved a “partial restoration of some supplies”³⁹⁷ between April and May. To further complicate the Italian situation, a new governmental crisis led to the fall of Andreotti’s cabinet and in the summer, after the new election, the new government was led by Cossiga, with the Christian Democrats the liberals and the social democrats. It marked the end of the season of the “*solidarietà nazionale*”, but it remains the tribulation of the time. “Italy’s economic and social landscape was strongly conditioned both by the new and sudden increase in the cost of energy supply caused by the second shock, which acted as a push for the relaunch of nuclear power and to which was added the simultaneous revaluation of the dollar, further affecting the Italian economy.”³⁹⁸

In addition, the Italian energy company was hit by a scandal, related to one of the contracts signed with the Saudi company *Petronim*. The Italian investigative judiciary began an investigation on alleged bribes in the contract signed on June of 1979 by AGIP and *Petronim*. “what made this agreement suspicious were not only the convenient terms agreed (ninety-one million two hundred and fifty thousand barrels of crude oil three 1979-1981, against payment of a seven per cent bribe by ENI on the entire contract) but above all the establishment of direct relations with the world’s largest producing country, avoiding the intermediation of the major.”³⁹⁹ The inquiry led to the resign of Mazzanti and involved several political figures, but no one was held responsible even because “the Cossiga government placed the matter under state secrecy.”⁴⁰⁰ The Italian weakness was evident and this scandal was the confirmation. “The combination of these situations made Italy clearly weak, both internally and, above all, externally, depriving it of sufficient strength to react to the consequences of the second energy crisis; Italian hopes were therefore almost entirely placed in Community initiatives.”⁴⁰¹

³⁹⁶ *ibidem*.

³⁹⁷ *ivi* p.142.

³⁹⁸ *ibidem*.

³⁹⁹ *ivi* p.143.

⁴⁰⁰ *ibidem*.

⁴⁰¹ S. Labbate, *L’Italia e l’ENI di fronte alle crisi petrolifere degli anni Settanta*, p.542.

During the summer, the EEC members made contact with the exporter's countries to foster a Euro-Arab dialogue on resources. "However, all ideas and intentions were overwhelmed by the sudden turn of events in Iran."⁴⁰² In Iran, there was still a fracture between the institutions, with the provisional government of Bazargan, and the religious, led by Khomeini. The fragile balance shifted in favour of the religious on the 4th of November, when after the US administration approved the request of Mohammed Reza to be extradited to the US, "an estimated 3,000 Iranian student demonstrators occupied the Embassy."⁴⁰³ The students who professed themselves as "students following the imam's line" "penetrated the security barricades within the Embassy and have taken the Embassy duty personnel hostage."⁴⁰⁴ "The occupation, legitimised by the Iranian urban masses, appeared as the absolute constitutive act of the revolution, *the Bastille* of the Iranians, and was therefore destined to produce a definitive break with the past."⁴⁰⁵ Bazargan resigned and the students had a tacit consent from Khomeini's group of radical clerics. The Iranian crisis would have inevitably negative "repercussions on the ongoing oil shock."⁴⁰⁶

Carter's administration on the 12th of November decided on the ban of all oil products from Iran and the freezing of Iranian funds and assets in the US. Even the fleet was sent to the Persian Gulf. "The main consequence of this was the further increase in the price of crude oil."⁴⁰⁷ To worsen the situation on the 17th of December the OPEC members meet in Caracas, where the members decide to raise prices once again. Mostly, Libya, Algeria, and Nigeria, following the Iranian will, "decided to make further increases, while Saudi Arabia continued to maintain high domestic production."⁴⁰⁸ However, the times changed and "the exporters lost touch with the reality of the market."⁴⁰⁹ The reasons were numerous, but they would have determined the constant but steady decline of OPEC in the international context. "World demand for oil was gradually declining, especially after the cost-saving policies promoted by the major industrialised countries since the mid-1970s; in

⁴⁰² *ivi* p.544.

⁴⁰³ Foreign Relations of the United States, 1977-1980, Vol. XI, Part I, Iran: Hostage Crisis, November 1979-September 1980, Second, Revised Edition, ed. Linda Qaimmaqami (Washington: Government Publishing Office, 2020) doc.1.

⁴⁰⁴ *ibidem* [apparently has been erased].

⁴⁰⁵ L. Monzali, F. Imperato, R. Milano, & G. Spagnulo, *Storia delle Relazioni Internazionali (1919-2021)*, p.503.

⁴⁰⁶ S. Labbate, *L'Italia e l'ENI di fronte alle crisi petrolifere degli anni Settanta*, p.544.

⁴⁰⁷ *ivi* p.545.

⁴⁰⁸ *ivi* p.546.

⁴⁰⁹ D. Yergin, *The prize*, p.704.

addition, new supplies had arrived from regions outside the organization's control (essentially from the North Sea, Alaska and Mexico, not to mention the substantial increase in Soviet production), while investments in alternative sectors, especially atomic energy, and the creation of large national stocks made this less of a concern."⁴¹⁰ Moreover, internationally the context was no longer symbolized by *détente*, which after Helsinki was damaged several times by a struggle between the US and USSR over Africa and it completely vanished in December of 1979 when the Soviets invaded Afghanistan.

In this context, the Italian cabinet of Cossiga "took another vital decision in the process of full re-alignment with the West, approving NATO's dual-track strategy involving the installation of Euromissiles on Italian territory. The opposition of the Communists to the Atlantic strategy marked their retreat to isolation on the Italian political scene."⁴¹¹ Thus, a new political era was at stake, the so-called *pentapartito*. "A political formula of "five parties" coalition governments,"⁴¹² that will characterize the Italian political landscape for all the 80s. Meanwhile, concerning the energy sector, after the *Petronim* affair, the Saudis denounced and suspended the supply contract. Thus, ENI from 1980 "to cope with the production quotas imposed by Libya and Nigeria and the difficulty of maintaining adequate crude oil supplies from the Middle East, agreed with the Venezuelan State Company to increase the quantities of imported crude oil in exchange for the supply of technology and equipment."⁴¹³ Simultaneously, ENI attempted to widen the supplies of natural gas from Algeria and USSR. Furthermore, at that time the Soviet were projecting to construct a pipeline that would have "tied the Siberian Urengoy gas field to Uzhorod in Western Ukraine; from there it would have connected with already existing pipelines, so to convey gas to Western European nations, especially West Germany and France."⁴¹⁴ The Soviet tried to involve Italy in this project. The Soviet deputy minister of Foreign Trade, Nikolai Ossipov, visited Rome in late July 1980 "and he had conversations with some Italian ministers and with managers of ENI and SNAM. These meetings were

⁴¹⁰ S. Labbate, *L'Italia e l'ENI di fronte alle crisi petrolifere degli anni Settanta*, pp.547-548.

⁴¹¹ A. Varsori, *Italy's foreign policy in the 1980s: from enthusiasm to disillusion*, p.104.

⁴¹² A. Varsori, *Italy and the West Siberian Pipeline: A complex and Long Story*, p.11.

⁴¹³ S. Labbate, *Energia Made in Italy-Le cooperazioni italiane oltre frontiera: dagli albori alle crisi petrolifere degli anni Settanta*, p.144.

⁴¹⁴ A. Varsori, *Italy and the West Siberian Pipeline: A complex and Long Story*, p.8.

the beginning of long and difficult negotiations which went on till the summer of 1981 with meetings both in Rome and in Moscow.”⁴¹⁵

This example symbolizes how the situation had evolved from the start of the 70s, because even though the clear economic advantages of dealing with and participating in the project the Italian authorities were not inclined to be involved, mostly to avoid a reaction from the US. Furthermore, the supply situation worsened after the Iraqi military invasion against the still chaotic Islamic Republic of Iran in September of 1980. This bloody war will affect two of the biggest exporters of oil for almost a decade. However, the second oil shock for ENI, but even for all the other Western companies, “was less critical than the previous shock, partly due to the strong oil and gas exploration and production activity put in place after 1973.”⁴¹⁶ In general, even the political scenario was different. The election of Margaret Thatcher in May of 1979, with the implementation of a new economic policy based on liberalism and the abandonment of the traditional British conservative vision more an expression of the old aristocracy. The election in November 1980 of Ronald Reagan as the 40th President of the United States, with his anti-communist vision and profound desire to defeat the *Empire of Evil* tied with a strong liberal vision of the economy and the world. Even the protagonists of the first shock were all gone, the last one was Sadat killed in 1981, by a militant belonging to a terrorist organization. According to his view, the President was guilty of having signed a peace treaty with Israel.

There was something new at stake in energy as well. Not just a further push and investments in nuclear energy. But even some new forms of research and developments, for example, renewable energy technologies, such as solar and wind power. The request was not only to foster independence from other countries but also came from the society that began to advocate for cleaner and more sustainable energy solutions. This would have set the origins and the prodromes for a current topical subject, which is renewable energy. Still, oil remained the principal resource, but the power of the exporters was gradually fading away due to new explorations, new exporters, and new energies. The shocks had traumatized the Western industrialized societies, but they also contributed to a slow formation of antidotes to compensate for the lack of resources.

⁴¹⁵ *ivi* p.9.

⁴¹⁶ S. Labbate, *L'Italia e l'ENI di fronte alle crisi petrolifere degli anni Settanta*, p.550.

Conclusion

The thesis examined how the Italian government reacted to the *oil shocks*. The numerous governments pursued a multi-layered approach to overcome the scarcity of resources. A distinction can be made between economic, diplomatic, and political approaches during the 1970s.

On the economic side, the Italian government took various measures. Firstly, it pursued a strategy of official visits by Foreign Minister Moro and other officials to producing countries such as Saudi Arabia, Iran, Libya, and Iraq to facilitate signing contracts with ENI, the most important national energy company. Moreover, these governments consented to the diversification of resources done by ENI to negotiate and sign contracts with methane production countries like the USSR, Algeria, and the Netherlands. But even supported diversification by participating in incentives and proposals at the European level aimed at bolstering the nuclear sector. In addition, the government secured the approval of an Oil Plan in Parliament that outlined strategic objectives and measures aimed at enhancing domestic oil production and reducing dependence on imported oil. Although, in the end, this plan was not able to produce what was meant, it marked the first plan on energy done by an Italian government. Internally, the government decided to reduce the consumption of oil for several months by limiting the public light, forcing the markets to close at a certain time, or imposing a stop on the use of cars on Sunday (the so-called “*domeniche a piedi*”). Thus, economically Italy pursued a policy of bilateral agreements tied with limited cooperation on the nuclear sector and an autonomous decision on the reduction of consumption.

In the meantime, Italy has been one of the main diplomatic promoters of cooperation and coordination between consumer countries and even between consumers and producers. Italy has been so committed to the energy sector that it has participated in all multinational conferences on the subject. For example, Italy participated in the Washington Energy Conference, the OECD summit that established the IEA, an intergovernmental organization to promote energy security, economic growth, and environmental sustainability through international cooperation. Italy was also a member of the first G6 and later the G7, an intergovernmental forum that brought together the seven most industrialised countries in the world and played a role in coordinating strategies to deal with the energy shock. To understand even better how sensitive Italy was to the issue of energy, Italy called for the

participation of the Mediterranean countries, some of which were also oil producers, at the Helsinki negotiations on *détente* to discuss not only security but even energy. Italy was also part of the CIEC, referred to as the *North-South dialogue* that occurred in Paris in which all OPEC and OECD members participated.

Finally, on the political side, the work shows the pro-Arab stance of the Italian government, trying to overcome the difficulties caused by the shock. This strategy was not new in Italian foreign policy, but, this time, it was more forceful and effective. However, as research has shown, this position had to be linked to the survival of the State of Israel. Nevertheless, Italy participated in the joint declaration of the EEC members and in the Copenhagen European Council declaration, in which the European states called for an end to the occupation of Arab territories by Israel and drew attention to the legitimate interests of the Palestinians. This policy was reinforced by the official visits and the unofficial agreement with the PLO, known as *Lodo Moro*. This stance was maintained and consolidated in the years that followed.

These approaches were able to overcome even the second shock. Although the Italian government did not expect another shock, ENI played a central role in overcoming the oil shortages. The energy company had, indeed, gained a certain amount of experience. In this context, the investigation looked at the key role that ENI played not only during the crisis period but also from the very beginning. From Mattei's presidency to the early 1980s, a clear strategy to secure Italy's supply and attempt to construct an autonomous energy policy was the main driving force of the public company.

These findings in the government's reaction in 1973 attracted my curiosity in parallel with what the current state of the event is. I noticed various similarities between the end of 1973 and 2022 during the investigation, at least in terms of the economic approach. For example, the official visit strategy was first implemented by the President of the Council, Mario Draghi, in Algeria. He "paved the way for Algeria to become Italy's top energy supplier, replacing Russia and thus allowing for a swift decoupling from Moscow as the Ukraine war rages on and energy prices continue to soar."⁴¹⁷ This policy was pursued even by the Minister of Foreign Affairs Luigi Di Maio, who went to

⁴¹⁷ K. Mezran and A. Pavia, *Giorgia Meloni's Foreign Policy and the Mattei Plan for Africa: Balancing Development and Migration Concerns*, IAI commentaries, n.23/36, July 2023, p.1. URL: <https://www.iai.it/en/pubblicazioni/giorgia-melonis-foreign-policy-and-mattei-plan-africa>

Azerbaijan and Qatar intending to accelerate the process of energy diversification by strengthening existing collaborations. Furthermore, some measures were taken to reduce the public consumption of gas at the national and European levels.

Just a few months later, to better represent the proximity between 1973 and 2022, the new President of the Council, Giorgia Meloni, went to several North African countries, like Algeria, Libya, and Tunisia as one of the first acts of her Presidency. She engaged “in a diplomatic offensive aimed at reinvigorating Italian policies,”⁴¹⁸ and announced “*Mattei’s plan*”, a broader multilateral initiative “aimed to encourage a holistic approach to deal with African countries of interest to Italy. It also aims to turn Italy into an energy hub between North Africa and Europe.”⁴¹⁹ This rush of Italian authorities towards countries rich in resources resembles the condition in which the government reacted fifty years ago. Italy’s dependence on Russian gas accounted for almost 40% of the total import of gas. In the first instance, the response was to fill the gap of Russian gas by substituting it with Algerian gas through the same pipeline, TRANSMED, negotiated and constructed in the 1970s. Furthermore, the negotiation with the Algerian counterparts and the formation of *Mattei’s plan* was done with the assistance and participation of ENI, not anymore a public company but a stock company with state co-participation. This reaction was able to drastically reduce the Russian gas, although it shifted temporarily from one dependence to another.

Furthermore, the coalition parties in Meloni’s government have been in favour of a return to the use of nuclear energy to diversify and be more autonomous. However, the return of nuclear power would require a long time for the design, construction and operation of power plants. Moreover, this would also go against the will of the people expressed in the 1987 and 2011 referendums on nuclear energy. Thus, this position is unlikely to lead to results.

However, as far as the diplomatic and political approach is concerned, the differences are considerable. In 2022, European countries voluntarily decided to stop or significantly reduce imports of Russian gas. This differs from the situation in which OPEC members unilaterally decided to cut production. Although the noble motivation of stopping the financing of the Russian war machine in its aggression against Ukraine had the same

⁴¹⁸ *ibidem*.

⁴¹⁹ *ivi* p.3.

result in economic terms as in 1973: a surge in inflation and an economic crisis. But the worst seems to have been overcome by all these measures even thanks to a European push for energy efficiency and renewable energy. To summarise, the Italian government decided to reduce domestic consumption, pursued a strategy of official visits to producer countries with the participation of ENI, tried to promote and support nuclear energy, and participated in or even launched multilateral initiatives to tackle the energy issue. The similarity is evident.

The similarities were already present at the beginning of the crisis. The fact that Italy and several European countries, mostly Germany, were largely dependent on a certain state with an aggressive foreign policy and with claims to some territories was not a brilliant decision. In 2022 and 2023, Italian and European citizens paid for it. Also in the 1970s, Italian energy consumption was largely dependent, this time on a region, the Middle East, where Arab countries made claims on the Israeli occupation of the Sinai Peninsula, the Golan Heights and the West Bank. The fact that similar things happened not only in the post-crisis period but even in the pre-crisis period must be assessed by the Italian authorities, given the lack of foresight and understanding.

Italy's scarcity of resources explains why the country relies on imported resources, highlighting the vulnerability of its energy supply and its susceptibility to external factors such as diplomatic tensions or fluctuations in the global market. Although this weakness in Italian energy policy will remain until some new inventions in the sector are discovered or implemented, the Italian authorities must be careful to avoid over-dependence and diversify their energy sources. In addition, it could increase domestic production or reduce consumption by investing in renewable energy sources and promoting energy efficiency measures. In this way, Italy could increase its energy security, reduce its dependence on external suppliers and mitigate the risks associated with one of the problems that has always characterised Italy: the lack of resources.

In conclusion, I would like to emphasise that the highest authorities in Italy and abroad have failed to understand and study history as a "*magistrae vitae*" when, after fifty years, identical problems so similar to the past reappear in the present: from the Palestinian question to dependence on foreign resources.

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