INDEX

PREFACE..............................................................................................................................................3

INTRODUCTION........................................................................................................................................

CHAPTER 1.........................................................................................................................................8

THE AMERICAN POLICY TOWARDS ITALY: ENRICO MATTEI AND THE UNITED STATES OF AMERICA.................................................................................................................................8

1.1: American policy towards Italy in the postwar settlement: Truman and the Communist threat.................................................................8

1.1.2: American policy towards Italy in the postwar settlement: Clare Boothe Luce, NSC 5411/2 and the 1953’s national elections................13

1.2: Enrico Mattei as an element of disturbance................................................................................23

1.3: The Italian petroleum legislation in the 1950s........................................................................28

1.4: The creation of “Ente nazionale idrocarburi” .................................................................33

1.5: To exit the Po Valley: the troubled experience in Sicily......................................................37

1.6: Enrico Mattei, Giovanni Gronchi and the Eisenhower administration: USA faces oil problems in Italy.........................................................................................46

CHAPTER 2............................................................................................................................................56

THE “NEO-ATLANTICISM” AND ENI'S “PARRALLEL DIPLOMACY” IN THE UNITES STATES' PERCEPTION.................................................................................................................................56

2.1: Italian Foreign Policy between “Europeism” and “Mediterraneanism”.................................56

2.1.2: The “Neo-Atlantic” Foreign Policy and the contrast between “Atlanticists” and “Neo-Atlanticists”.........................................................61

2.2: Gronchi's and Mattei's simultaneous initiatives: the “Iranian phase”.............................................65

2.3: Mattei and the “Soviet phase”....................................................................................................77
CHAPTER 3...........................................................................................................................................86
MATTEI IN SAUDI ARABIA..................................................................................................................86

3.1: The evolution of the Saudi oil industry: Saudi Arabia as the American Bulwark....................86
3.2: Italy's return to Saudi Arabia....................................................................................................93
3.3: Italy and Saudi Arabia: following the Iranian example..........................................................98
3.4: ENI's interest in the “Neutral Zone” ......................................................................................107
3.5: The rise of Shaikh Abdullah Tariki: the stalemate of negotiations........................................111
3.6: The failure of the “SIRIP” formula..........................................................................................118

CONCLUSIONS...................................................................................................................................................

Appendix I............................................................................................................................................................
Maps.......................................................................................................................................................................
Bibliography..........................................................................................................................................................
PREFACE

Written by a university student, this thesis is addressed to all who wish to review the Italian interests and national aspirations during the economic recovery following the end of WWI. The dissertation is addressed also to those who believe Enrico Mattei deserved a special mention for having played a decisive role in this process. What I have tried to do is to reflect on the complicate relationship between Italy, the United States and the President of the National Italian Petroleum Company. Chapter 1 begins with a significant issue of the post-war recovery period: the American fear of a Communist infiltration across Italy. Not that I have the pretention of writing a history of the Communist threat in the Fifties; rather I focused on the frictions that emerged between the Italian government and the USA due to the initiatives of Mattei both in the domestic politics and in the national oil industry. Mattei, while interfering with the democratic mechanisms by means of clientelism and corruption, repeatedly tried to get the American oil companies out of the more promising areas of the national territory. He could enjoy long periods of open political support and tolerance despite his elusive actions.

Chapter 2 argues that, at a certain point, and especially thanks to the revenues produced by the exploitation of methane, ENI's clout became so pervasive that the Agency became able to formulate its own foreign strategy. Mattei could use this impressive power to act as an unconventional foreign Minister who used to pursue a sort of “parallel diplomacy”, alternative to the official one. The analysis of ENI's “parallel diplomacy” follows two main trajectories: first, we concentrate on the “Iranian phase” (the period of the ENI-NIOC agreement) and second, we focus on the “Soviet phase” (the 1960's agreements).

Chapter 3 deals with ENI's protracted negotiations in Saudi Arabia from 1956 to 1962. The venture in the Arabian peninsula will also serve as a case-study to depict a more complete description of the relationship with the United States.

I have enjoyed the advantages of writing this thesis at the Pomezia Archives where I was surrounded by persons whose knowledge and experience of Mattei are greater than mine.

There is no way of acknowledging my debts to ENI's archivists Anna Landolfi and Lucia Nardi. I wish to thank also Margherita Martelli (Archivio Centrale di Stato) and Fabio (Istituto per l'Oriente Alfonso Nallino) for their sincere support and precious advices.
MATTEI CHALLENGES THE OIL CARTEL:

THE ENI IN SAUDI ARABIA (1956-1962)

“La principale schiavitù dell'economia italiana si chiama petrolio: per 360 giorni ogni anno tutte le nostre automobili, le nostre navi, i nostri aeroplani, tutti i motori in movimento in Italia, tutte le fabbriche che consumano idrocarburi, sono alla mercè del cartello internazionale del petrolio, la sesta potenza mondiale”¹.

INTRODUCTION

The Second World War and, after, the Cold War have transformed petroleum in the principal vehicle to reach global hegemony. The British Government became aware of this development at the start of the century when it decided to substitute carbon with oil as the main propeller of the Royal Navy even though the United Kingdom was a country with enormous reserves of carbon. The promoter of the reconversion was Admiral Winston Churchill. At disposal of the United Kingdom for oil's research and exploitation there were the massive deposits discovered by William Knox D'Arcey at the beginning of the century. The property of those oil beds belonged to the Anglo-Iranian Oil Company (A.I.O.C).

Churchill was smart to persuade the British government to acquire shares of the Company up to the absolute majority in order to be able to run the business in a

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¹L'Unità, “Che cosa significa per gli Italiani un litro di benzina”, 1956, Article by Felice Chilanti. Fondo Giovanni Gronchi. Serie: Notizie stampa
political way. At that time, the USA were both the first producer and consumer of oil. But its interests were limited to Central and South America, especially Mexico and Venezuela. The Middle East was still regarded as a suburban area: only three countries - Iran, Iraq and Saudi Arabia – used to treat petroleum and its derivatives.

In the course of the Second World War, the USA provided 90% of the petroleum necessary to carry out civil and military activities, accelerating the consumption of national resources\(^2\). When the War went through the critical stage, it upset all these settled patterns. For the first time in the history of the United States, the security that comes out from an apparently unlimited source of energy, was shaken at its foundations. On January 1943, Harold Ickes, the director of PAW (Petroleum Administration for War) wrote an article titled “We Are Running Out of Oil”. The following year he held a conference at the Chicago Council on Foreign Relations (December the 8\(^{th}\), 1944): in this circumstance he argued that the United States' national security depended on unlimited source of oil outside the national territory. He also affirmed that the United States' government should have been excluded from any stage of the oil business, leaving the whole matter in the hands of the private enterprise\(^3\).

This new situation imposed a shift in the oil policy leading to the formulation of the “Conservation theory”, that in synthesis forecasts a gradual reduction in the exploitation of national reserves and a progressive intensification of research activities in the promising countries of the Middle East.

Thus, on February the 14\(^{th}\), 1945, President Roosvelt met King Ibn Saud of Saudi

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\(^3\)Nico Perrone, “Mattei, il nemico italiano”, Leonardo Editore s.r.l, 1989, Milano, p.32
Arabia to talk about the impressive oilfields that American companies were ready to exploit in the Arabian Peninsula. Soon after the talks, Saudi Arabia became a key element within US oil strategy, while Washington government “opened the path as the so called solidification of its interests in the region, promoting a joint efforts of its official and unofficial diplomacy”\(^4\). In the following years the American major oil companies signed a large number of trusts agreements, enveloping Middle East and the Persian Gulf in their tight net. Acting in coordination with Arab national governments the Americans openly supported local regimes, often against the will of the populations. Generally, the tool used to persuade these governments consisted in the gradual increase of the royalties in the Arabic coffers.

To a large extent this is the reason why, during the Cold War, “the so called 'Seven Sisters' were perceived as the last imperialist stronghold in the region, and one of the main target of the young anti colonialist movements”\(^5\).

In 1951 the oil world was briefly but intensively shaken when the Iranian Parliament approved the nationalization of the Anglo-Iranian Oil Company\(^6\). The nationalist Prime Minister, Mohammad Mossadegh, started a long tug-of war with the Western governments and the oil companies, which reacted pronto by enforcing a severe embargo on Iranian oil. Supported by the Western countries, the Shah Muhammad Reza Pahlavi dismissed Mossadegh and revived the Western presence in his country's oil market through the establishment of N.I.O.C, a consortium composed by the British Petroleum, the SHELL, five American “sisters” and the French Compagnie des


\(^5\)IBIDEM. On this argument see also Daniele Pozzi, “Dai Gatti selvatici al cane a sei zampe”, Marsilio, Venezia, 2009 p.189-195

petroles.

In February 1953, the ENI was officially established. Almost simultaneously, a series of global dynamics was set in motion, leading to a wide alteration of the oil system's equilibrium as it had been shaped after WWII. The Great Britain was the country that suffered the most from the consequences of the war in Europe: “Ormai adagiata su di un passato coloniale difficile da cancellare, La Gran Bretagna rimase sostanzialmente arretrata rispetto all'evolversi dei tempi, conservando strutture neocolonialistiche ormai anacronistiche e insopportabili agli occhi dell'opinione pubblica”

Thus, right in the moment when the ENI entered into the international scenario, the hegemonic position of the British and (to a minor extent) the French oil companies seemed to be destabilized by a set of political and economic elements, which eventually would have led to the implosion of the whole structure after the 1973 “oil shock”.

In other words: “Si trattava di un equilibrio oligopolistico già in crisi, in cui esistevano opportunità per azioni di free riding o finalizzate a inserirsi tra gli incumbents, ma con rischi elevatissimi e possibilità di profitto non prevedibili a priori data l'estrema turbolenza dell'ambiente”

During the mid-Fifties, the Italian Agency for hydrocarbons (E.N.I), which had focused so far on the exploitation of national methane, embarked on a process of internationalization, reviving the experience of the fascist AGIP, founded in 1926 by Minister Giuseppe Volpi. As stated by a note of the US embassy “for the first time in the Italian economic history, a state-owned company, was at the same time financially viable and
professionally managed. The main protagonist of the ENI's success was its President, Enrico Mattei, who emerged as one of the most powerful actor of the Italian industrial sector. Given his impressive economic power he could manipulate large sections of the Parliament operating, since 1953, as a sort of eminence grise. He used to reward generously those who accepted to support him, no matter if they were Socialists or Christian Democrats. Thus, at a first stage, American diplomats expressed the opinion that Mattei could support the Communist and Socialist propaganda to favor the interests of his Agency at the expense of American interests.

In 1953 Mattei hoped to be called for to take part in the Abadan consortium after he had loyally respected the British boycott of the Iranian oil. Mattei was well aware of the fact that he had no oil to sell ("petroliere senza petrolio") and therefore he constantly tried to enter into the exclusive club. The exclusion from the consortium, however, irritated Mattei up to the point that he announced “open war” to the Seven Sisters' trust.

Since its very origin, thus, Mattei's strategy was based on the exploitation of the small cracks created in the Anglo-American trust by anti colonial and anti imperialistic movements. He acted aggressively, disappointing and irritating the major oil companies, and thus contributing to create frictions in the post-war settlement between the Italian government and the American leadership.

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9 Depatch n° 1237 from American Embassy in Rome to Department of State, “Enrico Mattei and the ENI”, December 16, 1954, ASEN1 Pomezia, Carte da Archivi esteri, H.II.2 busta 18
Chapter 1: The American policy towards Italy: Enrico Mattei and the United States of America

1.1 American policy towards Italy in the postwar settlement: Truman and the Communist threat

At the end of World War II the economic, social and political conditions of Italy were so desperate that a long-lasting period of dependence from American aid was easily foreseeable. The Gross National Product was incredibly inferior to that of 1939 whereas the per capita income was estimated at the 1861's level.

The Inflation Index had risen to 2058, against United Kingdom's 157 and France's 376. Two million workers were unemployed (almost 40% in the agricultural sector).

The industrial organization was backward, not in any way comparable to that of other countries and therefore not competitive on the international stage, neither in the immediate nor in prospect. The only State presence in the industry was limited to the Institute for Industrial Reconstruction (IRI), set during the Fascist period, which controlled 216 companies in 1945.

Given this dramatic situation and until the 1948's national elections, a grave danger
existed, in the American perception, that Italy would have fallen under Communist domination, something the US considered to be a tremendous scenario\textsuperscript{10}. The launching of the 1946's Constitution was the last manifested episode of collaboration among antifascists forces and it was rapidly followed by an escalation of tones in view of the forthcoming April's election. The peculiar aspect of this electoral round was the drastic polarization of forces in two opposite arrayments\textsuperscript{11}: on the one hand, the so called “Popular Front” which encompassed both Communists (PCI) and Socialists (PSI). On the other hand, the Christian Democrats (DC) and its allied minor parties (Liberals, Republicans and Social Democrats).

The electoral consultation ended up with the Christian Democrats's overwhelming victory (48.5% of votes) while the left parties lost their hopes to guide the future transformation of the Italian society.

From mid 1948 to mid 1953 Italy followed a course characterized by increasing domestic stability, economic improvement and a firm pro-Western orientation in foreign affairs. The long period of moderate center government under Prime Minister Alcide De Gasperi, backed by a solid center majority in Parliament, assured a high degree of political stability and consistency of Italy in international affairs. Despite a varying membership of the cabinet, the government was based mainly upon the support of a coalition of the four center parties: Christian Democrats, Republicans, Democratic Socialists and Liberals. During these five years, Italy's prior Foreign Policy goal was to relegitimize the country and the road to legitimacy laid in joining

\textsuperscript{10}National Security Council (NSC) 5411/2 “US Policy towards Italy”, April 15 1954, ASENI Pomezia, Carte da Archivi esteri, H.II.2 busta 18

international organizations. Thus, De Gasperi and the Minister of Foreign Affairs, Carlo Sforza, collaborated closely with the Western powers, especially the United States of America. Under De Gasperi's leadership, Italy vigorously exposed the Shuman Plan, the European Defense Community and proposals for European political integration. They gave vigorous support to NATO and early assumed a position of leadership in the movement for European integration, motivated not only by long-range security considerations but also by hope that through European unity its economic and political problems might be alleviated. However, it is worth mentioning that, in the years following the end of the conflict, the “logic of the blocs” seemed to be so oppressive and the American control over Western Europe so monolithic that it was eventually impossible for an allied country to develop an autonomous Foreign Policy. As well, it is important to note since the beginning that the Atlantic Alliance, rather than the process of European integration, played a major role in Italy's foreign strategy during those years:

“Per l'Italia, l'europeismo servì anche, all'inizio, da copertura alla scelta dell'Alleanza Atlantica. Di fatto però l'alleanza con Washington contò più di tutto e l'atlantismo è stato assai più condizionante dell'europeismo per la politica interna e il susseguirsi delle varie stagioni politiche”

In the meanwhile, the Italian economy scored a remarkable recovery between April 1948 and June 1953. Production and the real wages rose well above prewar levels;

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steps to meet basic problems were initiated in such fields as tax reforms, land reforms
and a program for southern development. If we assume the industrial production index
equal to 100 in 1938, it equaled 99 in 1948, 119 in 1950, 140 in 1951 and 151 in 1952.
Roughly with the index of export trade for 1948 equaling 100, it would equal 80 in
1948 but 145 in 1953. Thus a remarkable advance in exports is apparent. With the
index of import trade for 1938 equaling 100, the terms would equal 92 in 1948 and 163
in 1952. Therefore, the ratio of exports to imports remained basically unchanged14.

Even though the real contribution of the “Marshall Plan” to European recovery has
been eventually overestimated15, the United States played a major and indispensable
part in this recovery. Over 3 billion dollars in assistance (over 4 billions if military end
item programs is included) was extended to Italy under the various post-war aid
programs through mid 195316.

Apart from the obvious advantages which were the consequence of Italy's return to the
international market, the launch of a program of modernization by the American
administration, based on foreign investments, economic growth and expansion of
internal market, was also aimed at entering and possibly influencing the Italian
political arena. Therefore, rather than being just an economic help, the funds of the
European Recovery Program gave the US a “leverage” in the Italian political system
and the power to partially affect the internal politics. The main goal of the Truman
administration, during this phase, was indeed to prevent a further spread of Communist
influence through the Italian peninsula, which already hosted the largest Communist
group of Western Europe.

14NSC 5411/2, p. 19-20
15On this argument see William I. Hitchcock, “The Marshall Plan and the creation of the West”, in “The
16NSC 5411/2 p. 20
Therefore, the American contribution to Italy's recovery was designed, at least in part, to stem the power of influence of the Communist propaganda by offering possibilities for better living conditions to the Italian population. At its first stage, the Truman's strategy was based on the idea that the Italian Communist Party (PCI) could have been automatically weakened by solely enhancing standards of living and by granting a stable economic growth. This so called “economistic” approach produced some positive results but it seemed to be not entirely successful to American analysts themselves: on the one hand, the PCI's membership suffered a slight drop, its formerly complete control over organized labor was diminished and its infiltration into sensitive governmental and military positions was brought to a halt. Moreover, Communist capabilities of bringing about a successful revolution by violence were drastically reduced, if not eradicated, by the progressive strengthening of the State's security forces.

On the other hand, though, popular support for the PCI and the Socialists continued to increase from 31% in 1948 to 35.5% in 1953; furthermore, despite the center government had been outspoken in its anti-Communism, improved its internal security forces and reacted vigorously to Communist threats, it failed to discredit Communist appeals or take adequate measures to undermine the vast Communist organizations. Over many years, in fact, the Italian Communists had built up an effective machine of subversion reaching down from the block to the village level.

Therefore, the Communist threat in Italy was anything but disappeared, leading Truman to elaborate a new approach towards the issue of concern.

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19 NSC 5411/2 p. 3-6
On April 4th, 1951, the President instituted the “Psychological Strategy Board”, whose objective was to project, coordinate and evaluate operations of the Department of State, the Department of Defense and the Central Intelligence Agency. The team was also charged with the task of working out a plan to directly attack the Communist organizational structures. Accordingly, on February 21st, 1952, the plan PSB D.15/b for Italy (initially called Demagnetize but then renamed Clydesdale) was ready.

The plan “ribadiva l'importanza di iniziative che potessero modificare tutte quelle condizioni di miseria e ingiustizia dalle quali si sviluppava la protesta sociale ma si allontanava dall'assunto che il potere del P.C.I. alla fine sarebbe stato ridotto dagli sforzi per innalzare il tenore di vita (...) e si concentra sulla necessità di un attacco coordinato contro il potere organizzato dell'apparato comunista”.

However, in the limited period of time between the official adoption of Clydesdale and the end of Truman's mandate, the desired campaign against the PCI was never implemented. It will pertain to the Eisenhower administration to revitalize the campaign against the Left, according to the guidelines of PSB D.15/b (see next paragraph).

1.1.2. American policy towards Italy in the postwar settlement: Clare Boothe Luce, NSC 5411/2 and the 1953's national elections.

The year 1953 represented a turning point in the relationship between the two

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20 Leopoldo Nuti, “Gli Stati Uniti e l'apertura a sinistra”, cit. p. 14
countries: “In contrast to the period from 1948 to the middle of 1953, the current situation in Italy presents a prospect of political instability and a shifting emphasis in Foreign Policy”21. Two events are crucial to understand how the relationship between USA and Italy evolved:
- the change in the American administration, with the entrance of the Republican Dwight Eisenhower in the White House at the end of 1952;
- the 1953's Italian national elections, which determined the end of De Gasperi's political experiment, known as centrismo.
Once elected President, General Eisenhower resumed the guidelines plotted by the Truman's government and embarked immediately on an aggressive campaign against the Left movements around Europe, and in Italy especially. The Italian Ambassador in Washington, Egidio Ortona, wrote down in his diaries that:

“L'inizio della Presidenza americana nella sua nuova specie 'repubblicana' era stato caratterizzato da uno spirito di crociata antisovietica”22.

In December 1952, Eisenhower met the expectations of the public with a journey to Korea whose main goal was to achieve a deeper understanding of the ongoing conflict. On the way back he elaborated with his collaborators the guidelines which would have inspired his policy in the fields of economics and security: the USA should have tried to develop an adequate military power while maximizing the economic potentiality.

21NSC 5411/2, p. 22
The bearer of this new course of action to Italy was the American Ambassador Clare Boothe Luce, a devoted Catholic and fervent Republican who had been supporting Eisenhower since the beginning of the electoral campaign. Besides being the wife of Henry Luce, the owner of influential magazines such as “Time” or “Life”, she had established a long-lasting friendship with both John Foster Dulles, the Secretary of State, and his brother Allen, the chief executive of CIA. The new Ambassador openly shared many of the political theories laid down by the Republican party during the electoral campaign when the Republicans had blamed the Democrats for being too much yielding toward the Communist block: she believed that a more decisive approach might have brought an earlier victory to the Atlantic Alliance against the USSR.

Soon after Luce arrived in Italy, she began to apply the principles in which she eagerly believed: considering Communism something more than a purely economic phenomenon, she believed that American aid programs alone and the following enhancement of the living conditions of the Italian population were not sufficient devices to prevent the Communist threat. On the contrary, she insisted that the Italian government had to implement stronger political actions against the PCI:

“La tesi principale della Signora Luce era che la stabilizzazione politica dell'Italia in senso anti-comunista non passava necessariamente attraverso una sua ulteriore democratizzazione o un ampliamento della base di consenso dei governi centristi, ma attraverso una politica di scontro frontale con le forze di sinistra che mirasse a ridurne tanto il prestigio quanto la stessa legittimità agli occhi dell'opinione pubblica italiana”

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21 Leopoldo Nuti, “Gli Stati Uniti e l'apertura a sinistra”, cit., p. 15-16
After the 1953's elections, held on June the 7th, the previously firm governing majority was replaced by an unstable situation in which it became very tough for the Christian Democrats (the majority party with 40,1% of the vote) to form a viable government. The Christian Democratic Party and its allied (Liberals, Social Democrats and Republicans) jointly reached the 49,2% of the total vote and were thus unable to win the “majority bonus” (consisting of 65% of the parliamentary seats), provided by the new electoral law. This electoral law, commonly known as _legge truffa_, had been highly criticized by left and right opposition. According to Mrs. Luce, the introduction of the electoral reform, which had been strongly supported by De Gasperi, had represented the main reason for both the decline of party's leader and the worrying increase of extremism. At the same time, indeed, both Right and Left movements started to gain momentum. The Neo-Fascist Italian Social Movement (MSI) and the Monarchists grew in popular strength and political stature, reaching the 12,7% of the total vote in the 1953 election. They won support in part due to a feeling of discontent with the parties in power and in part due to other factors such as the lack of relevant cues at the international level, the opposition among the conservative circles to certain reforms undertaken by the government (like the land reform) and also nostalgia for the “good old days” of Monarchy and Fascism.

However, the most worrying event from the American perspective was represented by the renewed stature of both the PCI and the Italian Socialist Party (PSI) which obtained 22,6 % and 12,8% of the vote respectively. Thus, generally speaking, the 1953's result was deemed sharply unsatisfactory in Washington: this represented a partial defeat of the American strategy based on economic growth and on the establishment of a stable center government. It also demonstrated that the United
States could not aspire anymore to easily direct the evolution of Italian politics without the economic leverage of the European Recovery Program's funds\textsuperscript{24}.

The 1953's electoral result, however, did not come completely unexpected for both domestic and international reasons: since 1951, there had been evident signals of rupture within the centralist group. Moreover, the relations between the two countries were affected by events at the international level. The American attempt to integrate Yugoslavia into the Western alignment, in the absence of a settlement for Trieste, placed severe strains upon its relations with Italy. The Italians blamed the United States for having disregarded the promises made with the 1948's Tripartite Declaration\textsuperscript{25} and the Leftist propaganda contributed to further fuel this common belief. Later, the American policy was accused of having improved Yugoslavia's bargaining position while diminishing its readiness to agree to a solution of compromise on Trieste's issue.

This irritating (for the Italians) situation delayed parliamentary considerations of the European Defense Community and made negotiations on NATO facilities, in Italy, far more complicated\textsuperscript{26}.

During the months immediately following the elections, the new course of action provided for by the Eisenhower administration began to gain consistency and, in April 1954, the special office created by the President to coordinate Foreign Policy initiatives, the OCB (Operation Coordinating Boarding), adopted memorandum National Security Council n° 5411/2 which resumed the Italian political situation since 1948 and outlined the future goals and strategies to be implemented in Italy.

\textsuperscript{24}Leopoldo Nuti, “Gli Stati Uniti e l'apertura a sinistra”, cit., p. 5-9
\textsuperscript{25}According to the declaration both A and B zones of the “Free Territory” should have been returned to Italy.
\textsuperscript{26}NSC 5411/2, p. 6
In comparison to Demagnetize/Clysdale, NSC 5411/2 stressed the importance to flank the preceding “economistic” approach with a new policy able to fight the PCI on a political ground. The report, moreover, invited the Washington government to bind the pursuance of the economic assistance to the implementation of anti-Communist measures by the Italian authorities. Inside the American administration - the memorandum reveals - the loss of Italy at the benefit of the Communist block was perceived as a real catastrophe which could have been resulted in a profound political, psychological and military damage to the “free world”.

“Such a loss would:

• Be a clear defeat of Christian-European ideology by Soviet-Communist ideology at the historic seat of Roman Catholic Church; and place behind the Iron Curtain a country whose cultural and historical influence has played a great part in the development of Western civilization
• Possibly strike a damaging blow to the national will of Anti-Soviet and so-called neutralist countries to resist Communism, and to the hope of the peoples of satellite countries for ultimate liberation from the Soviet yoke
• Reduce appreciably the total available NATO defense forces and deprive NATO of industrial capacity.
• Deprive the Allied Powers of strategically important air and naval bases from which to support NATO ground forces in Southern Europe and in the Mediterranean area.
• Require drastic revision of the present NATO strategic concept for the defense of Europe, because of the pivotal geographic location of Italy in the NATO defense perimeter and the commanding position of the Italian Peninsula ans Sicily with respect to the Mediterranean
• Seriously impair Yugoslavia’s overall capability of contributing to Western defense, and greatly increase the pressure on that country to affect an accommodation with the Western bloc
• Add substantial manpower, military equipment, technical skills, and industrial capacity to
the Soviet bloc

- Make possible Communist control of the Italian Somaliland” 27

Therefore, the main goal of the American policy towards Italy remained to give maximum feasible support to the reinforcement of centralist strength, to keep the country politically free from Communist influence and economically healthy.

The first step consisted of encouraging the Italian government to adopt and carry out a broad constructive program, capable of attracting maximum popular approval and decreasing Communist appeal.

The Italian government was requested to adopt measures striking at the organizational basis of Communist power and undermining Communist financial strength. Italian private groups, as well, were called for to combat Communism vigorously28. However, the most evident proof of the new course of action consisted of the implementation of a set of initiatives designed to discriminate the Communist Labor Union, the CGIL, in favor of the moderate CISL and UIL. More specifically, the Eisenhower administration proposed to assign the funds provided by the assistance plan only to those factories characterized by a non-Communist majority in the works' council:

“come gli autori del piano Demagnetize, anche l'amministrazione Eisenhower riteneva che il campo sindacale costituisse il principale terreno di scontro con la sinistra comunista e che fosse opportuno rafforzare l'influenza dei sindacati non comunisti a scapito della CGIL.”29

27NSC 5411/2 p.1-4
28NSC 5411/2, p.7-8
29Leopoldo Nuti, “Gli Stati Uniti e l'apertura a sinistra”, cit., p. 22
Only this way it would have been possible to avoid the “actual danger of a 'bloodless' Communist revolution” since “the Communists were almost able to monopolize the role of opposition and gain the support of the protest vote and of those who were against established authority”\textsuperscript{30}.

In the meanwhile Mrs. Luce, continued to manifest her disappointment over the anti-Communist policy the Italian government was required to carry on.

\textit{“Delusa per l'emarginazione di De Gasperi dallo scenario della vita politica interna italiana, la signora Luce era andata alimentando una diffidenza nei nostri confronti basata sulla convinzione che il pericolo di un prepotere comunista in Italia stesse facendo notevoli progressi e che fosse necessaria un'immediata e intensa azione di deterrenza”}\textsuperscript{31}.

During the first days of January, Mrs. Luce arrived in the United States and went immediately to Washington for consultations with the government. In those days, our diplomatic corps paid careful attention to the impressions Mrs. Luce had brought from Italy and, at the same time, they also tried to guess the reactions and measurements she was going to implement.

The arrival of Mrs. Luce was preceded by a very embarrassing publication, which appeared on "The US News and World Report". The news spoke widely about growing Communist infiltration in Italy.

\textsuperscript{30}NSC 5411/2 p. 6
\textsuperscript{31}Egidio Ortona, \textit{“Anni d'America: la diplomazia (1953-1961)"}, cit. p.55-56
To add to the embarrassment of our diplomats in Washington, the Italian Prime Minister Giuseppe Pella, who had begun to lose power for some time, decided to resign. Even in this regard, there is no doubt that for Mrs. Luce, who had judged Pella's “destrismo” with appreciation and hope, the resignation represented a confirmation of her concerns over the worsening of the Communist problem in Italy.

The following appointment of Amintore Fanfani corroborated these concerns, as the Ambassador Luce looked at him as the disciple of Dossetti, who intended on promoting a progressive agenda within his political current (“Iniziativa Democratica”). To correctly feature the American interpretation of the events occurring in Italy, it is sufficient to say that the most important newspaper of Washington had reported the appointment of Fanfani under the title: "Left wingers take over in Italy"\textsuperscript{32}.

In the course of 1954, Mrs. Luce continued to operate autonomously according to three different guidelines: first, she started an impressive campaign of persuasion over some top-ranked Italian politicians, such as the Prime Minister Scelba, to implement anti-Communist measures. Second, she tried to enhance the prestige of center parties through the accomplishment of decisive Foreign Policy's results. In this regard, she urged the Eisenhower cabinet to reach a positive agreement about the issue of Trieste until the attainment of the 1954's compromise. Finally, she pushed for the Italian admission within the Atlantic Alliance\textsuperscript{33}.

A further discussed element of the American policy towards Italy at the time was the illegal maneuvers to disrupt the PCI's strength, which had been attempted by Allen

\textsuperscript{32}Ibi, p. 60
\textsuperscript{33}Leopoldo Nuti, “Gli Stati Uniti e l'apertura a sinistra” ,cit., p. 22-24
Dulles from the CIA’s headquarter in Rome. Even if the work carried out by Mrs. Luce received the approval of the Department of State, it seems more correct to say that the anti-Communist campaign backed by the Ambassador was failed by the end of 1954. More generally, from 1953 and up to the 1955's Presidential elections, the Americans seemed unable to interpret correctly the evolution of events in Italy. After the end of centrismo, in fact, the cleavages inside the majority party, the Christian Democratic Party, had expanded enormously while many of the Christian Democrats were unconvinced about the idea of a strong anti-Communist campaign.

This was not only due to the fact that they feared severe disorders to break out but also because they attributed to the PCI a sort of political legitimacy. The same idea was shared by important personalities of the industrial world, such as FIAT's President Antonio Valletta.

Finally, the year 1953 saw an unexpected evolution of the international system: after Stalin's death, in fact, the prospects for future international detente and “peaceful coexistence” with the Soviets started to gain consistency. This development at the international level strengthened the possibility to move the political axes leftward in Italy.

The PSI benefited the most from the international events and thus it suddenly became a new possible Christian Democrats' interlocutor. The leader of the Socialists, Pietro Nenni, reasoned that Italy could represent a political laboratory where new formulas, able to break down the logic of the blocs, could now be experimented. He also

35 Leopoldo Nuti, “Gli Stati Uniti e l'apertura a sinistra”, cit., p. 29
believed his party could reach a governmental position from which it would have been possible to assure a socialist transformation of the society.

Since the very beginning, however, any possibility to open a discussion with the Socialists was opposed by the USA. If the long-term objective of the American policy in Italy remained to weaken the position of the PCI, the short-term goal became to avoid any collaboration between centralist parties and the Socialists³⁶.

1.2 Enrico Mattei as an element of disturbance

No figure in the Italian political scene has been the subject of a more controversial and frequently violent debate than Enrico Mattei, the first President of the National Agency for Hydrocarbons (Ente Nazionale Idrocarburi). He has been characterized as a “modern buccaneer”, “oil magnate”, “Saint Joan of Arc of the Hydrocarbons”, a man “who is E.N.I as Louis XIV was the State”, and has been variously described in the world press as ambitious, energetic, irritable, intelligent, prodigious, unscrupulous, authoritarian and megalomaniac.

Through the AGIP first (Agenzia Generale Italiana Petroli) and the ENI later on, Mattei could enjoy exclusive exploration rights over more than half of the potential oil-bearing lands in Italy, including the Po Valley. Mattei’s flamboyant personality, surrounded by an aura of success, had great appeal to imaginative Italians. He was both a popular hero to those who admired his success and dangerous ogre to those who feared his power.

³⁶Ibi, p. 35
Given the political relevance Mattei's actions had assumed in retrospect, we can not start a discussion over this figure without considering him in his entirety: he was not merely a successful businessman but also the personification of certain popular values and political ideas. During the ending phase of WWII, he took part in the Catholic Resistance and was awarded with the American “Bronze star” for his action of sabotage against the German enemy. As a consequence, he was called to take an active part in the “Consulta Nazionale” and was then elected in the Chamber of Deputies where he remained until 1953.

Moreover, it is worth mentioning that, at the end of the conflict, Mattei could choose between two alternative paths: to go back into the business world or to enter into the Italian politics. Eventually, he refused to make a definitive choice when he realized that:

“la fonte del potere più grande di tutti andava ricercata in quella sfera d'azione dove i due mondi si sovrappongono e dove è possibile guadagnare la massima libertà d'azione”37.

According to Marcello Boldrini, one of Mattei's closest friends and collaborators:


Thus, in May 1945, he was appointed “Special Commissioner” of AGIP. At the

38Marcello Boldrini, Enrico Mattei, ASENSI Pomezia, Biblioteca E.N.I, 253/12 p. 5
beginning, Mattei was entrusted with the task of liquidating the society, which was regarded as nothing more than a Fascist heritage, inefficient and highly bureaucratized. Almost simultaneously, Marcello Soleri, the Minister of Treasury, put forward the proposal to abandon any research activity of oil and natural gas in the Po valley as the explorations conducted until that time had led to negative results; this view, however, was firmly resisted by the Minister of Industry, Giovanni Gronchi. After he met with Carlo Zannatti, one of AGIP's top executives, Mattei himself realized that the AGIP was a buried treasure that must be revitalized. Therefore, he refused to match the requests coming from the central government and strove for the resumption of explorations and drillings. Since 1945, therefore, Mattei's life was entirely devoted to the research and exploitation of hydrocarbons. He started to look for oil but he found methane and provided Italy with the biggest methane distribution network in Europe.

In 1949, in Cortemaggiore, near Piacenza, some discoveries of natural gas and liquid hydrocarbons appeared to alter the scenario which had seen Italy traditionally lacking national fuels. Although these discoveries turned out to be less attractive than it was initially supposed, Mattei was able to obtain from it the maximum benefit in terms of advertising and political support. The media began to speak of a "cassaforte aperta", a source of wealth for the Italian people from which both the private subjects and foreigners would had to stay away. On June 14th, 1949, the Italian newspaper “Corriere della Sera” dedicated the front page to the events of Cortemaggiore, praising the Italian scientific and technological efforts:

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Since that time, Enrico Mattei began to represent an irritating problem for both the American administration and the international oil companies. However, the reasons of worry are completely different if we move from one level to the other. While the international oil companies feared the disruptive innovations Mattei was willing to introduce in the Italian petroleum field (and later in the international oil system), the Washington government, instead, was more preoccupied by Mattei's capability to maneuver forces inside the Italian political arena.

– As far as the first aspect is concerned, Mattei as well as other industrial leaders such as Adriano Olivetti, believed that in underdeveloped countries or in countries where large underdeveloped and depressed areas existed, state intervention in the national economic life was mandatory. In their view, ENI and other powerful state agencies, such as IRI, were largely justified by this political philosophy. They also believed that private enterprise could cooperate with, but could not substitute for, governmental action in the development of depressed areas. The extent of the reforms

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41In 1943, a group of PPI's members (including, for instance, Boldrini, Vanoni and Saraceno), which had publicly opposed the Fascist regime, convened in Camaldoli where they attempted for the first time to formulate a Catholic social doctrine that could represent an alternative to the dominant ideologies of the time. The product of this gathering was the “Camaldoli Code” which constituted the theoretical foundation of the economic policy conducted by the DC since the postwar years. On this argument, G.Galli, “Storia della Democrazia Cristiana”, Laterza, Roma-Bari, 1978
and the financial outlays necessary for a successful effort were of such magnitude, and the initial returns so limited and uncertain, that the free play of competitive private capital could succeed only after certain key industries in the depressed areas had been adequately developed.

As evident, this perspective clashed with the liberal philosophy generally spread across the United States: on July 30th, 1946, Mr. Loftus, the head of the Petroleum Division of the American Department of State, had delivered a speech at the University of Pittsburgh in which he had argued that an effective oil policy should have been based on the liberal principles of free and flexible competition in the international market, so that resources from all parts of the world might have been available to meet the needs of the United States. Like most of his fellowmen, Mr. Loftus was against any form of governmental participation in the economic sector.

- As far as the second issue is concerned, Mattei, given his financial and political clout, was surely able to interfere with the Italian democratic process. Furthermore, at the base of his political culture there was a strong populist streak. He felt to be charged with the sacred mission to transform Italy from a rural, underdeveloped country into one of the greatest European powers. According to Paul Frankel, the main economic expert of the petroleum sector at that time:

   "La molla principale, la forza che lo spingeva, era probabilmente un sentimento di defraudazione. Italiano, nato all'inizio del secolo, egli aboriva uno stato di cose per cui il suo Paese non riusciva a collocarsi tra le vere potenze politiche ed economiche".

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42Intelligence Report n° 7912, “The role of Enrico Mattei in the Italian Domestic and Foreign Policy”, December 31, 1958, ASEN1 Pomezia, Carte da Archivi esteri, H.II.2, busta 18
43Nico Perrone, “Mattei, il nemico italiano”, cit. p.34
44Paul Frankel, “Petrolio e Politica: Enrico Mattei”, cit. p.15
Mattei believed he could resort to whatever means was necessary to reach his goals, including to make use of unconventional means such as corruption and blackmailing. As well, he never refused to rest upon the support of the Communists and Socialists when his economic interests could have been better protected this way. Mattei is reported to have said once that:

“I partiti sono come i taxi: salgo, mi faccio portare dove voglio, pago e scendo” 45.

Once said that the United States were frightened by the prospect of a Communist-Socialist exploit in Italy (first two paragraphs), it is easy to see why Mattei soon came to be considered such an irritating obstacle: among Mattei's supporters, indeed, there were the members of the center-left groups which would dominate the Italian politics from 1955 onwards.

In the American perception, Mattei's ideal government would have been a coalition consisting of the Christian Democratic Party and a reunified Socialist Party no longer linked to the Communists. Failing that, Mattei would have favored a center-left government, supported in Parliament by an independent Nenni's Socialist party46.

1.3: *The Italian petroleum legislation in the 1950s*

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46Intelligence report N°7921, “The Role of Enrico Mattei in the Italian Domestic and Foreign Policy”, cit. p. 2
As many studies have demonstrated already, the Italian energetic policies of the post-war period were widely debated either among the American oil companies or at the governmental level, by the Department of State and by the European Cooperation Administration (ECA), which was put in charge of the task of administrating the funds of the Marshall Plan. The American oil companies put forward their long experience and high efficiency as a guarantee of success. As a consequence, they encouraged the privatization of the energy sector while the governmental agencies tended to give support to this trend. On the other hand, the Italian government and, in particular, the Christian Democrats's left wing, believed that State's intervention in the economy was necessary to keep the country economically healthy. In their view, state-owned agencies like AGIP could manage the country's recovery better than private subjects.

In June 1949, an article of the “New York Times” wondered about the possible consequences that could affect the relationship between Italy and the United States in case oil was found in the Po Valley. The columnist argued that the Italian decision to establish a monopoly in that region could have been interpreted as an act of discrimination towards the American enterprises and so lead the American authorities to interrupt the flow of capitals toward the country. Furthermore, the United States were also opposed to the drag of US dollars which would have derived from the purchase of machinery and materials which the Italian government needed for the conduction of exploration and drilling activities. At the beginning of 1949, in fact, the AGIP asked ECA for a loan of 1,200,000 US dollars to buy equipment from

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American factories. Mattei and Raffaele Girotti were delegated by AGIP's council of administration to establish business relations with these firms.

Being faced with the requests of funds from AGIP, ECA's commissions started a fervent discussion over the opportunity to finance a state-owned Agency, which was likely to establish a monopoly in the Po Valley. Many ECA's executives elaborated different views about this issue. G.S Walden, the head of the ECA's petroleum commission, for instance, underlined the importance for Italy to develop their own resources of oil and natural gas. As a matter of fact, he accepted that this development could rest upon the contribution of the Marshall Plan. At the same time, Mr. Walden, like other executives such as D. Zellerbach, criticized the Italian government for not having amended the old petroleum legislation.

At the beginning of the 1950s, in fact, the activity of exploration and cultivation of hydrocarbons in Italy was still regulated by royal decree number 1433 of 1927. This provision attributed the property of the subsoil to the State. Hence, only the Ministry of Industry had the power to release licenses for research and cultivation. Since 1947, some private societies operating in Italy, mostly financed through American capital, had been inviting the Minister, Ivan Attilio Lombardo, to revise the legislation at their advantage. In the meanwhile, the assignments of new permissions had been suspended to give the government time to discuss the issue accurately.

Even though Lombardo was a Socialist, he supported private initiatives wholeheartedly, especially in the oil field. His proposal consisted of assigning 79% of the total available area of Po Valley (33,441 Kmq). The terms of the division were as

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48Ibi, p. 37-42
- A.G.I.P: 11,061 Km2
- S.P.I$^{50}$: 9764
- Montecatini: 2597
- S.I.A.R.P.P$^{51}$: 1710
- Edison: 1420

Eventually, on April 22$^{nd}$, 1949, a friction flared up, during the Council of Ministers, between Lombardo and the Finance Minister Ezio Vanoni, who proposed to protect the interests of the state-owned AGIP by political means.$^{52}$ Lombardo's proposal was sent to C.I.R. \textit{(Comitato Interministeriale per la Ricostruzione)} for a deeper examination but then it was temporarily set aside. On the other hand, Vanoni succeeded in convincing De Gasperi to stand by his side. In a meeting with R. Bolton, the representative in Italy of the SONJ, which took place in spring 1950, De Gasperi emphasized the political rather than the technical relevance of the Po Valley's energy resources and therefore he argued it was inconceivable for the Italian Parliament to promote free competition in the exploration of hydrocarbons there$^{53}$.

In the meanwhile, the American society GULF stood in first line in supporting the

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$^{49}$Archivio Centrale dello Stato, Roma, PCM, 1951-54, 	extit{La Polemica}, p. 8

$^{50}$Società petrolifera Italiana, controlled at 41% by Standard Oil of New Jersey

$^{51}$Società Italo-Americana Ricerche e Produzione Petroli, controlled by Gulf by Gulf Italia Co.

$^{52}$Nico Perrone, \textit{“Mattei il nemico Italiano”}, cit. p. 50

$^{53}$Elisabetta Bini, \textit{“La potente benzina italiana”}, cit. p.41. Towards the beginning of the 1950s ECA's attitude towards Italy will become more accommodating, leading to the approval of fundings to SNAM, ENM and AGIP.
passage of a regional law in Sicily whose scope was to promote private and foreign investments. On May 20th, 1950, regional law n° 30 was approved almost unanimously (54 votes out of 57) and with Communist abstention. The law's approval was welcomed by Senator Don Luigi Sturzo, one of the most powerful men in the island.

“A Sturzo – it is the memory of Minister Restivo – De Gasperi aveva affidato dopo la guerra la Sicilia, con la tacita intesa che Sturzo se ne stesse fuori dalle cose d'Italia. Sturzo era divenuto, nel corso del suo esilio americano (1924-1944), un convinto assertore dell'iniziativa privata. La sua era un'idea politica in reazione al corporativismo fascista e all'immanenza statale e che si contrapponeva all'ideologia matteina, anche'essa corporativista oltre che statalista”

Once the situation in Sicily had reached a definitive dimension, the Italian government was called for to take a further step in the Po Valley. On July 13th, 1951, Antonio Segni, on behalf of the government led by De Gasperi, presented in the Chamber of Deputies three draft laws concerning research, exploitation and transportation of hydrocarbons. One of these (draft law number 2101) provided for the concession of exclusive rights of research and exploitation in the Po Valley to a state-owned Agency. In that circumstance, Finance Minister Vanoni argued that the Italian Parliament should have created an Agency in the form of a public holding, including all the oil companies and chemical plants which were property of the State, i.e. AGIP, ANIC, SNAM, RASIO and ENM. Vanoni’s proposal was debated in Parliament in March 1952 and was approved in July. Upon its arrival in the Senate, the draft law proved to be highly divisive: while members of the centralist parties criticized the idea that the State

54IBI, p. 51-52
should have such an important role in the economy, the representatives of the PCI and PSI supported the complete nationalization of the Italian oil industry. In January 1953, the Senate passed the law with the abstention of PCI and PSI\textsuperscript{55}. Therefore:

“Si può ben dire oggi, a distanza di decenni da quei fatti, che De Gasperi, sostenendo Mattei nella costituzione dell'Ente Nazionale Idrocarburi, e nell'assegnazione dell'esclusiva delle ricerche nella Val Padana al nuovo ente, dimostrò notevole decisione, e forse una piccola impennata della politica italiana nei confronti degli Stati Uniti, su una questione tutt'altro che marginale per gli interessi economici e politici americani e per quelli italiani”\textsuperscript{56}.

### 1.4 The creation of the “Ente Nazionale Idrocarburi”

On February 10\textsuperscript{th} 1953, at the end of the above-mentioned parliamentary debate, the Ente Nazionale Idrocarburi was officially created through law number 136. Thus, Italy was endowed of its state-owned Agency, led by a charismatic leader, who was confident in being able to provide Italy with essential raw materials. The law also attributed to ENI:

1) the exclusive right of searching and production of hydrocarbons in a specifically demarcated area of the Po Valley;

2) the exclusive right of construction and management of pipelines for the transportation and distribution of national products.

\textsuperscript{55}Daniele Pozzi, “Dai gatti selvatici al cane a sei zampe”, Saggi Marsilio, Venezia 2009 p. 292-304

\textsuperscript{56}Nico Perrone, “Mattei il nemico Italiano”, cit. p. 54
To sum it up, since the time of ENI's creation (and until January 11th, 1957), three different petroleum legislation regulated simultaneously the searching activity and the exploitation of hydrocarbons in Italy according to three different geographical areas 57:

1) In the first area, including the whole Po Valley, the ENI enjoyed the monopoly of the searching and exploitation activities as we have just seen. Few exceptions were constituted by those small producers which had found methane before ENI in the Polesine area.

2) The second area included the rest of the peninsula plus Sardinia and the minor islands. Within this area the royal decree n°1443 of 1927 attributed the property of the subsoil to the State. Therefore, it gave the Ministry of Industry and Trade the power to release concessions.

3) In the third area, corresponding to Sicily, the regional law n°30 adopted in May 1950, attributed the right of exploitation of the mineral deposits to whoever had obtained a searching permission from the regional government.

The records show that Mattei fought with every weapon at his disposal to encourage the passage of the “E.N.I law”, excluding Jersey Standard and a handful of other small foreign interests from the Po Valley. At that time, indeed, Mattei considered the development of the Po Valley as being a sure bet.

In May 1953, the American Embassy in Rome transmitted to the Department of State a memorandum, which accounted for a meeting occurred between representatives of the SONJ and Embassy's executives. The report was highly critical of the forms of

monopoly that law n°136 stated in the Po Valley. The document also highlighted the risk that the Italian State could deprive the Anglo-American companies of their concessions in Southern Italy and Sicily. According to the memorandum, Mattei was the main obstacle since “fintanto che è a capo dell’ ENI, con i forti poteri che la legge gli ha attribuito, il suo obiettivo personale potrebbe essere il controllo finale di tutta l'attività petrolifera in Italia”\(^{58}\).

The American reaction to the events following the passage of “E.N.I law” is also well represented in a document named “oil problems” that came out from the collaboration between the American Embassy in Rome and the U.S.O.M. (United States Operation Mission) and was then transmitted to the Department of State\(^{59}\):

The first alarming problem concerned the structure of the state-owned Agency. The ENI, in fact, was designed to function as a public holding surrounded by a set of operative subsidiaries able to cover all the activities related to petroleum from crude oil to toll highways, from tankers to motels. In summary, Mattei expected to achieve complete domination of the fuel and energy sector of the Italian economy. A careful study of the President's speeches, in the light of prior and subsequent events, should remove any doubts as the direction in which he and his group were moving to\(^{60}\). For the first time in the economic history of Italy - the document reports - “one government-owned industry has found itself in the unique position of being financially solvent, capably led, and responsible to on one other than its leaders”.

As a result of this set of circumstances, ENI became the source of an impressive

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\(^{58}\) Elisabetta Bini, “La potente benzina italiana”, cit. p. 50-51

\(^{59}\) Depatch n° 1237 from American Embassy in Rome to Department of State, “Enrico Mattei and the Eni”, December 16, 1954. ASEN1 Pomezia, Carte da Archivi esteri, H.II.2 busta 18

\(^{60}\) Enrico Mattei: Scritti e discorsi 1945-1962”, Rizzoli, Milano, 2012
financial and political power at the benefit of those few people who had created and now led it.

“This power stems from:

1) the virtual control of the Italian press, which, until recently has presented the Ente and its operations in the most favorable light possible while refuting to publish criticism of any sort
2) the corruption of public officials by diversions of Ente funds to appropriate political groups and their leaders
3) the limitless ambition evidenced in the person of Enrico Mattei, the real creator and leader of the Agency”61.

According to American analysts the absolute centralization of power and responsibilities in the hands of a very restricted circle of people, primarily selected for their political allegiance rather than technical skills, gave this group the possibility to operate without any sort of political liability:

“It is also clear that there is no real public or parliamentary control over either the expenditures or operations of the group except that exercised by the ENI's dictatorship. Therefore total expenditures for political support and favorable propaganda can only be surmised”62.

The second problem concerned ENI's program of economic expansion, involving horizontal and vertical integration, as presented by Mattei in the speech delivered at

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61Depatch n° 1237 from American Embassy in Rome to Department of State, “Enrico Mattei and the Eni”, cit., p. 1
62Depatch n° 1237 from American Embassy in Rome to Department of State, “Enrico Mattei and the Eni”, cit., p. 2
the opening of the Piacenza Gas Show. One of the radical changes in the policy pursued it was Mattei's statement that the ENI had decided that distribution of gas to domestic and small industry consumers was not feasible and would have not been done. This came as quite a shock to many ENI supporters who had succumbed to Mattei's barrage of propaganda, carried out over the past year and a half. The fact behind this policy reversal was that ENI had already oversold in the North its ability to produce and deliver gas to the industries with which it had contacts\(^63\).

In the same speech, Mattei torpedoed once and for all any hope for a pipeline connecting the Po Valley fields with the fuel-starved South. He then stated that the ENI would have tried to assume the leadership in petroleum exploration \textit{“in the rest of Italy in addition to E.N.I.'s exclusive area”}.  

\section*{1.4 To exit the Po Valley: the troubled experience in Sicily}

The adventure of ENI outside the natural basin of the Po Valley has been widely documented by Daniele Pozzi in his inspiring major work \textit{“Dai gatti selvatici al cane a sei zampe”}. Therefore, the first section of this paragraph means to be a swift recap of AGIP's experiences in Sicily in the post-war years\(^64\). In the second part, instead, I have tried to describe the political opposition Mattei had to face during the initial phase of ENI's expansion outside the established exclusive area. In doing this, I focused particularly on the moment when Mattei was accused by Senator Sturzo of being the

\(^{63}\text{IBIDEM}\)

\(^{64}\text{Daniele Pozzi, \textit{“Dai gatti selvatici al cane a sei zampe”}, cit. p. 307-338}\)
“dupe” of the Communists.

It is worth mentioning first that, during the early Fifties, the searching activity of oil by ENI was almost entirely limited to the landscape analysis of the area along the Po Valley. In the course of 1952, the Italian Agency got twenty-one new exploration sites off the ground in Lombardia and Emilia Romagna. Only four wells, instead, were drilled in other areas (Marche and Basilicata).

However, as far as the plants in the areas of first interest were brought to production, new revenues were freed and became available for investments elsewhere. At this point, all the executives of the upstream realized the need to expand the range of activities well beyond the Po Valley, even though their opinions about timing and modalities of expansion were divergent.

At the end of 1952, therefore, a specialized branch of AGIP's geological department was created in order to envisage and project the “invasion” of new areas in the Northern Italy and of regions not explored by AGIP yet. The commission was initially composed by only three members due to the choice by ENI's board of directors to avoid distraction of capital from Northern Italy. The members selected for the mission were the geologists Dante Jaboli, Marco Pieri, Bruno Martinis and the scholar Roberto Carella. Soon after the establishment of this new working team, ENI's experts started to devote most of their attention to Sicily, as it is where private investors had began to concentrate their efforts after the exclusion from the Po Valley. Unfortunately, the island was plenty of influential local authorities who had been opposing the idea of the State intervention in the economy and this hostility was epitomized by Senator Don Luigi Sturzo. Therefore, more than everywhere else, what ENI found in Sicily was a complicate environment for the peaceful survival of a state-owned society.
As Pozzi has argued: “L'esplorazione della Penisola e della Sicilia ebbe vicende complesse, riflesso della capacità di singoli specialisti di influenzare alcune scelte operative dell'impresa e dei condizionamenti politici con i quali l'industria petrolifera dovette necessariamente confrontarsi”\(^{65}\).

In spring 1950, moreover, the regional government had passed a set of provisions which allowed it to control a huge part of the mineral activities and to gain a high percentage of the profits deriving from the exploitation of local hydrocarbons (see the previous paragraphs).

Thus, since the beginning, Mattei fared badly with the Sicilian government but this clash become public after the decommissioning of Gioiotto's site\(^{66}\) (located in the province of Catania). In 1951, in fact, many AGIP's top executives had negatively evaluated the production's prospects of Gioiotto's exploration site. Considering Gioiotto as being economically unprofitable and believing that all the available resources should have been concentrated in the methane's search, AGIP's board demanded the transfer of the equipment to the exclusive area of the Po Valley. In the course of 1951 though, the regional government not only hampered the transfer of equipment to the Po Valley area but it also began to alienate it to some local societies.

With the dismantlement of Gioiotto and the following political backlash, Sicily came out of AGIP's searching programs; however, the evolution of the political and competitive environment of the island led many eminent analysts to wonder if AGIP had to resume activities in the island.

The main private company operating in Sicily at that time was the GULF Oil

\(^{65}\)Ibi, p. 314
\(^{66}\)Ibi, p. 324
Corporation which used to conduct activities throughout three different subsidiaries: the American International Fuel and Petroleum Corporation (AIFPCO), the Mediterranean Oil Company and the Petrosud. This partition of responsibilities was due to the need of circumventing the limits imposed by the Italian mineral legislation, which forbade the granting of exploration permits for an area larger than 1000 km² to the same company.

According to the report by the Chief of the geological department, Giancarlo Facca, the landscape analysis made by GULF's technicians were particularly advanced in the area nearby Ragusa and this could have led to some remarkable discovery by the end of the year. Therefore – the geologist argued – it was necessary to start some activity on the island before a discovery unleashed competitors' ambitions and made the acquisition of rights of research across Sicily more expensive.

Any chance to initiate activities beyond the simple geological survey, however, was bound by the accomplishment of an agreement with the regional government. The Italian Agency, thus, began a double actions on two fronts: on the one hand it looked for participation in those initiatives already undertaken by the local government. On the other hand, it tried to enter negotiations autonomously. As far as the first situation is considered, the AGIP could benefit of the favorable situation following the absorption of ENM by ENI: the contract signed by ENM and the Sicilian Region, in fact, was automatically transmitted to the newly-constituted Agency, at least until February 1954.

At the same time AGIP strove for the obtainment of new permissions, through the acquisition of shares in the private society ESV AISOS. In June 1953, the negotiations with ESV AISOS led to the creation of MISO (Mineraria Sicilia Orientale), which
would have acted as a direct emanation of AGIP.

However, between the end of 1953 and the first months of 1954 a series of unfavorable events seemed to destabilize Mattei's political strategy and also the forces around him:

- First, the development of the Po Valley did not give back the expected results and, as a consequence, Mattei became very sensitive to criticism over the inability of his technicians to find oil or make any significant new gas discovery. Of course, the relative lack of success in the Po Valley caused Mattei to mortally fear any spectacular finding by a foreign or private group which could give rise to question as to “why E.N.I can't any do that”. As a consequence ENI's President made use of its personal relations to defeat any efforts to ameliorate the climate for foreign investment in the petroleum sector: in the course of 1953, both Caltex and Standard Oil of New Jersey presented offers of collaboration in the Po Valley involving million of dollars. However, the negotiations with Caltex collapsed soon while Mattei did not even bother to reply to the offers from the Jersey Standard.67

- Second, on October 28th, 1953, the American GULF Company found a promising oil bed nearby Ragusa. After this first discovery, three other wells were drilled with positive results and, on December 15th, 1954, the plant came into production with the loading of the first train of wagons. Twelve more wells will be drilled in that area in 1955 and 1956.68

This was a supposedly embarrassing development for ENI's future prospects in the

67 Depatch N°1237 from American Embassy in Rome to Department of State, “Enrico Mattei and the Eni”, cit. p. 12
island as oil was found at a depth of 2126 meters, less than one hundred yards from where AGIP had drilled before. The discovery, moreover, gave credit to those who supported the entry of private enterprise in the Italian oil field and sharply weakened Mattei’s line.

In the aftermath of GULF's remarkable discovery, Mattei tried to accelerate the expansion of the “ENI law” through Sicily and get the American companies gradually out of Italy. In particular, he stood for the replacement of the previous petroleum legislation with a new one which would have discouraged private investments through the increase of royalties up to 60% and would have granted ENI with the possibility to sign up profitable agreements along the Peninsula. The 60/40 formula proposed by “La Base” and supported in Parliament by both Socialists and Communists was probably devised to achieve political objectives not only inside but outside of Italy as well. If the law were to pass under this form, the 60/40 formula might have created far-reaching disturbances in all under-developed areas of the world in which foreign oil companies used to operate, since it would have permitted subversive elements to point to the Italian law as proof that their countries were being unduly exploited.

In this circumstance, Mattei could openly enjoy the public support of the Communist press while the United States accused the Communists of featuring anti-U.S. companies articles couched in flawless technical terms. Furthermore, Mattei was suspected by the American observers to rely upon some Sicilian politicians belonging to the Communist Party. In a telegram of June 30th, 1954, the American Ambassador

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70 Despatch N°1237 from American Embassy in Rome to Department of State, “Enrico Mattei and the Eni”, cit. p. 5
Luce refers to the Secretary of State that:

“He (Mattei) and his supporters are continuing to exert every effort to thwart US attempts to encourage foreign and private investments in petroleum in Italy. While publicly proclaiming himself to be Anti-Communist there is ample evidence that E.N.I has provided technical advise and financial support to Socialist-Communist Press which is attacking proposed pro-private enterprise petroleum legislation.

Mattei appears to be supporting a Communist proposed bill designed to repeal existing Sicilian petroleum law and substitute an ENI monopoly in the region (..) Mattei also personifies an highly dangerous trend in moving towards build-up powerful personal control (over) state-owned industry without adequate responsibility to Parliament or judgment of the market”71.

Whereas a bitter criticism was mounting inside the American Embassy in Rome, the news that Mattei had approached Sicilian Communists was reported by some Italian newspapers such as Globo and Il Giornale d’Italia. At the national level, the most severe critics came from Senator Sturzo who made an harsh condemnation of certain circles in the government and flatly accused Enrico Mattei of having “had E.N.I's claims defended at the Regional level by Sicilian Communists”72.

On November 7th, Mattei replied with a letter to Il Giornale d'Italia in which he denied any connections with the PCI and counter-accused Don Sturzo of allying himself with that hostile group which had opposed ENI on economic grounds, that is

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71 Telegram N° 4354 from Luce to Secretary of State, June 30th 1954, ASEN I Pomezia, Carte da Archivi esteri H.II.2, busta 18
72 Despatch N°1237 from American Embassy in Rome to Department of State, cit. Appendix II B, Il Giornale d'Italia, issue of November the 3rd 1954
to say Confindustria and the private oil companies\textsuperscript{73}.

Three days after, Don Sturzo renewed his attack on ENI and Mattei in a long article in which he pilloried Mattei, this time for being the “dupe” of the Communists.

On November 15\textsuperscript{th}, Mattei replied to Sturzo's latest article with another letter, pointing out that, on some occasions, Sturzo himself had been aligned with the Communists. Ultimately, on November 17\textsuperscript{th}, Sturzo accused Mattei of being “Anti-American, of having act in bad faith in the matter of farming out negotiations (with Caltex) in the Po Valley”\textsuperscript{74}.

This view was shared also by Mrs. Luce who never believed that Mattei had good intentions in dealing with American companies. According to her, the negotiations carried out with American Overseas Company (Caltex subsidiary) were just part of a “war strategy”:

\begin{quote}
\textit{“stalling tactics in effort to convince opponents of the Po Valley monopoly that ENI can work out agreements inside the framework of ’ENI law’ with foreign companies, whereby easing pressure”}\textsuperscript{75}.
\end{quote}

The accuses of being the “dupe” of the Communists or alternatively of being an intimate anti American character seems today to be largely undeserved.

The fact that Mattei relied sometimes on the support of the Communist press does not necessarily mean he cultivated a pro-Communist orientation. In a recently published book, Elisabetta Bini reminds us that, before and after the 1948's election, Mattei

\textsuperscript{73}Despatch N°1237 from American Embassy in Rome to Department of State, cit. Appendix II C, Il Giornale d'Italia, issue of November the 7\textsuperscript{th} 1954
\textsuperscript{74}Dispatch 1237 from American Embassy in Rome to Department of State, cit. Appendix II H: Il Giornale D'Italia issued of November the 17\textsuperscript{th}, 1954
\textsuperscript{75}Telegram from American Embassy Rome to Department of State, June the 30\textsuperscript{th} 1954, ASENID, H.II.2 busta 18
openly supported an anti-Communist policy. In a speech delivered at the national Congress of the FVL (Federazione italiana volontari della libertà) in 1950, for instance, Mattei called for his fellow partisans to take up arms against Communist's infiltration. He described the Soviet Union as a menacing bear turned towards the West and Communism as a contagious endemic disease.

In this regard, Giorgio Galli has argued that: “la sua (Mattei) formazione culturale populista costituisce la base della sua grande capacità di imprenditore. E’ amico degli USA e nemico dei comunisti e dell’URSS dal 1947 al 1954, allorchè pensa che la sua ascesa personale e gli interessi italiani nel campo dell’energia siano attuabili nell’ambito della collocazione italiana nell’Occidente”.

Mattei is convinced - Galli goes on - “che i comunisti vogliono asservire l’Italia all’URSS e l’URSS sarebbe per l’Italia una dura padrona, come lo è per i paesi asserviti dell’Europa orientale, mentre gli Stati Uniti sono un alleato comprensivo per le esigenze di vita e di sviluppo del popolo italiano, l’impero forte e giusto, sulla cui amicizia non oppressiva si può contare”.

Surely, the relationship between Mattei and the United States (both at the institutional and commercial level) was not a simple one. Over the course of the years, Mattei acquired an ambiguous and contradictory relationship with the Americans, appreciating their technical ability but reproving their so-called arrogance of power.

This feeling has been accurately described by Dow Votaw:

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76 Elisabetta Bini, “La potente benzina italiana”, cit. p.36
78 Ibi, p. 39
“I suoi atteggiamenti pubblici erano di antipatia per l'America, gli americani e i loro metodi d'affari eppure assunse consulenti americani, imitò le stazioni di servizio e i motel americani... e tutto sommato somigliò a un capitano d'industria americano del diciannovesimo secolo più che a un uomo d'affari o ad un pubblico funzionario dell'Italia del suo tempo (...) Somigliava a un John D.Rockefeller o a un Henry Ford molto più di quanto somigliasse al sottomesso dirigente di una azienda di stato in un regime socialista”79.

Therefore, a glance at Mattei's biographies seems to suggest that he used to admire the helpful Americans when they contributed to Italian recovery through economic aid. At the same time, he used to dislike those who represented a hindrance to Italian interests. In like wise, he was anything but Communist even though he accepted to rely upon Communist and Socialist support when this turned out to be necessary.

1.5 : Enrico Mattei, Giovanni Gronchi and the Eisenhower administration: the USA faces oil problems in Italy

Towards the end of 1954, United States' political strategy in Italy seemed to be adequately conducted: Scelba's government had manage to rebuild a stable centralist coalition, thus demolishing any attempt by Nenni's Socialist to enter the governmental area. The Christian Democrats, moreover, seemed to be ready to fight the Communist threat at the organizational level.

The following events, instead, showed that Italy was moving against what was

79Dow Votaw, “Il cane a sei zampe”, cit. p. 145-146
revealingly expected.

- In January 1955, Mattei went to the United States, together with the new Italian Ambassador, Manlio Brosio. The visit was officially aimed at signing some contracts, on behalf of the ANIC Society, for the construction of a factory designed to produce synthetic rubber. It was immediately clear, however, that the journey meant for Mattei the possibility to test the American resentment. But it was also an opportunity for Egidio Ortona, one of our best diplomats in Washington, to inquire about Mattei's international theories. In Ortona's diaries, Mattei is described as a men affected by some kind of inferiority complex towards the American competitors, due to their massive dimensions and technological advancement:

“Egli si dibatteva in un contesto psicologico in cui da una parte non poteva non tenere in giusta misura i progressi tecnici americani e dall'altra nutriva il dispetto, se non addirittura l'animosità, nei riguardi dei concorrenti, come gli Americani, che apparivano di dimensioni tali da rendere difficile impostare con loro un dialogo paritetico e, a maggior ragione, una battaglia.”

The following notes about Mattei's behavior during his stay, seem to confirm the "exploratory" nature of the visit, from which the Americans grasped only contradictory impressions. On December 31th Ortona notes that:“(Mattei) Non potrebbe essere più complicato, poliedrico, nodoso. È verbosissimo. Ma quei suoi difetti sanno stemperarsi nelle espressioni di un viso estremamente espressivo. Alle volte appare combattivo, contratto,

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incupito, sospettoso, ma anche e spesso, aperto e scherzoso”81.

The next day Mattei had breakfast with Johnny Jones, member of the Department of State, and George Tesoro. The atmosphere was kind and the conversation went on smoothly, with many interruptions due to formal exchange of pleasantry.

In the evening, Mattei was introduced to the sister of the Secretary of State, Mrs. Dulles. At dinner he met with the Herald Tribune's journalist Walter Lippmann and some other executives. In this circumstance, Mattei showed an excellent degree of ease and self-control. He tried to impress the guests by proudly exhibiting the American “Bronze Star” but remained aware not to showdown his strategic moves. Even more important, he seemed not to refrain from acting as he did in the recent past.

Ortona reports that: “Si parla a josa di petrolio, ma si evitano argomenti spigolosi e motivi di dissapore. Ho certo modo di studiarmi questo strano prodotto umano, ma non sono per nulla sicuro che malgrado le tante piacevolezze delle quali è stato circondato, abbia mutato di un pollice il suo atteggiamento”82.

- On April 28th and 29th, 1955, the second presidential elections in the history of the Italian Republic were held. The last minute decision by the Christian Democratic Party to switch its support from Cesare Merzagora (Fanfani's candidate) to Giovanni Gronchi, led to the election of Mattei's candidate, a senior member of the party and President of the Chamber of Deputies. The election was accomplished on the fourth ballot of the joint session of the Parliament and it provoked the alarmed reaction of the American press: Gronchi was accused of “neutralism” in Foreign Policy formulations,
while being judged as determined to open to the left internally. Furthermore, Gronchi was judged as willing to preserve a good relationship with the Far Right. Moreover, some American documents held in ENI's archives brought forward the theory according to which Mattei had bought nearly sixty Senators, thus determining alone the final election of Gronchi. This theory has never been officially demonstrated but the enthusiastic support given by Mattei still contributed to enhance the suspicion around the newly-elected President of the Republic.

Few weeks later, the Prime Minister Mario Scelba, was replaced at the head of the government by Antonio Segni. Even though Segni promised to carry on the Foreign Policy of the previous governments, he declared the intention to abandon the aggressive anti-Communist campaign. Furthermore, from October 1955, many of the proposals presented by the government were approved in Parliament thanks to the support of the Left, both indirectly, through abstentions, and directly, through the favorable vote. This trend created the impression, inside the public opinion, that the PSI was industriously participating in government's activities. The election of Gronchi and the threat of Socialists' sneaking in the government pushed Mattei to adopt more aggressive policies in the Italian oil sector. The profits deriving from the monopolistic exploitation of methane and natural gas, which at this point stood as the basis of ENI's financial structure, must now be reinvested elsewhere.

It is worth mentioning though, that the massive revenues coming out of the Po Valley gave ENI also the endless power to corrupt.

Mattei continued to resist any legislation in favor of the private and foreign capital. In order to prevent the approval of a law that would have damaged the interests of his

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81Leopoldo Nuti,“Gli Stati Uniti e l'apertura a sinistra”, cit. p. 39
business, he threatened to be ready to bring the government down, something that he was able to do at any moment, due to his clout over a large number of deputies.

During a conversation with Clare Boothe Luce, on July 27th, the Ambassador Quaroni confirmed that, rather than accept the type of oil legislation proposed by the Embassy, Mattei was determined to overthrow the government throughout “the power of his money and the force of fear instilled in certain politicians by his knowledge of their shady transactions”84. Therefore, it seems plausible to suggest that the year 1955 saw the failure of any American attempt to promote a favorable petroleum legislation in Italy as the American oil companies continued to be blackmailed by Mattei.

At the beginning of 1955, indeed, Mr. Lamont, the general director of Standard Oil of New Jersey, had called for the Department of State to take a stronger line in favor of private and competitive enterprises in Italy85. He affirmed that pressure must be exerted on the Italians with reference to two problems:

– the refineries jointly owned by Standard Oil and the Italian monopoly, where Standard would like to buy out the Italian share;
– the problem of convincing Italy to open up the Po Valley, as well as the rest of Italy, for exploration and production by private enterprise;

Mr Lamont was to say that these two problems were of paramount importance but the Ambassador Luce was not fully aware of it since “she dwells too much on the anti-Communist policies”.

Later, he expressed his views concerning developments in Italy's political economy,

84 Memorandum of the Conversation between Luce and Quaroni, 27 July 1955, ASEN I Pomezia, H.II.2 busta 18
85 Memorandum of conversation of the Department of State, “Problems of Standard Oil Company of New Jersey in Italy”, February the 3rd 1955, ASEN I Pomezia, H.II.2, busta 18
which indicated a definite trend towards governmental control of vital industrial sectors. He is said to express the opinion that only “lip service” was given by the Italian Government to private investors. Mattei and Vanoni, among many others, were outstanding examples of the trend described. Finally, Mr. lamont advised the American administration to bind the concession of further loans to the establishment of a more favorable atmosphere for private enterprises.

In the meanwhile, Mattei, as we have seen, started to face obstacles in the petroleum searching activity both in Sicily and in the Po Valley. According to Mr. Lamont, who met Mattei in New York during a lunch offered by the Standard directors, the evolution of events had led the Italian tycoon to offer an “olive branch” and look for peaceful co-existence with the majors. Therefore, time was ripe to stiffen up the American policy towards Italy.

In response to Mr. Lamont's complaints, Mr. Tesoro declared that the Department was well aware of the importance of the problems raised but he explained that their views on private enterprise and on the advantages of foreign investments in the field of petroleum had already been expressed to the Italian government to the maximum extent which was possible and useful at that time. He said to be truly afraid but “any additional frontal attack was not likely to produce favorable results but rather could bring about adverse reactions”86.

Therefore, despite Standard New Jersey's requests and even though the American Press continued to hold an harmful campaign against Mattei, the Eisenhower administration seemed to assumed, if not a cordial attitude, a neutral stance towards Mattei's activity

86IBIDEM
in Italy. To tell the truth, even if the major oil companies were sometimes entrusted with political responsibilities, the top-ranked authorities never deflected from their position of absolute respect for the rules of the free competitive market°.

The Eisenhower entourage reasoned that if Mattei were to resign from ENI's Presidency, the Communists would have attributed the resignation to the American pressure on the Italian government or to a betrayal by the government itself to pass country's petroleum resources over to the American companies. Therefore, the American Embassy proposed to maintain “a prudent but firm” action “behind the scenes”, avoiding the risk of a Communist reaction.

Thus, since the beginning of 1955, Washington seemed to approach differently the issue of Mattei and ENI. Given the irreversibility of the new petroleum legislation, the American Department of State and the American Embassy in Rome agreed that the common line should have been to remove the impression that the United States were against Mattei:

“1. Ambassador and Department fully concur line developed (...). Especially agree US position re oil should be fundamentally one of making suggestions to Italian Government and other leaders on great benefits accruing to Italy if oil should be found in substantial quantities. Department well aware importance of dispelling impression US (being) Anti-Mattei.

2. Ambassador agrees possible usefulness meeting Mattei”°.

The above document reiterated then the line to follow against Italy: that is, trying to

°°Telegram from Department of State to American Embassy Rome, January 26, 1955, ASENi Pomezia H.II.2 busta 18
convince the government of Rome of the great benefits arising from the discovery of new oil beds and from the entry of foreign companies and private capital into the country. Although the irritation manifested by Mr. Lamont due to Mattei's action, however, the Washington government did not leave open space for any dramatization of the situation ongoing. On the opposite, it committed to the maintenance of a friendly intercourse.

On February the 16th, 1956, Ezio Vanoni, one of the most acclaimed inspirer of our political economy dies, leaving his friend Mattei in an unstable position now as he was still searching for strong political support. This was possible in the figure of Giulio Andreotti, who however answered ironically to Mattei that “he could not keep a dog to the leash”.

As a matter of fact though, Mattei could already count on Gronchi's support and Segni's acquiescence at the government. On the 12th of April, Segni spoke to ENI's new laboratory in San Donato, Milan, and while emphasizing the thought of his friend who had just passed away, he stated: “Noi continueremo in questa attività statale che serve ad equilibrare il potere dei grandi monopoli (...) Lo Stato non può lasciarsi sopraffare dalle forze economiche accentratrici” 89.

This episode can be considered the definitive acceptance of Mattei's official "philosophy", because the new bill on the searching and exploitation of hydrocarbons will be progressively changed according to ENI's requirements, and the new law, which will come out just one year after (the 11th of January 1957), will determine the

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89Il Popolo, April the 13th 1956, in Giorgio Galli, “La sfida perduta: Biografia politica di Enrico Mattei”, cit. p.128
monopolistic control of the State's firm on the whole national territory, with the only exception of Sicily.

The bill confirms ENI's monopoly on the Po Valley, and it encourages more exploitation elsewhere limiting the areas region to region. If an oil or gas riched area was to be found, a small zone around the exact point was delimited and a long side of one kilometer wide was reserved to the State. After the approval of such new legislation, the foreign oil companies decided once and for all to leave the country and move elsewhere.

The results obtained by Mattei, during the first three years of his Presidency, have been summarized very effectively by Dow Votaw: “Methane is the basis of ENI's immense industrial empire. It yields great profits. Without methane there would be no modern industrial Italian miracle”. And later: “The part played by methane in the Po Valley in the post-war Italian miracle is immense. Without this the spectacular industrial expansion of Northern Italy would probably have taken a different trajectory and possibly would have never even occurred. Although its price is based on that of imported combustion oil, methane is the cleanest and most convenient petroleum product and in the case of Italy it does not affect the international balance of payments”.

ENI's profits have been calculated by Votaw himself at between 300-400 billion US dollars during the period 1953-1961. He maintains that it is not possible to say with any precision where these billions were spent.

Undoubtedly, part of them were invested in activities that do not appear in the financial statements or when they do it is below their real value. A part of the

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90 Dow Votaw, “Il cane a sei zampe”, cit. p. 31
91 Ibi, p. 75
remainder was used to pay the acquiescence of the press, favorable treatments in the Middle East and North Africa, the influence of authoritative politicians and a long series of similar benefits.\(^92\)

These are very important facts given that in the same period the opportunities for further exploitation of methane became scarcer, forcing Mattei to initiate the search for hydrocarbon deposits beyond Italy.\(^93\) Indeed, this further expansion could no longer be based on methane. Votaw observes: “Per quanto importante ai fini dell'espansione industriale italiana del dopoguerra e per il futuro delle operazioni di Mattei, il gas naturale della Val Padana non rappresenta una soluzione duratura ai problemi d'energia del Paese”\(^94\).

And later: “Per quanto prezioso sia stato il metano, non è il caso di attendersene altri miracoli. La produzione ha ormai raggiunto il livello massimo e, anche con I migliori accorgimenti tecnici e con I moderni metodi di utilizzazione, probabilmente potrà essere mantenuta al ritmo attuale di 6 e mezzo 7 miliardi di metri cubi l'anno solo per altri dieci e dodici anni”\(^95\)

This is why the expansion of ENI beyond national confines began.

**CHAPTER 2: THE “NEO-ATLANTICISM” AND ENI'S “PARALLEL DIPLOMACY” IN THE UNITED STATES'S PERCEPTION**

2.1 *Italian Foreign Policy between “Europeism” and “Mediterraneanism”*

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\(^{92}\)Ibi, p. 60
\(^{94}\)Dow Votaw, “Il cane a sei zampe”. cit. p. 31
\(^{95}\)Ibi, p. 75
In a widely inspiring contribution, Antonio Varsori argued that two souls seem to coexist inside the Italian Foreign Policy. Like many others political actors and commentators, he opposed what he called a “European vocation” to a “Mediterranean vocation” in the formulation of the Italian Foreign Policy. The former tended to privilege the process of European integration, which appeared to be giving the most advantages, and was supported by moderate parties; whereas the latter looked at the Mediterranean as being a new area for political and economic expansion and it was backed by the left parties and by the left wing of the Christian Democrats as well.

According to Varsori, in the period from 1947 to the middle-50's, most attention was paid by the Rome Government to the European integration's process. While the Treaty of Paris, indeed, deprived Italy of its colonies and, consequently, of any possibility to expand its aspirations in North Africa, the active participation in the process of European construction seemed to offer huge benefits. Politically, it allowed Italy to openly manifest its alignment to Washington. Economically, the European choice appeared as a new opportunity to cope with old problems like mounting emigration and the underdevelopment of national economy. Anyway:

“Ciò non significa che negli anni del centrismo le autorità italiane trascurassero la componente mediterranea. Ma, in primo luogo, tale prospettiva si confuse a lungo con l'obiettivo del “ritorno in Africa”, una meta che si legava al passato alla modifica del trattato di pace (...) Non era un caso che in questi anni il Mediterraneo parve essere in prevalenza al centro di interessi di personalità conservatrici, che spesso interpretavano tali aspirazioni come desiderio di rivalsa nei confronti di alcune nazioni europee, Francia e Gran Bretagna in particolare. Nè risultavano utili in questo

contesto i legami instaurati con Washington che anzi aveva deciso di affidare a Gran Bretagna e Francia il compito di stabilizzare l'area mediterranea"97.

Rather than being an unfortunate contingency, the sudden lose of the whole of its colonial possessions allowed Italy to increase its appeal in front of the Arab peoples in the moment when both United Kingdom and France started losing their hold. The nationalization of Iranian oil in 1951, the following Anglo-Iranian crisis and the “political suicide” of the United Kingdom and France at Suez in 1956, contributed as much to relaunch the Italian Foreign Policy in the Middle-East.

Italy could gradually aspire to become the next privileged mediator in the area without being accused of imperialistic tendencies. Thus, at the end of the colonialist experience, some political protagonists attempted to reformulate the Italian foreign policy giving more attention to the needs of the Arab countries: “La strategia mediorientale si spostò, sorprendentemente, dalle tesi colonialiste, con insistenza sostenute da De Gasperi e Sforza fino al voto negativo dell'ONU, ad un anticolonialismo “tanto generato dalla convenienza quanto indotto dalla necessità di impostare nuovamente e in tempi rapidi una politica basata su nuove idee e da attuare con nuovi mezzi”98.

According to the excellent description by Ilaria Tremolada:

“Sorgeva l'idea di presentarsi al Medio Oriente come un paese amico, che, mentre perdeva il suo impero, comprendeva l'impossibilità di sostenere un colonialismo vecchio stile, promettendo allo stesso tempo di superarne costruttivamente i metodi sostituendo il dominio politico e l'assoggettamento economico con la cooperazione e la collaborazione con le popolazioni

97IBIDEM
In the perception of some historians, France and United Kingdom's decline in the Mediterranean basin did create vacuums that had to be quickly filled. Italy, on his side, realized it could have been a feasible candidate to substitute the old colonialist powers in dealing with Arab populations but the task would have been impossible to accomplish without the United States's fully-fledged support. From this perspective, the decision to stand firmly with the West in the Cold War framework turned out to be a limiting choice for Italy's aspirations. The adherence to NATO's security system imposed severe restraints upon Foreign Policy's formulation by the Italian government, which had to manifest loyalty to the Allies even when their projects for the Mediterranean and the Middle-East were naturally in contrast with the Italian ones.

Despite their decreasing authority, both France and United Kingdom still enjoyed the trust of Washington which was reluctant to open spaces for newcomers striving to regain legitimacy.

“La diminuita forza britannica in Medio Oriente era sotto gl'occhi di tutti gli osservatori internazionali, ma la sua presenza ancora massiccia impediva agli USA di fare una politica mediorientale senza Londra, come avrebbe voluto Roma”.

The Palazzo Chigi's executives were convinced that time was ripe for the renovation

100 Ibi, p.32
of the policy pursued by both the Quai D'Orsay and the Foreign Office in North Africa and the Middle-East. At that time though, both he British and the French seemed unable to accept the end of the old imperialism and showed indifference for rising phenomena such as the Arab nationalism. On the contrary,

“l'impegno mediorientale dell'Italia puntava ad un'influenza costruita nel rispetto delle dinamiche naturali di crescita e di sviluppo delle popolazioni arabe, che aiutate in questo percorso sarebbero state sottratte al pericolo di scivolare nell'orbita sovietica”\textsuperscript{102}.

The idea, present at the institutional level, that Italy could have approached the issue differently from what the British and the French had done before was also shared by some elements within the civil society. Some initiatives were, for instance, promoted by Accademia del Mediterraneo while many others were backed and financed by Enrico Insabato, founder of UNAF (Unione nazionale d'Azione Africana e di Collaborazione Italo-Islamica e Mediterranee). The city of Florence, quoting La Pira, became “il centro della speranza storica e politica dei popoli mediterranei”\textsuperscript{103}.

Trough the middle of the 1950s, therefore, many protagonists of the Italian political life seemed to foresee an opportunity to relaunch the prestige of Italy on the international scene. The Italian peninsula, they reasoned, was surrounded by the Mediterranean Sea but also linked to the Continental area through its northern border. Thus, it could suitably function as a “bridge” between East and West.

Within the Christian Democratic Party, for instance, two factions, headed by La Pira

\textsuperscript{102} Ilaria Tremolada, “La via italiana al petrolio. L'ENI di Mattei in Iran (1951-1958)” cit. p.31
\textsuperscript{103} A. Scivoletto, “Giorgio La Pira. La politica come arte della pace”, Roma, 2003, p. 223
and Dossetti, became the bearers of a new policy, different from the colonialist approach of other European powers, based on a renewed spirit of brotherhood toward underdeveloped and developing countries. The idea that Italy could now become the center of the Mediterranean chessboard was also shared by the President of the Republic, Giovanni Gronchi, by the Secretary of the Christian Democratic Party, Amintore Fanfani, and by Mattei's current, “La Base”, even though their long range objectives stayed different.

In particular, Mattei's ideas about the end of colonialism and the new role Italy could aspire to play in the young States of North Africa and the Middle East were fully expressed only years later. During an interview in 1961, talking with the journalist Gilles Martinet, Mattei argued that the decision to deprive Italy of its colonial possessions had turned out to produce positive side-effects:

“Con la guerra l'Italia ha perduto le sue colonie. Certuni pensavano che fosse una sventura; è in realtà un immenso vantaggio; E' perché non abbiamo colonie che siamo oggi così bene accolti: in Iran, nella Repubblica Araba Unita, in Tunisia, in Marocco, nel Gana.”¹⁰⁴

Being asked about possible partnership between ENI and French companies operating in the Sahara desert, Mattei argued it would have been inconvenient for Italy to compromise with a country still anchored to colonialist patterns and whose goal was to distract resources from the producing countries. On the contrary, Mattei's public aim was to guarantee the young oil-producing States the possibility to reinvest the revenues coming from petroleum's exploitation in their national economies.

¹⁰⁴ Giornale del Mattino, Interview to the President of ENI: “Mattei esorta la Francia a sottrarsi al cartello del petrolio”, August the 10th 1961. Fondo Giovanni Gronchi. Serie: Notizie stampa
“Mi sembra che il nostro comune interesse sarebbe d’aiutare -specie tramite la creazione di una serie di società miste- I giovani stati dell’Africa del Nord ad utilizzare a loro profitto le risorse che si trovano nel loro sottosuolo. E’ su questa base che potrebbero crearsi dei legami solidissimi tra l’Europa e il mondo arabo: questo mondo arabo che sarebbe prontissimo ad accordare la propria fiducia alla Francia se questa rinunciasse al suo passato coloniale (...)”

2.1.2 The “Neo-Atlantic” Foreign Policy and the contrast between “Atlanticists” and “Neo-Atlanticists”

The Suez crisis, more than any other previous events, highlighted the anachronism of the Anglo-French policy, still anchored to colonialist patterns, and provoked the emergence of new mediators with the oil-producing countries. The debacle in Egypt was interpreted by many Italian political currents as the beginning of the Anglo-French decline in the Middle-East. Accordingly, these factions were convinced that Italy, with the benevolent support of the United States, could suitably fill the “void of power” and thus prevent the Soviet penetration in the area.

“Quanto era accaduto in Egitto – Leopoldo Nuti argues – apriva inaspettatamente nuove strade per la politica estera italiana: se è vero, infatti, che la crisi generata dall'intervento anglo-francese aveva prodotto una grave frattura in seno all'alleanza occidentale, e al tempo stesso lasciava acceso un nuovo focolaio di tensione in un'area che interessava direttamente la sicurezza italiana, sembrava sottolineare anche l'affinità tra la condotta dell'amministrazione Eisenhower e l'interesse con cui da Roma si era seguito il processo di decolonizzazione nordafricano”.

105 IBIDEM
The Italian party system split and the Italian government, based on a coalition of the Christian Democratic Party and the three small center parties, the Democratic Socialists (PSDI), the Republicans (PRI) and the Liberals (PLI), refused to acknowledged that the breach between the USA and the old imperialist powers was anything but temporary. It supported the United States action in bringing hostilities in Egypt to an end, but at the same time refrained from criticizing the British and the French and endeavored to do what it could to reduce the frictions between the USA and its principal wartime allies.

The proponents of this view were dubbed the “Europeans” or “Atlanticists” by the Italian press. These “Atlanticists” held that it was impossible for Italy to dissociate her fortunes from those of Europe. They argued that if the United States were to shift the primary emphasis of its policies from Europe to Africa, the Middle East and Asia, it behooved Italy to work all the harder for the formation of a united Europe that could replace NATO as Italy's shield against Communist aggression. Within the government itself, this idea was backed by the Prime Minister, Antonio Segni, and by other Christian Democratic ministers such as Gaetano Martino, a “pro-European” Liberal. In addition, the powerful Catholic action (Azione Cattolica) explicitly and the Pope himself implicitly, supported the position of Segni's government.

Within the Christian Democratic Party, the “Atlanticists” were opposed by the President of the Republic Giovanni Gronchi, by Italy's politically powerful oil chief, Enrico Mattei, and other several groups, including the faction called Iniziativa

democratica led by party's secretary Amintore Fanfani. Outside the coalition, the “new” course was also favored by the two Monarchist and Neo-Fascist parties, and looked upon with favor by the Communist and the Nenni's Socialists, who saw in it a mean to weaken the solidarity of the NATO community. These groups, which got the nicknames “Americans” or “Neo-Atlanticists”, leaned to the view that the United States' role in frustrating the Anglo-French military venture against Egypt might cause an irreparable split in NATO and that Italy should support the United States as the strongest power. Close collaboration with the United States, the “Neo-Atlanticists” held, would permit Italy profitably to pursue its traditional interests in the Near and the Middle East. Therefore, according to Ennio Di Nolfo:

“Il neoatlantismo, lungi dal portare ad un allentamento della fedeltà atlantica, mirava proprio a fare dell'Italia l'alleato privilegiato degli USA nel Mediterraneo”.

The United States, however, manifested indifference for the Italian proposals set forward by the members of the “Neo-Atlantic” stream. After Suez, the United States perceived that the new protagonists of the foreign policies' were the same who internally backed the opening to the Left. Moreover, the Italian foreign policy seemed to be moved by nationalistic and potential neutralist forces, which also shared a common attention to the Third-world' issues. All these elements brought the Americans to be suspicious of the Italian initiatives, especially when the participation of Nenni's
Socialist appeared to be more active109.

Thus, instead of investing Italy with the authority to mediate with the East, the Anglo-French debacle in the Mediterranean convinced the United States of the need to take a more direct responsibility to secure the area.

On January the 5th, 1957, President Eisenhower stated a new doctrine which extended President Truman's “containment theory” to wherever the American aid was requested, including the Middle-East area. This new set of political achievements gave the President the power to step up for the countries subject to Soviet infiltration, by the means of economic and military aid or even through military intervention. The White House, while pouring the Cold War's dynamics into the Middle-East, it claimed a right to primacy in the area. As a consequence, the space for Italian manoeuvrings was curbed even further.

2.2 Gronchi's and Mattei's simultaneous initiatives: the “Iranian phase”

Since the beginning of 1957, a friction flared up between the United States' and the Italian governments, due to the simultaneous initiatives of Enrico Mattei and Giovanni

109 Leopoldo Nuti, “Gli Stati Uniti e l'apertura a sinistra”, cit., p.130-131
Gronchi.

By February, the President of the Republic took the position that Italy should profit from the decline of France and United Kingdom in the Middle-Eastern area and severely criticized the “Eisenhower doctrine” for being too unilateral. As reported, Gronchi was to say privately that the United States could not “go it alone” in the Middle East because of its “heavy handed” approach, particularly on the side of the large American firms. Moreover he expressed the opinion that Europe should cooperate with the United States in the strengthening of the Middle Eastern social texture, but that France's and Britain's inclusion in this project would arouse Arab hostility. Gronchi's suggestion thus appeared to imply more a Italian-German initiative rather than a European one 110.

Right when Gronchi, hosting Vice President Richard Nixon in Italy, highlighted the need of increased dynamism of the Italian Foreign Policy, Mattei exemplified the irreverence with which Italian diplomacy could have been handled. On March the 14th, 1957, AGIP concluded negotiations with the National Iranian Oil Company (NIOC). The agreement covered the exploration of three concessionary areas in the South-Eastern part of Iran, two on-shore and one off-shore, in the Gulf of Oman. The terms of the agreement were stated to be as follows: the Italian company would have put 20 million dollars for exploration purposes during the course of the following twelve years, while the Iranian government would have put up no money at the initial stage. Therefore, the initial costs of research would have been entirely held by AGIP. In case

110 Reports of the Bureau of Intelligence and Research n° 7641, “Neo-Atlanticism as an element in Italy's foreign policy”, ASEN I Pomezia, H.II.2, busta 18, p. 4
of success only the Italian company would have been given back up to the 50% of the expenses.

Furthermore, the Iranian government would have taken 50% of the profit as tax, the remaining 50% being split equally between N.I.O.C and the Italian Agency. Thus, the agreement would have given rise to a 75/25 deal\textsuperscript{111}, which will become known later as the “SIRIP formula” (from the name of the newly constituting society, “Societé Italo-Iranienne du Petroles”).

The Iranian agreement was largely debated in the international Press while the British Press, in particular, seemed to interpret the deal as a turning point in the relationship between European powers and Third-world countries.

A new economic intercourse was supposed to reshaped both the economic systems.

The “Manchester Guardian”, for instance, stated that the Iranian agreement represented the starting phase of a process leading to a deeper intertwine among capitalists economies and the economies of underdeveloped countries: “L’orizzonte di Mattei” - is the comment of the British journal - “non finisce in Persia o in Egitto, dove sta perforando con successo nella Penisola del Sinai, ma abbraccia tutti gli Stati Arabi indipendenti e islamici. La sua attenzione è particolarmente attratta in questo momento dalla Libia, dall’Arabia Saudiana, dalla Tunisia e dal Marocco”\textsuperscript{112}

When the news of the reached the American Embassy in Rome, the latter urged the

\textsuperscript{111}Telegram n°712 from British Embassy in Rome to the Foreign Office, March 22, 1957, ASENl Pomezia, Carte da Archivi esteri, H.II.2, busta n°21

Department of State to intervene in order to halt the signing of the contract under the “SIRIP formula”, as the new division of profits could trigger adverse side-effects, destabilizing the whole system of posted prices:

– first, the breach of the 50/50 principle would have provoked political difficulties for all the oil companies operating in the Middle-Eastern countries;
– second, the resultant tension could make the United States' task of pacification of the Near East more difficult;
– third, the Italian action did not accord with the principle of consultation on economic issues with a political background;
– fourth, if Italy appeared as breaking the Western front in the Middle-East, this could have considerable effect on American public opinion which was at the time favorable to Italy.\(^{113}\)

The British were determined to shoot down the Persian agreement as much as the Americans, even though they tried to mask and not to convey this impression. On March the 28\(^{th}\), 1957, the Foreign Office instructed the Embassy in Teheran to inform the Iranian government that the break of the 50/50 principles was not in the interest of Iran and it could destabilize the whole Middle-Eastern area.\(^{114}\)

Thus, it seems plausible to affirm that since the beginning of the “Iranian phase”, the relationship between ENI's charismatic President, the Department of State and the British Foreign Office suffered from a rough deterioration. None of the previous frictions blown up between Mattei and the United States reached such as political

\(^{113}\)Telegram n°211 from British Embassy in Rome to the Foreign Office, March 24, 1957, ASENi Pomezia, Carte da Archivi esteri, H.II.2, busta n°21

\(^{114}\)Telegram n° 343 from Foreign Office to Teheran, March 28, 1957, ASENi Pomezia, Carte da Archivi esteri, H.II.2, busta n° 21
relevance as Gronchi’s simultaneous initiatives led Washington to suspect of a plot jointly developed by the two main protagonists. Hence, the Ambassador Zellerbach was suggested by the Department of State to meet both representatives of the Farnesina and government’s executives in order to express its concerns about Mattei's destabilizing moves.

In the following weeks, the Ambassador met first with Antonio Segni. During the gathering, however, he failed to grasp any relevant information as the Prime Minister had to admit of being insufficiently informed about the conduction of the Iranian negotiations.

Shortly after, thus, Zellerbach organized a private meeting with Giuseppe Togni, Minister of State Investments. In that circumstance, Togni was to confess he had been cultivating a rather pessimistic feeling of the Ministerial capability to control Mattei who used to behave in a completely autonomous way. He finally asked for American aid in making the Ministry a suitable means to prevent future inconsiderate actions by the powerful oilmen.

Few months after the conclusion of the Iranian negotiations, the formidable array of forces represented by the various “Neo-atlanticist” groups within the Christian Democratic Party was primarily responsible for the fall of Segni’s government.

According to American documents, the goal that Neoatlanticist factions had in mind did not entail a radical reversal of Italian Foreign Policy, but the eradication of the centralist coalition formula which had characterized Italian politics since 1947.

The internal campaign to unseat Segni may be said to have begun in August 1956 when Pietro Nenni and Giuseppe Saragat, leader of the Social Democratic Party
(PSDI), committed themselves in principle to reunification of their two parties. Even though the two parties were clearly far from reunite soon, if at all, a growing number of Christian Democrats felt that the PSDI was fickle and unreliable and were all for easing it out of the government

Because Saragat refused for a long time to be provoked into leaving the government, the Foreign Policy issue then presented itself as a suitable way of breaking up the center coalition. This is not to say that the Christian Democrats' criticism of the Segni government's Foreign Policy was exclusively tactical. President Gronchi and Foreign Minister Martino had been feuding behind the scenes for months as a result of Martino's opposition to Gronchi's attempts to usurp the prerogatives of the Foreign Office. The feud came into the open in late March 1957 when Martino prevented Gronchi from sending a personal letter to Eisenhower, presenting his views on Italian foreign policy

The Segni government eventually fell on May the 6th. Segni gave the PSDI withdrawal from the cabinet as the reason for his resignation, but actually he knew that the “Neo-Atlanticists” were determined to cause his downfall on any pretext and that he did not have sufficient political strength to fight them back.

According to the American analysts, however, the various Christian Democratic groups seeking to overturn Segni were divided over what kind of government they wanted for the long run. While Fanfani's group apparently believed that the Christian Democrats should go it alone until the next elections and try for an absolute parliamentary majority, the “Gronchi-Gonnella-Mattei” groups leaned toward an alliance with the

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115 Reports of the Bureau of Intelligence and Research no 7641, “Neo-Atlanticism as an element in Italy's foreign policy”, ASEN1 Pomezia, H.II.2, busta 18, p. 4

116 Leopoldo Nuti, “Gli Stati Uniti e l'aperura a sinistra”, cit., 131-133
Nenni's Socialists with or without the Democratic Socialists.\footnote{Reports of the Bureau of Intelligence and Research n° 7641, “Neo-Atlanticism as an element in Italy's foreign policy”, ASENi Pomezia, H.II.2, busta 18, p. 4}

Eventually, the political crisis opened with the Segni's resignation was ended with the formation of a new government, led by Adone Zoli.

In the aftermath of Zoli's appointment, the Prime Minister and the new Minister of Foreign Affairs, Giuseppe Pella (who replaced Martino), made it clear that the “Neo-Atlanticism” they had in mind was merely a more active policy in the Near and Middle East than that which preceding governments had followed, and that this policy would have remained strictly within the framework of Western solidarity. On August the 3rd, Giuseppe Pella attempted to reassure the Americans and the other European allies over Mattei's initiatives. He told a press conference that the attention which Italy may and must devote to its own interests in the Middle East, and, in general, in the Mediterranean basin, was not in contradiction with the Italian alliances of that time. In other words, Pella insisted that the new policy represented no weakening of Italy's ties with the Atlantic community as a whole.\footnote{Ibi, p. 6}

Nonetheless, the level of suspicion toward the “Neo-atlanticists” stayed high due to the fact that both Gronchi and Mattei continued to rock the boat.

In August, some of the Gronchi views on the Middle east were given a public airing as a result of an article reporting a conversation with a well-known Italian journalist in which Gronchi reiterated the new active role Italy could play in the area. Once again, he made criticism of the “Eisenhower doctrine” and its unilateral approach.\footnote{Ibi, p. 7}

To add to the Foreign Office's embarrassment, Mattei came back from Morocco as
head of an Italian economic delegation and, during a public statement, he was exuberant about the infinite possibilities for Italian economic expansion there and elsewhere in North Africa and the Middle East\textsuperscript{120}.

Mattei was to tell a senior officer of the American Embassy, on August the 28\textsuperscript{th}, that he felt a new approach was called for in North Africa from the Western powers. He is reported also to have said that Morocco, Tunisia, Algeria and possibly Libya should have joint a loose federation that would then associate itself with a pool of Western European countries and the United States to devise and carry out a long-range economic development project, aimed at raising the standard of living of those countries and thus achieving political stability. The creation of such a partnership would also contribute to the useful purpose of creating a counterweight against Nasser's aspirations to lead a unified Arab world\textsuperscript{121}.

Gronchi's and Mattei's “free wheeling” apparently led to a showdown between the government and Gronchi himself, in occasion of the official visit the Italian government was planning in Iran. In particular, Gronchi and Pella came into disagreement over whether to include Mattei in the official delegation or not. To find a solution, Prime Minister Zoli and Pella met with Gronchi on the isle of Ischia, where the President was vacationing. One report is that the three men agreed that Italy should pursue a more active cultural, economic, and diplomatic policy in the Near east. More likely, Zoli and Pella attempted to convince Gronchi that Mattei should be curbed and that Gronchi himself should be more circumspect in his private and public utterances, and particularly on his impending visit to Iran. Whatever arguments were used on

\textsuperscript{120} Leopoldo Nuti, “Gli Stati Uniti e l'apertura a sinistra”, cit. p. 142

\textsuperscript{121} Reports of the Bureau of Intelligence and Research n° 7641, “Neo-Atlanticism as an element in Italy's foreign policy”, ASENI Pomezia, H.II.2, busta 18, p. 6
Gronchi, the Ischia meeting appeared to have marked a turning point in the foreign policy debate within the DC. Although Mattei did visit Iran at the same time that Gronchi did, he was not part of the presidential delegation as Gronchi originally wanted.

Gronchi, on his side, avoided making statements that could be interpreted as being anti-NATO, as he had done in the past\textsuperscript{122}.

After the ratification of the ENI-NIOC agreements, in August 1957, by the Iranian parliament (the Majlis), Mattei's threat to United States' interests was once again the central topic of a new report prepared by the Operations Coordinating Board\textsuperscript{123}. In this document Mattei was accused of using his economic power, jointly with blackmailing and corruption, in order to intimidate the Italian government, to avoid the expansion of private and foreign enterprise in the Italian petroleum sector and to finance neutralist newspapers. To complicate the situation even more there was the fact that both Mattei and Gronchi were rapidly enhancing their general popularity. The basis for Gronchi's mass appeal lied in the image that he created of an Italian leader who is vigorously defending national interests abroad and, at the same time, working actively for the common man at home. Mattei, in turn, as a result of his oil agreements with Egypt and Iran, had become a national symbol, a modern David defying the Goliath, represented by the Anglo-American oil companies and ultimately by the United States itself\textsuperscript{124}.

The OCB's analysis was brought before Dulles and Eisenhower on September the 23\textsuperscript{rd}.

\textsuperscript{122}Reports of the Bureau of Intelligence and Research n° 7641, “Neo-Atlanticism as an element in Italy's foreign policy”, ASEN Pomezia, Carte da Archivi esteri, H.II.2, busta 18, p. 8-9
\textsuperscript{123}Report by Operation Coordinating Board, September 3, 1957, in Leopoldo Nuti, “Gli Stati Uniti e l'apertura a sinistra”, cit. p. 143
\textsuperscript{124}Reports of the Bureau of Intelligence and Research n° 7641, “Neo-Atlanticism as an element in Italy's foreign policy”, ASEN Pomezia, Carte da archivi esteri, H.II.2, busta 18, p. 10
Despite calls for a downsizing of Mattei's aspirations by the oil companies were mounting quickly, nevertheless, neither Eisenhower nor Dulles accepted the radical and dramatic setting of the oil problem as presented by different sector of the administration. The memorandum of the meeting shows that they liquidated quickly the annoying issue.

“Dulles affermò di non essere allarmato; a suo parere non c'era nulla di sacro nella formula 50-50. Allo stesso modo il Presidente respinse ogni richiesta di intervento contro Mattei, sostenendo che quanto fatto dal petroliere italiano rientrava in quella libera concorrenza che costituiva il credo degli Stati Uniti”125.

“Interpretando l'iniziativa iraniana dell'ENI non tanto come preludio ad un'offensiva politico-diplomatica in Medio Oriente, quanto come forma di pressione dal carattere apertamente ricattatorio ma fondamentalmente assimilabile ad altre iniziative analoghe, tipiche fi un regime di libera concorrenza, Eisenhower e Dulles preferirono dunque non accettare la sfida di Mattei, ignorare le possibili implicazioni politiche della sua attività e mantenere il contrasto tra l'E.N.I e le 'majors' su un piano esclusivamente economico”126.

Therefore, despite Gronchi's and Mattei's pretensions to have Italy acting as the new privileged mediator between the Muslim world and the West, the fact remains that Prime Minister Zoli and Foreign Minister Pella have kept NATO as the foundation stone of the Italian Foreign Policy. Two episodes can be called for to show the positive attitude under which the American policy continued to be conducted in Italy: the first was the meeting between Italian Minister of Foreign Affairs Giuseppe Pella and the

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126 Leopoldo Nuti, “Gli Stati Uniti e l'apertura a sinistra”, cit. p. 144
American Secretary of State, John Foster Dulles, which occurred in Washington on September the 27th, 1957. In this circumstance, Pella reiterated the absurdity of an Italian Foreign Policy formulated outside the framework of the Atlantic Alliance. In addition, he presented Italy as a subject capable of assure a more efficient coordination among the contending factions in problematic areas (such as the Middle East). In response, the Secretary of State recognized the growing importance of Italy in the political developments of Europe, the Middle East and the Mediterranean and ensured not to exclude Italy and the Federal Germany from future consultation127.

A second example that shows the warmth and friendliness of the relationship between the two countries can be found in an official letter sent by Eisenhower to Gronchi in October 1957. The American President expressed satisfaction with the function of avant guarde that Italy was playing, through its contribution to European unity and the implementation of an effective Foreign Policy for the West. In response to that, the President of the Republic Gronchi was keen to reaffirm that Italy's action, based on the solidarity with the United States and other countries of the Atlantic Alliance, aimed at strengthening the latter by virtue of an effective collaboration both in the process towards European unity and in the appeasement of the North Africa and Middle-East areas128. Thus, If the “Neo-atlanticism” is interpreted as an ideological aspiration to enhance Italy's prestige in the Mediterranean area, it can be said to have achieved some positive results. On the opposite, if it is interpreted as a step toward neutralism it has certainly failed its mission.

127 Memorandum of conversation between the Vice-President Pella and the Secretary of State John Foster Dulles. September the 25th 1957. Fondo Giovanni Gronchi, serie: Eventi in ordine cronologico
According to Georg Meyr, during what he referred to as the “Iranian phase” (in opposition to the following “Soviet phase”), the principal reason of American discontent toward ENI's activity remained mainly economic. Exploiting the will of independence stimulated by decolonization movements, E.N.I signed, in those years, different agreements, threatening the position of US oil companies, and breaking the common front of the 50/50 division of royalties between the licensees and the States, which owned the resources to be exploited. However, the author argued that, in spite of the disagreement produced by this policy, in these years, the USA were never worried that Italy might leave the Western front, due to Mattei's actions.

It sounds possible now to say that the United States never truly believed in the possibility to lose Italy as a partner in the Cold War framework. So the whole issue “Neo-Atlanticism” was realistically scaled and the final considerations of the analysts on the future international evolutions were somewhat reassuring. The pro-NATO and pro-American orientation of Italy would remain intact for years to come. On the American side there was an exact perception of the Italian problem and, thus, there was no drama.

It is also likely that, at a certain point, Gronchi, Zoli and Pella recognized the objective fact that Italy simply did not possess the economic and financial capability to undertake an aggressive economic policy by itself in the Middle-East and that it must seek the underwriting of its policies by the United States and other NATO powers. On the opposite, Mattei was determined to carry on his personal mission against the

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“arrogance of power” of the “Seven Sisters”.

2.3 Mattei and the “Soviet phase”

From the mid 1950s onwards, new oil producing countries, in many cases in Africa or Middle East, offered particularly advantageous contractual terms, hoping to rapidly feed the coffers of the State by means of oil revenue. Before turning our attention to the case of Saudi Arabia, it is however necessary to highlight that the most disturbing element of the stability of the international oil system in the 1950s was represented by the reconstruction and development of the Soviet oil industry and its aggressive policies towards European markets to regain its role of prime exporter which it had previously enjoyed before the war.\textsuperscript{130}

Thus, from the first months of the Kennedy administration every discussion about the future of the Italian Foreign Policy was centered on the relationship with the USSR. When Kennedy was elected the Italian political and economical scenario was clearly oriented toward improving exchanges with USSR and a policy of détente in the relationship between the blocks. Besides political issues, some of the big Italian companies, among them FIAT and ENI, favorably regarded an improvement of the relationship with USSR on the basis of purely economic relations. A more relaxed climate would have had a positive influence of the commercial exchanges with the Soviet government. For ENI, in particular, the issue was to find in the USSR the source of crude oil at a low cost that Mattei had

\textsuperscript{130} Daniele Pozzi, “Dai gatti selvatici al cane a sei zampe”, cit. p. 309
been seeking for years with the aim of transforming his company in a major character of the international oil system.

The scenario of the co-operation between ENI and the Soviet Union had, quite obviously, a general political impact on the equilibrium between the blocks; moreover, since ENI was a public company, owned by the Italian State, the co-operation would have inevitably generated suspicions about a covered filo-Soviet attitude of the Italian government, suspicions easily sustained by somehow ambiguous, when not openly anti-US, declarations by Mattei.

Against this background one should consider the signing of a contract for the supply of crude oil between Eni and the Soviet Union, that was signed by Mattei and the Minister of Foreign Exchange Potolicev on October the 11th 1960.

Rumors about this agreement had reached the US Department of State since March 1960 through Clemente Brigante Colonna, ENI's adviser on foreign operations, particularly for Middle eastern and African matters. During a conversation with an Embassy's officer Brigante Colonna mentioned Mattei's plan to import Soviet crude petroleum up to five million tons per year\footnote{Despatch n°847 from American Embassy (Rome) to Department of State; March the 8th, 1960: “ENI and Enrico Mattei – Disaffected personnel and Proposals to acquire URSS Crude Oil”. ASENI Pomezia, Carte da archivi esteri, H.II.2, busta 18}.

On March the 3rd, Mr. Grant Headley, Representative of MOBIL Oil at Genoa, called on the Ambassador about this same matter. Headley said that Mattei's planning to import 5 million tons of Soviet crude in exchange for pipeline services was a irksome matter\footnote{IBIDEM}. Of course, the Embassy did not actually know whether Colonna was speaking on the basis of general knowledge only or with precise inside knowledge.

Within E.N.I, indeed, the precise status of Mattei's negotiations were known to very...
few E.N.I’s executives. Furthermore, Colonna did not seem to be involved in the latest negotiations with USSR. Anyway, the Embassy recommended to keep the identity secret since their careers might have been seriously compromised.

The agreement was defined along September and then eventually signed, as said above, on the 11th of October 1960 and approved by the Italian government in November. The document stated that the Soviet organization for oil export (Soyuznefteexport) would have provided ENI about 12 million tons of oil in four years (from 1962 to 1965) against 50k tons of synthetic rubber, 240k tons of iron pipe-lines and machines for the oil industry for the value of 240 million pounds.

On November the 3rd, Mr. H. Winkinson, Managing Director of Shell, met with Mr. J.H. Loudon, President and Managing Director of the Royal Dutch Petroleum Company, at the presence of Under Secretary, Douglas Dillon, to discuss the situation of the international petroleum industry. Both the representatives expressed their concern for the developments in the Middle East (following the creation of O.P.E.C) and for Mattei’s operations on the European front. A word reached the majors that Mattei, in addition to the arrangements for the importation of 12 million tons of Soviet Oil, was having some informal talks for the purchase of an additional 40 million tons over an indefinite period to be paid for by Italian industrial production. Both Winkinson and Loudon though the proposal was unlikely to be accepted but they saw some danger in it because of its appeal to Italian export interests:

“All such amount would be far beyond Italian needs and would in effect mean that E.N.I would become the marketing agent for Soviet Oil throughout Europe”.

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133 Memorandum of Conversation (Dillon), November 3, 1960: “Shell views on various matters”, ASENI Pomezia, Carte da Archvi esteri, H.II.2 busta 18
134 IBIDEM
The new about the signing of the agreement clearly had a considerable impact. From a purely economic point of view, the flow of low cost crude oil would have allowed ENI to start a true commercial war against the big Anglo-American by selling gasoline at a “political price”, sensibly lower than practiced by the majors. This policy would have inevitably made more tense the terms between the trust and Mattei's company.

According to Otto E. Guthe, Assistant Director Research and Reports of C.I.A, “it is just possible that the U.S. Oil companies consider Mattei to be as great a villain in the Italian deals as the Soviets, if not a greater one”\textsuperscript{135}.

Above all, Western international agencies, from NATO to CEE, were worried by the political consequences of the agreement. First of all, it was not an isolated case, but it had to be considered within a more general “oil-offense” by the Soviets aiming at making similar agreements with non-Communist countries, in particular with the German Federal Republic. Through the injection of huge quantities of oil in the European markets the Soviets could influence the price of oil by dumping or price cutting operations.

In a study conducted by the C.I.A and entitled “Growing crisis in the distribution and marketing of Petroleum by Western nation”, the Soviet oil offensive was perceived even more dramatically as affecting United States national security interests. The problem was that the Communist could now make use of the Italian deal to create a picture of “bettering” Western private enterprise in competitive markets, and that this could serve as an example of the Soviet system winning out over the American

\textsuperscript{135} Memorandum for Deputy Director/Intelligence, November 3, 1960: “Western Problems in marketing petroleum” ASENI Pomezia, Carte da Archivi esteri, H.II 2, busta 18
The Italo-Soviet agreement might contribute to a change in the perception of USSR from the enemy to a recognized partner in economic transactions. For Italy, the relevance of the agreement overweighted a foreseen future increase in the trade exchange with USSR: “From 1958 to 1960 the amount of crude oil that Italy imported from USSR was doubled while that of fuel had increased twenty times; moreover, from 1957 to 1960 the overall volume of commercial exchanges with USSR was more than doubled.”

Another aspect that was quite disagreeable for the Americans and the British was the agreement on the supply for materials to build oil pipe-lines. That was supporting the Soviet strategy of building a pipe-line originating in the Urals and ending in different Western European countries, that would become in perspective, partners of the Soviet Union. The worries about his disaggregation of the front against the East were somehow fueled by the discussions that ENI, since 1960, had started with the Austrian government about the possibility of a pipe-line between one of the Italian Adriatic ports and some point in Austria, probably Vienna.

Since the end point of the pipeline would have been built only 40 miles distant from Bratislava, E.N.I could decide hereafter to connect this pipeline with the bloc system of oil transportation, in order to increase the amount of imported soviet oil.

When, at the end of 1960, the rumor circulated of a possible new visit by Mattei to

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136 IBIDEM
137 IBIDEM
138 Reports of the Foreign Office, titled “The significance of E.N.I”, February 1961, ASEN1 Pomezia, Carte da Archivi esteri, H.II.2 busta 22. It is worth mentioning that on December the 4th, E.N.I issued a denial of reports that the pipeline in Austria would be linked with the bloc system but this assurance did not fully satisfy neither Washington nor London.
communist China (which he had already visited in December 1958) polemics from the Anglo-American oil clubs were refueled.

Certainly, these controversies were instrumentally fed by the big oil companies, but, nevertheless, the news of the signing induced the American and British diplomacies to focus on Mattei's strategy.

In fact, the British Embassy in Rome was quite inclined to interpret Mattei's agreement with USSR not as a part of a general plot that intended to constitute Italy as a neutralist non-aligned country but just as a particular strategy aimed at forcing the majors to accept ENI in their club. Through the oil at low cost from the Soviet Union Mattei could sell to the Italian gasoline to a lower price with respect to that offered by the foreign companies, pushing them out of the Italian market. Quite a regional manoeuvre indeed.

The instrumental character of Mattei’s initiative towards the Soviet was stressed also in a study by British Ministry of Power, titled: the “Significance of ENI”:

“"It has been suggested that if the major companies were to treat with E.N.I. By offering the Group some sort of participation in production and marketing, E.N.I might act differently towards them. The attitude of Shell and B.P. is that they are prepared to compete with E.N.I in a normal commercial way, and to enter into commercial relations where it is to their mutual advantage. But they are not prepared to put their own capital investments at the disposal of a competitor to enable it to enter a market cheaply without some investments by E.N.I or compensating advantages elsewhere"”139.

As it is evident from the above, while the Foreign Office envisaged the possibility to

139 IBIDEM
let Mattei in, the British oil companies were still reticent to allow him entering the club. The American oil companies reacted more or less in the same way. Few days after Mattei announced the conclusion of the agreement, Mr. W. A. Wright, Vice-President of the Standard Oil of New Jersey, met with Livingston Merchant, undersecretary of State for political affairs. In that gathering, the Standard's representatives expressed their hope to curb Mattei and advocated the Department of State to make pressure on the Italian government, which otherwise would have remained indifferent.

Merchant's answer was at that moment quite evasive: he admitted the concern by the Department of State about the Soviet initiative on the oil market, he assured that, before any governmental action, he would have kept contacts with representatives of the majors, but he did not comment on the Italo-Soviet agreement.

In the following months, the agreement was severely criticized at various levels. A report from the Us Senate appeared in the first months of 1961, significantly titled: “Soviet Oil in the Cold War” and in which many concerns were raised. Namely, that the Italo-Soviet agreement would have had negative effects on the global oil market, in particular among the countries belonging to CEE and NATO by shifting the oil from the Middle-East. Moreover, the agreement would have forced Italy to depend on oil from the USSR. Similar criticism were raised by OECE, CEE and NATO themselves; these organizations agreed on the judging the agreement as potentially dangerous and destabilizing\textsuperscript{140}.

In spite of the several criticism against ENI the US refrained from official protests against the Soviet agreement that had been approved by the Italian government. The Kennedy administration, in fact, was inclined towards more strict contact with Mattei.

\textsuperscript{140} Leopoldo Nuti, “Gli Stati Uniti e l’apertura a sinistra”, cit. p. 402
Immediately after Mattei's travel to Moskow, where the details of the agreement were discussed, the US administration had the chance of hearing, directly from the President of ENI himself, about the purposes behind his initiatives. Mattei had a meeting in Rome with Averell Harriman, a prominent American diplomat.  

From a formal and diplomatic point of view it was a quite relevant event, since for the first time – after the tense times about the signing of the agreement – Mattei could have a direct contact with an important representative of the US government. Concretely, it was no more than a personal contact. Most of the discussion was taken by ENI's President, who repeatedly manifested his resentment against the big Anglo-American oil companies and in the meantime his appreciation for the oil policy of the Soviet Union, that made available to the markets big quotas of its oil production at competitive prices, aiming at the realization of a pipe-line in Europe. At a specific request by Harriman, Mattei declared he had not the purpose of connecting ENI's pipelines with the Soviet circuit.

The meeting concluded without the possibility for resolving the various doubts arising from ENI's reckless initiatives, and in the following weeks, the Department of State continued to question the best procedure to follow with regard to the Italian government.

It is important to highlight, as has been done by Leopoldo Nuti, that the overall assessment of Enrico Mattei's approach as formulated in Via Veneto was far less alarmist than the one expressed by the representatives of the majors.

Even a conservative like the Minister Horsey asserted in a long report that it was not

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the job of the United States' government to moralize about any misdoings in Mattei's actions, given that very similar behaviors were easily observed only fifty years earlier during the turbulent American economic expansion.

In underlining how ENI played a crucial role in the rapid economic growth of Italy, Horsey invited his government to work on reducing any existing friction with Mattei, leaving to the Italian government the task of ensuring that Mattei's action remained within the acceptable limits of their Foreign Policy.

Chapter 3: Mattei in Saudi Arabia (1956-1962)

3.1 The evolution of the Saudi oil industry: Saudi Arabia as the American Bulwark

The story of the oil-producing States of the Middle East - Iran, Iraq, Saudi Arabia, Kuwait, Bahrain and Qatar - presents two contrasting themes. On the one hand, they are
ancient lands whose civilizations, cultures and traditions are deep rooted in the isolated self-sufficiency of past centuries. On the other hand, their present governments are of recent origins. They are deeply interested in the development of their natural resources and the modernization of their countries in close association with the industrial world. Petroleum is one of the primary factors responsible for the profound changes which have been taking place in these States.

At the time we are discussing (1950s), three of these six states – Iran, Iraq and Saudi Arabia – were already classified as modern sovereign nations. The sheikhdoms of Kuwait, Bahrain and Qatar, instead, were considered “protected States” since they enjoy special treaty relations with Great Britain.

The modern sovereign nations of Iran, Iraq and Saudi Arabia were greatly affected by the development of their oil resources. However, unlike the sheikhdoms, these States had other resources as well, and their social structures had been less disrupted than those of Kuwait and Qatar. Saudi Arabia, the focal point of this dissertation, had developed an economy based upon trade, pilgrimage and, to a minor extent, agriculture. This nation, thus, could survive as an important political entity without the benefits derived from oil. However, its governmental, economic and social progress would have been seriously delayed in such an eventuality. By coincidence, the discovery of oil within its territory came a few years after Saudi Arabia had adopted its present form of government. Hence, the governments and the oil industry have been intimately intertwined during the formative stage.

The Kingdom of Saudi Arabia was formally created on September 22\textsuperscript{nd}, 1932. On that
date, 'Abd al'Aziz ibn 'Abd al-Raham Al Faisal Al Sa'ud (commonly known to his followers as Abdul Aziz), unified by decree two distinct political entities, the Najd and the Hijaz, into a single Kingdom, grounded on the Wahhabi faith. Wahhabism, based on strict adherence to the Koran rule and its traditions, fused leader and followers into a strong brotherhood and formed the spiritual foundation upon which the new state was built. Therefore, the year 1932 may well be considered as the beginning of the nation's political and economic modernization. At the time, Saudi Arabia had no reliable source of income other than pilgrimage. It had no industry, very little trade and commerce, sparse agriculture, and a largely nomadic population. The emergence of the oil industry was soon to reshape this scenario.

In fact, after the discovery of oil in Bahrain, both I.P.C (International Petroleum Company) and the Standard Oil Company of California commenced discussions with Saudi Arabia. After considering the competitive offers, the government granted the concession to the Standard Oil Company of California and thus introduced a modern industry into al-Hasa, one of the most undeveloped sections of Saudi Arabia. The contract was signed in Jeddah on May 29th, 1933. The terms were simple:

- the company was granted exclusive rights in a defined area, roughly the eastern part of the country, and preferential rights in central and western Najd;
- exploration and drilling requirements, employee preference, and company exemption from taxes and duties were similar to terms of various other agreements;
- the company specifically agreed not to interfere in the political or religious life of the country;

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144 Madawi Al-Rasheed, “Storia dell'Arabia Saudita”, Bomiani, Milano, 2004
— the company agreed to pay in gold or its equivalent a loan of £ 30,000 upon the effective date of the agreement, an additional loan of £20,000 eighteen months later, an advance on royalties of £50,000 upon the discovery of oil in commercial quantity, and a similar advance one year later;
— an annual rental of £5,000 was to be paid until the discovery of oil
— royalties were set at four gold shillings per ton of petroleum produced”. 145

The preferential rights in the area gave the American Company a privileged competitive position if the government were to decide at some point in the future to open that area to exploration. In the following months, the Standard of California formed an operating company, California Arabian Standard Oil Company (CASOC), which was incorporated in Delaware on November the 8th, 1933.

Their initial arrival in Saudi Arabia was made at Jubail on September 23rd, 1933. By the end of that year an oil field was established and geological exploration was in full swing. Preliminary exploration did not find any formations more promising than Jebel Dhahran, commonly called the Damman Dome, and it was decided to make the first test on the crest. An offshore survey revealed that supplies and equipment could be dropped at nearby al-Khobar. A suitable location for a base camp was found some 3 miles south and east of Jebel Dhahran at the end of 1934. Exploratory drilling was started on April 30th, 1935. Damman n°1 was carried to a depth of 3,200 feet before it was abandoned. Nine additional wells were drilled into the Bahrain zone with equally discouraging results. Meanwhile, in 1936, it was decided to make a test of deep formations by drilling Damman n°7. At that location, in March 1938, oil in commercial quantity was discovered.

The discovery of oil in 1938 led to the other important developments of the Thirties.

145 Report by Arabian American Corporation, “Oil development in the Middle East”, 1955, cit. p.29
With financial stability in sight, the King was able to attract to his government additional experienced personnel from other Islamic countries. The first overseas tanker shipment from *Ras Tanura* was made on May the 1st, 1939. Soon thereafter a small refinery was built nearby the city.

Meanwhile, in 1936, the Texas Company had acquired a half interest in the concession, and in 1939 an agreement supplementary to that of 1933 was negotiated.

“The supplementary agreement enlarged the concession area by approximately 80,000 square miles, principally in the northwest and southwest sectors. Saudi Arabia's undivided interests in the two neutral zones were included in the additional area. The company agreed to pay: 1) £40,000 as a down payment; 2) annual rental of £20,000 until oil was discovered in commercial quantities; 3) £100,000 upon discovery of oil in the additional areas.”

When the war broke out the fields' activity came close to a halt. In other words, the wartime disruption of transportation and scarcity of materials brought oil development to a virtual standstill. The overseas movement of pilgrims also decreased radically and the Saudi financial structure was disrupted. In these years, the King was able to maintain his power only by virtue of the financial assistance provided by the American company, which by early 1941 had advanced 6.800.000 US dollars, thus contributing to establish a feeling of friendship with the Americans. In early 1943 the United States made Saudi Arabia eligible for the “Lend & Lease” assistance program and thereafter it assumed primary responsibility for helping the country.

In the course of 1943, construction activities were resumed with special emphasis on the erection of a 50,000 b.p.d. refinery and the laying of a pipeline between *Dhahran*

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and Bahrain. Both projects were completed in 1945. Production was stepped up and in 1945 averaged 58,000 b.p.d (barrels per day) compared with 12,000 b.p.d in 1942. There was a corresponding increase in exploration and drilling.

Thus, since the war was ended, the recently constituted Arabian American Corporation (ARAMCO), a consortium composed by Standard Oil of California (30%), Texas Company (30%), Standard Oil of New Jersey (30%) and Socony-Vacuum (10%), seemed to be in a favorable competitive position to handle the rising demand for crude oil and refined products. The Dhahran-Ras Tamura complex of production, pipeline, refining and terminal facilities was functioning smoothly, and the Abqaiq field was ready to be brought into production. On the other hand, the company was faced with the need to invest large amounts of capital for the expansion of production and auxiliary facilities, and with the need to develop marine terminals and marketing outlets commensurate with Saudi Arabian productive capacity. Both problems were solved through inter-company discussions between Standard Oil of California, Texas, Standard oil Of New Jersey and Socony-Vacuum. From the beginning, therefore, the American technicians proved themselves to be precious commercial partners, due to the massive financial support and technological know how which they were able to provide.

“E così, I tecnici americani diventarono parte attiva della vita del Regno saudita come una sorta di subappaltatori di Stato”\(^{147}\)

According to the Arab scholar Madawi al Rasheed: “La partecipazione dell’Aramco alla

\(^{147}\) M.Pizzigallo (a cura di), “La politica araba dell’Italia democristiana”, cit., p. 17
realizzazione delle infrastrutture del Paese, per facilitare l'estrazione e la spedizione ai mercati d'oltremare del petrolio, non si limitò alla costruzione di strade, oleodotti, porti e aeroporti nelle regioni petrolifere e altrove, ma incluse la costruzione di scuole, ospedali e di un'amministrazione pseudo statale“148.

In the postwar decade, the oil industry grew even more rapidly: the estimated reserves in the Middle East increased from 19 billion barrels, or 38 per cent of the free world's total, at the end of 1945, to 126 billion barrels, or 71 per cent, at the end of 1955. Some of the oil fields there were ranked among the world's largest. Simultaneously the Middle East's production had risen from 696,000 b.p.d in 1946 to 3,200,000 b.p.d. in 1955. It was estimated that, in 1955, the Middle East provided 90% of the crude oil imported into Europe. Without any doubt, the oil industry brought a new source of income to the governments and peoples of the Middle East. These governments' income from oil operations increased from about 100 million dollars in 1948 to about 900 million in 1955149. This growth, however, did not brought greatly increased revenues to the government only but it also changed the pattern of life in the Eastern Province of Al-Hasa (see map n°..)

Meanwhile, the Standard company of California and Texas had been able to go ahead with the program for the construction of a pipe-line that was supposed to connect the Arab peninsula with the Mediterranean Sea. Preliminary plans for this pipe-line had been drawn up in the late war years. They called for the laying of a 1,068-mile from Abqaiq to Sidon, Lebanon. The Eastern part of the line, from Abqaiq to Qaisumah, would be fully-fledged part of the Aramco system. The Western part would be owned

148 Madawi Al-Rasheed, “Storia dell'Arabia Saudita”, cit., p.132
149 Report by the Arabian American Corporation, “Middle East oil development”, cit. p.1
and operated by the Trans-Arabian Pipe Line Company (TAPLINE), a newly created affiliate. The line was completed in September, 1950 and the first tanker was loaded from Sidon on December 2, 1950.

Within the area destined to ARAMCO, the postwar program expanded activity in every field. During this period the company became subject to a Saudi Arab income tax which, together with royalties and other governmental charges, would have equaled one-half of the company's net income as defined by Saudi Arab law. This agreement of December the 30th, 1950, it is commonly known as the “fifty-fifty” agreement.

In the years between 1951 and 1955, Saudi Arabia's production climbed steadily until its averaged 965,000 b.p.d in 1955. The company's executive administration was transferred from New York to Dhahran in 1952. During the same period, exploration was centered around the development of the Ghawar and Safaniya fields. Far to the South, a deep stratigraphic test of the east-central desert of Rub' al-Khali was completed in 1955. Other major development in ARAMCO's expansion program entailed the increase of the Ras Tanura refinery's capacity and the construction of a gas injection plant at Abqaiq, which was completed in 1954.

### 3.2 Italy's return to Saudi Arabia

The contemporary history of the Italian commercial and cultural penetration in Saudi Arabia can be traced back to the beginning of the XIX century. In 1932, in fact, Italy had been one of the first Western countries to sign up a friendship and commercial
treaty with Saudi Arabia.\textsuperscript{150}

From the 1930s the Italian diplomats in Jeddah sincerely believed in the program of modernization that Ibn Saud had promised to implement. They thought the Arab willingness to better exploit their resources would have led to an opening towards Italian commerce. However, the multiple suggestions and valuable proposals of our diplomats never made it to the upper floors of Piazza Venezia or Palazzo Chigi.

The breaking out of World War II forced the political authorities in Jeddah, under suggestion of the British diplomatic corps, to impose the severance of diplomatic relations with the Italian delegation.

On the morning of December the 31\textsuperscript{th}, 1941, the Saudi Minister of Finance was in a meeting with the Italian diplomat, Tommaso Sillitti, stating that the Italian presence was no longer compatible with their national security.

In the aftermath, the Italian diplomatic delegation took off. However, the relationship between the two countries continued positively. The Italian Minister of Foreign Affairs, Ciano, when thanking the Turkish government for the safety of national interests in Saudi Arabia, is reported to have said: “A ogni buon fine si precisa che i rapporti diplomatici tra Italia e Saudia vanno considerati sospesi anzichè rotti”\textsuperscript{151}.

When the diplomatic relations were reinstalled in 1946, both parties sent signals of appreciation. However, the war had completely reshaped the preexisting status quo: as we have seen in the second chapter, the colonialist presence of the British in the territory was entering a troubled phase. The American influence, much more structured

\textsuperscript{150} For the relations between Italy and Saudi Arabia in the Thirties see M. Pizzigallo: “La diplomazia dell’amicizia: Italia e Arabia Saudita 1932-1942”, Esi, Napoli, 2000.

\textsuperscript{151} Ibi p. 114
and powerful than the British one, came to replace it. Without wasting any more time, the Ambassador Zappi, who was well aware of the ongoing situation, stated that the new course of the Saudis was inevitably intertwined with the American financial and technological assistance.

On January the 5th, 1949, Zappi wrote the following in his report: “Fatta eccezione di alcuni lavori per I quali è stata richiesta la cooperazione egiziana, tutti gli altri sono stati affidati agli americani e sono garantiti dalla quota degli introiti che l'ARAMCO deve versare annualmente al Re Ibn Saud (...)

E’ evidente il monopolio sull’intero mercato saudiano. Il governo però non sembra preoccuparsi di tale monopolio, perchè ritiene che gli Stati Uniti, a differenza di tutte le altre potenze occidentali, non abbiano ambizioni territoriali nel Vicino Oriente”\textsuperscript{152}.

ARAMCO's capacity to yield control over every branch of the public administration was basically unrestricted, making it impossible for a non-American enterprise to compete freely with the United States. As Zappi noted: “Se noi oggi vogliamo partecipare con la nostra manodopera ai lavori governatii in Saudia, dobbiamo necessariamente passare sotto le forche caudine statunitense”\textsuperscript{153}.

In the summer of 1949, the time of the Italian ambassador in Jeddah was soon to expire. In its latest report (August the 5th), the diplomat refers of a last meeting with Faysal, who had been determined to reiterate that, although the Saudi point of view has found itself in conflict with the Italian one, this should in no way be interpreted as an act of hostility towards Italy. Speaking about 'conflict' in the relationship, Faysal was

\textsuperscript{152} M.Pizzigallo (a cura di), “La politica araba dell'Italia democristiana”, Franco Angeli, 2012, p. 18-19
\textsuperscript{153} Ibi p. 22-23
obviously referring to the Italian colonialist past.

On May the 18th 1949, the negative vote of the Arab countries in the United Nations General Assembly crashed the “Sforza-Bevin compromise” which represented the last Italian attempt to maintain a colonial presence in Libya. The decision to deprive the country of any colonial possession, instead, turned out to be a fortunate occurrence since it allowed Italy to reshape its image with regard to the Arab umma. The strained farewell to the colonies, in fact, encouraged Italy to draft a new anti-colonial strategy, based on the recognition and support of the people's aspirations.

The prospects for commercial penetration in Saudi Arabia, however, did not see any improvement in the short term. While the new Plenipotentiary Minister, Ugo Turcato, was faced with the inability to carry out relevant business, the Saudi government suspended the execution of all public works projects in 1950 and the study of new ones until the next payment of royalties by ARAMCO. In September 1951, the translation of an article, originally published in the *Weekly Times* of London, appeared in the pages of *Oriente Moderno*, the magazine of the prestigious *Istituto per l'Oriente* of Rome. The article featured some interesting observations and data on the astonishing changes that had occurred in Saudi Arabia in the course of just a decade under the American assistance: “Quattromila automobili din ultimissimo tipo percorrono ogni giorno la strada asfaltata tra Gedda e la Mecca. Alla Mecca molto è stato fatto per aumentare il benessere dei pellegrini; sì il grande colonnato ha ventilatori che mitigano il calore del sole e di notte è illuminato elettricamente. Tra pochi mesi una stazione radio a onde corte farà udire cinque volte al giorno la voce della Mecca al mondo musulmano (...)”

“La collaborazione americana non si limita al petrolio, ma ingegneri e veterani americani
collaborano alla risoluzione dei problemi idrici e agricoli, alla istruzione tecnica e alla costruzione di ferrovie”\textsuperscript{155}.

In the year 1952 the Arabian government was shaken by the eruption of new conflicts on its southern borders, especially with the small Emirates of the Persian Gulf, who were still under the British patronage. On August the 31\textsuperscript{st}, the Saudi’s military troops moved on to Buraimi, violating Abu Dhabi’s territory and occupying the oasis. Under the requests of the local Princes, the British government then stepped into the conflict with a note sent to the Saudi government in which they recommended the immediate withdrawal of the troops from the occupied territories and the establishment of a panel of control to work for a diplomatic solution. The case of Buraimi, not very relevant in itself, shows how oil was gradually transforming the political geography of the Arabian peninsula. Desert areas, which no one had bothered about until a few years earlier, suddenly became coveted by the potential treasure they could contain. Obviously, the oil question negatively afflicted Saudi Arabia's relationship with its south-eastern neighborhood\textsuperscript{156}.

Meanwhile, a new situation was developing at the head of the Italian delegation in Jeddah. The previous chief of the Legation, Ugo Turcato, was replaced by Giuseppe Capece Galeota, who, in February 1953, presented himself at the court of King Ibn Sa'ud. Pursuing the policy adopted by his predecessors, Capece was determined to strengthen the dialogue with some influential economic and political circles. Furthermore, our diplomat engaged in a fight to grant more rights and a better salary to the thousands of Italian workers in ARAMCO's oil fields at Dhahran.

\textsuperscript{155} Oriente Moderno, July-September 1951, p.144. Istituto Carlo Alfonso Nallino, Roma.
\textsuperscript{156} M.Pizzigallo (a cura di), “La politica araba dell'Italia democristiana”, cit. p. 31
Finally, Capece tried to guide and advise in every possible way those Italian enterprises which were interested in winning the 'subcontract' for the construction of a stretch of the road connecting Jeddah with Riyadh\textsuperscript{157}.

In the morning of November the 9\textsuperscript{th}, 1953, the legendary Ibn Saud, founder of the united Kingdom of Saudi Arabia, died in his private residence in Taif. Even though the bad news did not come unexpected, as the King had been sick for a long time, this provoked widespread sorrow all around the country. During the night, 'Radio Mecca' broadcast the proclamation of the new King, the fifty year-old Sa'ud. The succession to the throne proceeded in a peaceful and orderly way. This result was possible also because of the farsighted intuition of Ibn Sa'ud, who, in order to avoid conflicts among his heirs, had proclaimed his brother, Faysal, the crown Prince.

Capece believed the new King would have committed himself to further modernizing the country and therefore he thought that this would have made it possible to attract new foreign investors, who would have worked in harmony with the American ones.

According to Capece: "Occorre che in nostri dirigenti commerciali e industriali si facciano vivi, venedo sul posto senza perdere ulteriore tempo. Se non si avrà il coraggio di profitare di qualcuna delle occasioni che qui ci si presentano, tutte le posizioni saranno presto conquistate da altri Paesi."\textsuperscript{158}

Just few Italians were brave enough to follow the cue given by Capece. Among them was the top manager of ENI, Enrico Mattei.

\textsuperscript{157} Ibi, p. 32
\textsuperscript{158} Ibi, p.34
3.3  Italy and Saudi Arabia: following the Iranian example

Without any doubt, the ENI-NIOC agreement represents a turnant in the process of emancipation from colonialist dominance which the Middle-Eastern countries had embarked on after the end of WWII. Among the most relevant innovations brought forward by the Iranian deal, the introduction of the concept of partnership deserves a special mention. Being faced with a long-lasting subordination to the American and British cartels, the Middle-Eastern governments urged the international oil companies to be actively included in the productive processes and also demanded for a more equal allocation of profits.

In the aftermath of the signing, both the international public opinion and the International Press agreed on giving credit to Mattei for the results achieved. Even though it is obvious that ENI's President played a decisive role in leading to the positive conclusion of the negotiations, one should not overestimate his contribution for the reshaping of colonialist patterns. In fact, what counted the most in the defeat of colonialism was the strong Arab desire to escape from the old dominion. Mattei at this point was smart enough to correctly interpret the nationalistic wave, maybe due to the fact that he shared, as an Italian oilman, a feeling of resentment towards the insolent monopolies.

As a consequence, some Arab countries plus the government of Iran, running under the banner of nationalism, decided the time had come to free themselves from the majors' net. The chosen way to oppose the embracing web weaved by the Majors was to strike

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deals with minor and independent Companies in order to sign fairer contracts. As earlier stated, the concept of partnership stood at the core of the Arab strategy, with the consequent repartition of profits, but also responsibilities.

The process of emancipation, which in many cases it is still ongoing, obviously follows a peculiar trajectory for any country involved and as a matter of fact, some countries have developed at a faster pace than others. We can now turn to the words of Ilaria Tremolada: “In particolar modo, Egitto e Iran muovendosi per primi agirono da elementi di traino del processo di cambiamento riuscendo a contagiare anche I governi che più difficilemente, data la fisionomia dei loro rapporti con le grandi compagnie, potevano muoversi con autonomia decisionale. È possibile schematizzare indicando in Egitto e Iran I paesi che inauguraron kla stagione del cambiamento e individuando in Arabia Saudita, Kuwait, Iraq e Lybia I governi che seguirono l'esempio dei primi rafforzandone, con il loro operato, il significato ispiratore”\textsuperscript{160}.

As it is well known, Saudi Arabia was one of the most dynamic countries in the region. For a long time the Saudi government had been considering the “fifty-fifty” division of profits highly unbalanced and undesirable. Hence, the Kingdom headed by Sa'ud supported a revisionist policy of the commercial terms which regulated the relationship in the petroleum sector. The new oil policy was based on the renewal of the contractual terms with ARAMCO and on the stimulation of new investments\textsuperscript{161}. In this revision a key role was also played by Faysal, the brother-in law of the old King, who served as Minister of Foreign Affairs during his reign.

During 1956, Saudi Arabia entered into the negotiations in parallel with both Italy and Japan. Three areas in particular grasped the attention of ENI's experts: the first area

\textsuperscript{160} Ibi, p. 312
\textsuperscript{161} Ibi, p. 335
included the Jizan-Farasan islands, in the southern Red Sea; the second consisted of a portion of territory near the capital Riyadh; the third area coincided with the Persian Gulf’s strip at the border with Kuwait (commonly known as the “Neutral Zone”).

The previous experience had clearly demonstrated that if ENI was to initiate negotiations with Saudi Arabia in order to obtain oil concessions, the Italian Agency had to find a reliable person, with great knowledge of Middle Eastern business and governmental circles. Many people of course satisfied these criteria but one in particular was called for to take a stance in future negotiations: Prince Kamal Adham (member of the royal family). The Prince immediately accepted to advise, facilitate, represent and assist ENI's delegates. After some preliminary meetings between Mr. Fernando Galic and Mr. Ruo, on behalf of Kamal Adham, and Zanmatti and Jacoboni on the Italian side, the first gathering between Kamal Adham and Mattei was arranged on October the 27th, 1956. The gathering's main outcome showed that the Saudi government was willing to grant concessions for the search and exploitation of oil to a European group, preferably Italian, far from the interests of the Anglo-American trust.

Then, Kamal Adham advised Mattei to send a group of ENI's technicians to evaluate the situation in loco, and assured him that he would seek visas and permissions to authorize their permanence for the mission.

From several references made later by Mr. Galic to Eng. Zanmatti it appears that the requests on the part of the Saudis (not officially confirmed) were as follows:

- A single payment of several million dollars (in currency to be decided) in order to obtain concessions;

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162 “Notizie sulle concessioni ottenibili in Arabia Saudita e nell'offshore della Neutral zone”, July 2, 1957. ASEN Pomezia, DE, AZ.III.1, busta 99
163 Correspondence between E.N.I and Dr. Galic, December 26, 1956. ASEN Pomezia, DE, AZ.III.1, b.100
– All the expenses necessary for the research and exploitation to be paid by the holding Company of the contract;
– The Saudi State to receive a value equal to 50% of the oil produced, while the other half to remain the property of the holding company;
– The Saudis recognized that the both the expenses encountered by the holding company and the initial payment could be written off in annual quotas in relation to the decrease in value of the gross production;
– Besides the initial payment made to the State, a percentage of the net production sum owed to the State to be corresponded to the mediator;

However, the sudden break of the Suez Crisis led Prince Kemal Adham to interrupt and postpone the continuation of any negotiation.\(^{164}\)

The Saudi interest towards ENI's proposals was renewed a few months later by Fernando Galic who confirmed the Prince's willingness to conclude an agreement between the two countries in as short as possible time. So much pressure was brought to bear upon E.N.I that, at last, the Agency decided to put forward a concrete proposal of association. This proposal was passed on to the representatives of the Saudi Prime Minister, who was vacationing in Italy during the summer of 1957.\(^{165}\)

Generally speaking, the draft agreement prepared by ENI followed the Iranian pattern since it was expected that the initial costs and expenses for the search operations were entirely borne by ENI; furthermore, a joint venture between Italy and Saudi Arabia was supposed to be established, immediately after the oil was found in a sufficient amount.

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\(^{164}\) Letter from Galic to Mattei, November 19, 1956. ASENi Pomezia, DE, AZ.III.1, b. 98

for trading purposes; finally, it was expected that 50% of the profits were to be given to the Saudi State, while the remaining half was to be divided between the partners of the new company according to the shares respectively held by each.

However, soon after the proposal was delivered, the enthusiasm originally manifested by the Saudis seemed to gradually wane. The repeated delays induced Mattei to doubt the seriousness and the effective power of both Mr. Galic and Prince Kamal Adham and to cut off the stalling negotiations. On October the 8th, Mattei sent a personal letter to Mr. Galic in which he said:

“*dal resoconto fattomi del colloquio da Lei avuto con l’Ing. Zanmatti, mi sembra debba desumersi che le Sue proposte non sono in termini tali da poter interessare per il momento l’E.N.I.*

*Come l’Ingegner Zanmatti Le ha chiaramente spiegato, noi intendiamo interessarci solo a proposte concrete e sufficientemente definite e desidereremmo trattare con persone che hanno effettivi poteri per discutere e concludere*”

Almost simultaneously with the drop of the negotiations conducted by Galic, another possibility to enter the Saudi petroleum field was offered by the President of the Riyadh Municipality, Prince Fahed Al Faisal Al Fehan, the brother of the King. On September the 4th, 1957, Mr. Quraishi, envoy of the Prince, arrived in Milan to submit a proposal for the drilling of water wells in the area of Riyadh. The aim of the journey was also to verify whether the Italian holding did actually possess the knowledge and the technical skills necessary to carry out petroleum search activity. Quraishi, therefore, immediately assured the Prince of the seriousness of the whole Italian staff.

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166 “Concessioni in Arabia Saudita”, July 7, 1957. ASENIPomezia, DE, AZ.III.1, b.99
167 Letter from Mattei to Galic, October 8, 1957. ASENIPomezia, DE, AZ.III.1, b.100
At that point, the Prince, through his delegate, informed Mattei that in case oil was discovered, ENI would have been entitled to exploit it in accordance with the “SIRIP formula”. In other words, it seems that E.N.I was offered the possibility to accede to the Saudi oil “through the backdoor instead of the main entrance”. In case petroleum was found during the drilling of the water wells, all those sectors related to it such as refining, transportation and distribution would have placed under ENI's competence. Obviously, the Saudis manifested the desire to operate as secretly as possible “in order to avoid reactions both from Arabian personalities and ARAMCO”.168

After a few days, Quraishi received a phone call from Al Fehan in which the Prince claimed to be ready either to establish a concessionary society with the ENI group or to stipulate a contract with a society proposed by ENI (SAIPEM). Therefore, Mattei decided to promote an expedition in Saudi Arabia to study the concrete possibilities of obtaining concessions in that territory. The members selected for the mission, which lasted from October 5th to October 15th, were Eng. Italo Ragni, Eng. Molinari, Prof. Martinis and Prof. Lipparini.

The fact that Saudi Arabia “invited” new oil concessionaires was a significant sign they were breaking with the past. According to Ragni, Italy had now more possibilities to see its position in Saudi Arabia to be better off due to at least three reasons:

\[a)\] the resentment towards the Americans, accused of political falseness and lack of sensitivity, substituted the tolerance previously adopted by the Saudi Government.

168 Memorandum for Dr. Eugenio Cefis, Milano, September 17, 1957. ASEN Pomezia, DE, AZ.III.1, busta 100
b) The Saudi Government bore a deadly hatred to the French and British

c) The ENI-IRAN agreement had given rise to great excitement despite the lack of knowledge of technical details by Saudi authorities. “Si tratta di reazione più istintiva che ragionata, più politica che economica”169.

The first meeting between the Italian delegation in Jeddah and the Prince Faysal occurred on October the 8th. During the gathering, Faysal asked for more information about ENI's recently-signed contract with NIOC. Then he affirmed to be willing to grant our geologists all the possible means to carry out the necessary searches. The Italian technicians required first to inspect the coring of the operative wells N°1 and N°2 of Riyadh. Moreover, they requested to enter in touch with the French personnel responsible for the drilling of well N°3. All these requests were met pronto by the Prince.

A third topic, however, emerged during the discussions and grabbed the attention of those present due to its urgency. In fact, ENI was offered to build a pipe-line connecting Ryhad with the surrounding region of Uthmania. The final decision whether to accept the job or not was to be submitted prior to October the 31st. Even though the project for the pipe-line was economically sound170 and ENI was undoubtedly able to carry out the contract within competitive limits of time, that possibility was never seriously taken into consideration. First, ENI's pool of experts believed it would have been illogical for the company to enter the Uthmania region as

169 “Report of the Mission in Jeddah from October the 5th to October the 15th”, ASENi Pomezia, DE, AZ.III.1, busta 100
170 Report by E.N.I. technical adviser, Mahmoud Wasfi, ASENi Pomezia, DE, AZ.II.4 busta 69
a competitor of ARAMCO. Moreover, the costs to build a refinery would have been unreasonably high.

Even more important, however, is the fact that ENI's real intent was not actually to provide the pipeline but to win the tender in order to be able to keep the search for oil secret. As in the case of the water wells, the pipeline project was used as an expedient to achieve the ultimate goal.\footnote{Report of the Mission in Jeddah from October the 5th to October the 15th, Appendix I and II, ASENi Pomezia, DE, AZ.III.1, busta 100}

The President of the Ryhad municipality promised to submit the papers about the ongoing negotiations with ENI to King Sa'ud after his return from abroad but unfortunately the Italian Agency received nothing in reply. In the meantime, the negotiations with the Japanese proceeded quickly and this contributed to drawing the attention away from ENI proposals.

Thus, during the whole 1957, ENI and its subordinate society A.G.I.P Mineraria held discussions on future investment prospects in Saudi Arabia. At the end a short epistolary exchange, the general terms of a possible concession agreement between AGIP and the government were laid down. The draft agreement\footnote{See Appendix n°1} consisted of two parts:

- The first section defines which areas fall within the interest of the Italian holding (see map) and it set out the general terms which should govern the concession agreements between AGIP Mineraria and the governments granting the concessions.

- The second and most important part contained the proposals of AGIP Mineraria concerning the right of the governments to participate in its activity without assuming risks in the event of exploration leading to negative results and to participate in the
profits in the event of explorations leading to positive results.

Once the draft agreement was ready E.N.I must find a new way to submit its proposals to Saudi Government, possibly trying to grasp the attention of the powerful Minister of Petroleum, Abdullah Tariqi, the only person accountable for energetic issues.

3.4 ENI’s interest in the “Neutral Zone”

At the end of the year 1957, Dr. Zeki Djabi, Syrian Ambassador in Saudi Arabia, offered to bring the proposals formulated by AGIP Mineraria to the attention of Her Majesty Sa’ud. In many document Djabi is characterized as a serious and reliable person. Thus, Djabi was informed by Mattei himself that ENI's interests in Saudi Arabia had remained limited to three areas: the Jizan Area, with the inclusion of the Farsan islands; a section of ARAMCO's “Preferential Area” and the offshore of the “Neutral Zone” (where Saudi Arabia had an “half interest” with Kuwait).

Mattei promised to give Djabi, by way of reimbursement of expenses, the total sum of 150,000 US dollars at the agreement's conclusion. Mattei told the Ambassador to be confident about the possibility to draft a preliminary contract within reasonable limits of time:

“Sono certo che stante i suoi rapporti di particolare cordialità con S.M. Ibn Saud e le conoscenze che ha nell'ambito dei consiglieri dell'Emiro (Kuwait), l'AGIP mineraria potra avviare al più
Few days after, Dr. Djabi met the King. He talked to him about ENI and showed a prior draft agreement. In the immediate, King Sa’ud was charmed by ENI’s proposals and his reactions were extremely positive. Unfortunately, the King referred to the Ambassador that the “Neutral Zone”, one the most promising area according to Mattei, was to be considered as being already acquired by the Japanese at the end of their protracted negotiations. This new was badly welcomed by ENI's entourage. Anyway Mattei and those around him remained confident of the possibility to receive a concessionary right in that area, even in combination with the Japanese. On December 1957, Jacoboni wrote to Djabi:

“La brutta notizia che ella ci dà relativamente alla Neutral Zone non sappiamo se debba considerarsi del tutto esatta e definitiva. Se, come speriamo ancora l'affare non è definitivamente chiuso, il suo amico (Mattei) la prega di insistere perchè essa sia riservata a noi in quanto è quella la zona veramente interessante e alla quale teniamo. Se non si potesse fare diversamente, occorrerebbe cercare almeno che essa ci venisse assegnata in combinazione con i Giapponesi”\(^{174}\).

On December 10\(^{th}\), 1957, the Saudi Arabian government eventually signed up an agreement, consisting of 63 articles, with the “Japan Petroleum Trading Company, Ltd.”, allowing Japan to drill for oil offshore in return for 56 per cent of the net profit down to the retailer. Many of the provisions included in this contract were absolutely unique in the history of the Middle Eastern oil and bound to exert great influence upon

\(^{173}\) Letter from Enrico Mattei to Dr. Zeki Djabi, October 25, 1957, ASEN1 Pomezia, DE, AZ.II.3, busta 67

\(^{174}\) Letter from Jacoboni to Dr. Zeki Djabi, December 12, 1957, ASEN1 Pomezia, DE, AZ.II.3, busta 67
all other agreements in that area. Under the terms of the agreement, a license to prospect was given to the Japanese Company for two years (extendible for a similar length of time) at an annual rental of one and a half million dollars. In addition to the rental, a yearly payment of one million dollar was foreseen if petroleum was found in a commercially valuable amount. In the latter case, the concession would have extended for a period of forty years\textsuperscript{175}. Another unusual feature of the contract was that in the management of its activities inside the country or the concession area, 70 per cent of the company's staff must be of Saudi Arabian nationality and a minimum of 30 per cent from outside. Moreover, when the production of crude oil averaged 30,000 b.p.d for a period of 90 days, the company was committed to build a refinery in Saudi Arabia in two years or less. And when it has averaged 75,000 a day for a similar period it must build, again within two years, a refinery with a minimum production rate of no less than 30 per cent of the production\textsuperscript{176}.

The concession area given to the Japanese was an undivided offshore extension of a neutral land zone, equally claimed by Saudi Arabia and Kuwait. Therefore, to control the concessionary right of both halves and thus, start the work, the Japan must obtain also the acquiescence of the Ruler of Kuwait. The Shaikh \textit{Abdullah Tariki}, who had been the main promoter of the agreement in the “Neutral Zone”, reassured the Japanese on the validity of the contract in the event of failure to reach an agreement with Kuwait\textsuperscript{177}. Once again ENI exploited all its capabilities to ruin the Japanese-Kuwait prospect of agreement. In particular, Jacoboni told Djabi to use all possible means to wreck the deal so that the Neutral Zone were reserved to his group.

\begin{flushright}
\textsuperscript{175} New York Times, December 29, 1957 ASENi Pomezia, DE, AZ.III.1, busta 99
\textsuperscript{176} Sunday Times, “\textit{Japan-Saudi oil pact details}”, 1958, (J.B. Slade-Baker) ASENi Pomezia, DE, AZ.III.1, busta 99
\textsuperscript{177} New York Times, December 17, 1956 (Sam Pope Brewer) ASENi Pomezia, DE, AZ.III.1, busta 99
\end{flushright}
Eventually, on May 11th, 1958, an agreement was reached also between the Japanese and Kuwait. According to the terms of the contract, Kuwait received 57% of the net profits while the Japanese company's revenue stood at 43%. The following is the comment of Dr. Djabi: “Partroppo tutti I mezzi messi in atto per far naufragare l'accordo non sono serviti a niente (...) La missione giapponese è riuscita a portare a buon fine l'accordo, mentre l'Italia, come tante altre nazioni, non è molto ricca di pazienza”\(^{178}\)

With the final definition of the Saudi-Japan entente, it became evident that Mattei had lost an unrepeatable occasion to penetrate the “Neutral Zone”.

In an article, published on January 1958, J.B. Slade-Baker, representative of the Sunday Times affirmed that the chief significance of the contract lied “in its many provisions which entail that the company, when formed, shall be completely integrated- that is to say, that it must carry out every phase of the oil industry, including production, refining, transportation and distribution, thus ensuring that the Saudi Arabian government will participate in every profit-making activity”\(^{179}\).

On the contrary, the concept that Saudi Arabia should have taken part of the profits “from the wellhead to the consumer tank” (integration) had been systematically refused by the American ARAMCO. Its “fifty-fifty” division of profits stopped when petroleum had left the Saudi territory.

The Japan-Saudi agreement aroused as much concern as the agreement reached few months before (March 1957) between the Italian ENI and NIOC. What preoccupied the American companies the most was something similar to the “domino effect”, that is to

\(^{178}\) Letter from Dr. Djabi to Mattei, May 24, 1958, ASENi Pomezia, DE, AZ.II.3, busta 69

\(^{179}\) IBIDEM
say the idea that the more profitable contracts offered by Italians and Japanese could lead to requests for revisions of the old concessions.

3.5 The rise of Shaikh Abdullah Tariki and the new Saudi oil policy

At the beginning of 1958, soon after the conclusion of the contract with the Japanese, a new course in Saudi oil policy, based on the disruption of the “fifty-fifty” divisions of profits, seemed to take the lead. This new course was mainly due to the radical transformation that occurred within the Saudi monarchy, when Prince Faysal, after some profound clashes with his father Ibn Saud (a strongly conservative personality), tried to size the power and become the absolute leader of Saudi Arabia. This change at the top of the dynasty was supported by those operators who had long been unhappy of how oil activities were managed by ARAMCO. The rise of Faysal was followed by the emergence of Shaikh Abdullah Tariki as the leader of a youngish group of “oil technocrats” within the Arabian government. The “technocrats” were well aware of the results of Mossadeq's precipitate action in 1951. They therefore did not advocated his brand nationalization but they stated the belief that a complete takeover could be achieved on a gradual basis. Both Faysal and Tariki's political ideas can be considered as being inspired by a Nationalist, Republican and democratic feeling. Tariki (who will become the first president of OPEC in 1960) became the real champion of the new policy of “creeping nationalism” in regard to the Middle East's

\[\text{Journal of Commerce, March 26 1958. ASENI Pomezia, DE, AZ.III.1, busta 99}\]
\[\text{Daily American, “Oil in the Middle East” November the 11th, 1959 ASENI Pomezia, DE, AZ.III.1, busta 99}\]
vast oil reserves. His political strategy was to grant Saudi Arabia with a system of refining and distribution strong enough to compete with the Western powers on the foreign markets, allowing the Arab State to sell the oil it produced without any sort of mediation.

Tariki was also the main supporter of the concept of “integration”: as we have seen in the previous paragraph, “integration” means to grant the producing country a share in every profit-making activity: not only from production but from refining, transportation and marketing as well. In other words the profits derived from Saudi oil must be equally divided “from the wellheads to the petrol tanks”. This of course means to wreck the 50-50 pattern of Middle East oil agreements.

The new conditions set out by Tariki to obtain future oil concessions in Saudi territory were reported in the “Petroleum Week” journal:

“1) Potranno iniziare trattative unicamente compagnie integrate, produttrici, raffinatrici e venditrici, che vendano il petrolio saudita direttamente su mercati esteri, e si assoggettino alle tasse saudite sui profitti realizzati sia all'interno che all'esterno dell'Arabia Saudita.
2) Tali compagnie devono essere arabe. Costituite in Arabia Saudita o quanto meno, ivi domiciliate. Esse saranno sottoposte alla 'direzione' saudita per la loro politica estera di mercato.
3) Le compagnie dovranno pagare all'Arabia Saudita più del 50% dei profitti.
4) Le compagnie debbono concorrere a dare inizio ad una attività petrolchimica in Arabia Saudita
5) Le compagnie debbono accettare l'obbligo della costruzione di una raffineria con una capacità che rappresenti almeno il 30% della produzione di greggio”

At the end of 1958, the Pan American International, a subsidiary of the Standard Oil of

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182 Petroleum Week, June 20, 1958, in “Arabia Saudita: Notizie stampa di giornali e riviste” ASEN Pomezia, DE, AZ.III.1, busta 99
Indiana, offered the Saudi Government 60% of the profits instead of the usual 50%. The area being discussed was part of the Preferential zone where ARAMCO had refused to exercise its right of preference.

Anyway, the most alarming aspect of the proposal was Pan American's apparent readiness to set up a totally-integrated company. An operation as such would have given the Government a share in any profit-making activity. Pan American was the first Western oil company to embark on an integrated adventure with the necessary experience and backing. Anyway, after 12 months of negotiations the Pan American decided to retire all the offers advanced\textsuperscript{183}, thus confirming the opinion, sharply spread among the Arabs, that “the world oil industry was run from some secret headquarters in London or New York”\textsuperscript{184}.

At the time of the Pan American's negotiations an Italian private succeed in reaching a preliminary agreement for a concession in Saudi Arabia. Beneficiary of the concession was General Edoardo Costa, who operated also on behalf of the state-owned society SANE (Società per il Commercio e il Traffico Marittimo con l'Africa).

The territory on which the Italian private activity was to initiate covered a surface of 10,000 miles and it encompassed the Jizan area and the Farsan islands, close to the Yemenite borders, the same area previously falling into the interests of ENI. The preliminary phase of the transaction was discussed in El-Tayf with the Prime Minister, Prince Faisal, who invited Costa to come back as soon as possible to define the final conditions of the contract, which foresaw not only the drilling of wells but also the exploitation of iron and copper beds, which seemed abundant in the region.

\textsuperscript{183} Telegram from Paolucci to E.N.I, February 14, 1959, ASENSI Pomezia, DE, AZ.II.3 b. 69
\textsuperscript{184} The Economist, “From wellhead to petrol tank”, October 8, 1958 in"Arabia Saudita: Notizie stampa di giornali e riviste” ASENSI Pomezia, DE, AZ.III.1, busta 99
Once again in collaboration with the SANE Company, General Costa and Prince Faysal evaluated a vast program for the implementation of important reclamation work on public and port infrastructures, which required financing up to the sum of 20 billion lira. The scope of this possible investment, which was extended to other fields beyond the oil sector, was of great interest for the Italian Minister of Foreign Affairs, who subsequently also decided to involve ENI in the project.

For a long time, E.N.I had been trying to reach an agreement of this sort with the Saudi government and with this in mind it had started to intensify its persuasive action among the dignitaries of the King. Therefore, it is legitimate to assume that the agreement reached by General Costa represented a blow to Mattei. However, in reality, Mattei did not seem too troubled, knowing as he would have done that Costa was obliged to call upon ENI's support in the following distribution phase. Furthermore, Italy was going through a highly unusual phase in the relationship between the State-owned oil Agency and private subjects. The pacification between Mattei and Vincenzo Cazzaniga, chief executive officer of ESSO Italia, would seem to represent incontrovertible evidence of this:

“La situazione dell'industria petrolifera italiana sembra stia sfociando in un accordo generale che se non sarà proprio di collaborazione, potrà avere tutte le caratteristiche di una 'entente cordiale’ (...) Se l’industria privata può vantare una migliore politica produttivistica e di conseguenza minori costi, l'industria di Stato si trova di fronte alla quasi inesauribile possibilità di far fronte

185 “Petrolio arabo e iniziativa privata”, Giornale d’Italia, November the 10th, 1958 in “Arabia Saudita: Notizie stampa di giornali e riviste” ASENi Pomezia, DE, AZ.III.1, busta 99
As a consequence, The Italian Minister heading the Italian Legation in Jeddah, Mario Paolucci, put the SANE Company and the management of ENI in contact. Between May and June 1958, they were informed that the Saudi Finance Minister had offered Costa the contract for the construction of roads and infrastructures, including the agricultural transformation of a 50,000 hectares in the area of Jirzan.

To carry out this work, at an estimated cost of 300 million US dollars, the local government required the funding of a joint company which had to include a Saudi-Egyptian group whose main shareholder was Prince Abdullah Faysal, the son of crown Prince Faysal. This joint firm was to obtain the contract not only for the above-mentioned work but also for that of searching for oil in the Jizan-Farsan area, under terms similar to those of the contract recently signed with the Japanese. In the following months the proposal was evaluated by ENI's management. However, concerning the terms of the contract, Attilio Jacoboni, Mattei's expert for international affairs, made it known during a meeting in Rome on 31st October 1958 that ENI, although interested in the proposal put forward by the Saudis, clearly favored the “SIRIP” formula whereas the Japanese solution was to be avoided at all costs.

During this meeting, it was also stated that Saudi law did not allow the government to issue research permits to foreign state-owned companies such as ENI or SANE, a statement that later proved to be highly relevant.

During the first days of November, moreover, the Saudi Arabian government informed

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187 “L’Amico dell’onorevole Mattei” (1958) in “Arabia Saudita: Notizie stampa di giornali e riviste”, ASENì Pomezia, DE, AZ.III.1, busta 99
188 Comunication by Dr.Gandolfi, May the 20th, 1958, ASENì Pomezia, DE, AZ.II.3, b.67
189 Letter from Limongelli to Jacoboni, November the 3rd 1958, ASENì Pomezia, DE, AZ.II.3, b.67
the Italian Ambassador, Dr. Paolucci, that general Costa was no longer welcome in Saudi Arabia, due to his ambiguous contacts with too many local mediators190.

“E’ quindi necessario – spiegava Paolucci – che SANE si dissioci immediatamente dal Costa (…) Concessione potrà essere trattata direttamente da SANE d’accordo con ENI o con qualsiasi altro ente, purchè esclusivamente italiano”.

At that point it was evident that Costa had been used as an expedient to approach the Saudi government and that, once the objective had been reached, he would have left ENI to negotiate with the local government.

In a letter addressed to Eng. Selem, Ambassador Paolucci explained that he intended to attempt to distance Costa in order to allow SANE and ENI to obtain contracts not as concessionaires but merely as contractors “e ciò sempre che”, he added, “in seguito ad accordi confidenziali tra l’ENI e la SANE non fosse deciso che unico contraente, per il Jizan e le Farsan, debba essere, o figurare, soltanto l’ENI (come io preferirei)”191.

To this end, on 11th November, Paolucci wrote to the Minister of Foreign Affairs:

“Importano altre due cose: l’una è che il ‘Generale’ Costa ora che ha funzionato da elemento di rottura, scompaia dietro le quinte (…); la seconda è che, al più presto, una commissione di tecnici venga a vedere sui luoghi di che si tratta e, se ne vale la pena, a negoziare il contratto”.

Without wasting any more time, Paolucci openly approached Prince Faysal, who he

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190 Telegram Nº740 from Paolucci to MAE, Novembre the 11th, 1958, ASENi Pomezia, DE, AZ.II.3, b. 67
191 Letter from Paolucci to Selem, January the 27th, 1959, ASENi Pomezia, DE, AZ.II.3, b.67
met on 18th November, inquiring whether he thought it was possible to entrust ENI directly with a research contract in the surroundings of Ryhad.

In those circumstances, the diplomat was to say: “Mi è stato risposto da parte del Principe di essere favorevolmente disposto e che ben volentieri avrebbe conferito sull’argomento con un inviato di fiducia dell’Ing.Mattei, mentre la difficoltà rappresentata dal fatto che l’ENI sia un Ente di Stato potrebbe essere superata dalla Costituzione di una apposita Società Privata Italo-Saudiana, collegata con l’ENI mediante un contratto per la fornitura di materiali e tecnici. Egli ritiene inoltre di poter superare la probabile opposizione dell’ARAMCO”192.

Although ENI was able to count on the promise made by Prince Faysal, the company remained victim of the extreme uncertainty which dominated the Saudi governmental environment in the weeks between the end of 1958 and the beginning of 1959. In fact, the local government sent only contrasting and ambiguous signals. According to Paolucci, the Saudis were primarily interested in the revision of the 1932 agreements with ARAMCO. This was, as it has always been, their main goal. On the contrary, to conclude a deal with ENI could be seen as a provocation, leading the United States to take an even more rigid position.

A huge part of the royal family, moreover, was accustomed to attributing massive importance to the maintenance of a stable and mutually sound relationship with the United States; or they simply realized it was impossible for them to survive without the profits made through ARAMCO. Thus, the prospects for ENI for obtaining a small piece of Saudi Arabia's territory appeared to vanish.

192 Comunicazione dalla Legazione d'Italia in Gedda, November the 18th, 1958, ASEN I Pomezia, DE, AZ.II.3, busta 67
3.6 The failure of the SIRIP formula

Despite the adverse atmosphere, the Saudi government eventually decided to give Mattei a chance to demonstrate the capabilities of the Italian Agency. In this regard Engineer Antonio Selem, head of AGIP's geophysics department, was sent for a new mission to Jeddah and Cairo. In Jeddah, Selem was fascinated by the Ambassador Paolucci who he described as the most passionate representative of Italy abroad with whom he had ever collaborated. Selem was taken by the diplomat to meet the lawyer Nounè - the legal advisers sent by ENI to study the contractual issues - and Dr. Roma, an Italian businessman who had set up a company with his Arabian partner Mr. Bin Ladin to carry out public works on behalf of the Saudi government.

From the meeting with the Italian entrepreneur, Selem learnt that Nounè, driven by the desire to enlarge the Italian presence in Saudi Arabia, was determined to increase the financial budget devoted to public works. In this regard, Nounè had thought up a system to avoid the dispersion of the gas emitted by ARAMCO's oil wells, which until that point had been simply burnt 193.

According to Kamal Adham, Dr. Roma and his business partner were united in their common intention to bring ENI to Saudi Arabia for the exploitation of gas. Dr. Roma did not however make a positive impression on Selem who deemed him responsible for having exaggerated ENI's technical capabilities with regard to the use of the Saudis' gas. Also in the meeting that Selem had with Kamal Adham himself, he observed a odd behavior: “passava alternativamente da affermazioni di amicizia e di buona volontà nei

nostri confronti a larvate minacce e asserzioni di contrarietà che ci avrebbe procurato nel recente passato”\textsuperscript{194}.

Once he was in Cairo, Selem met Tariki on 9\textsuperscript{th} January. The latter presented to Selem the terms under which his government was willing to enter into negotiations with ENI. The contractual formula proposed confirmed the Saudis' resolve to issue contracts exclusively to private entities\textsuperscript{195}.

Tariki, therefore, proposed that ENI operate in Saudi Arabia as a government contractor, accepting to take on the initial exploration costs and to renounce the reimbursement of expenses in case their search had a negative outcome. If, on the contrary, they were to find crude oil in commercially valid quantities, ENI would have had the right to export 100% of the fossil fuel until the costs they had sustained were met\textsuperscript{196}. At a successive stage, the profits would have been divided, conceeding 60% to the local government.

During the same conversation, the parties also discussed the effective possibility of obtaining the Jizan-Farsan contract for SANE-DR. Costa but Tariki was irremovable in this regard: “\textit{Tariki confermò che mai avrebbe potuto renderre partecipe la SANE in quanto statale. Quanto al Costa, egli avrebbe dovuto dimostrargli che aveva i mezzi finanziari sufficienti e che era affiancato da seri gruppi privati”}\textsuperscript{197}

From a general point of view, through Tariki's proposal to Selem, ENI had obtained an important result. As Paolucci said to Selem:

\textsuperscript{194} “\textit{A.M. Selem – missione a Gedda}”, 2-6 January 1959, p.5, ASEN1 Pomezia, DE, AZ.II.3 busta 67
\textsuperscript{195} “\textit{Missione in Arabia Saudita del 23.1.1959}”, p.1 ASEN1 Pomezia, DE, AZ.II.3 busta 67
\textsuperscript{196} Ibi, p.2-3
\textsuperscript{197} “\textit{A.M. Selem – missione a Gedda}”, 2-6 January 1959, p.3-4 ASEN1 Pomezia, DE, AZ.II.3, busta 67
“L’ENI non può assolutamente restare fuori dall’AS, la massima potenza petrolifera del Medio Oriente, specie in questo momento in cui ci troviamo ad un ‘tournant’ della politica del petrolio. Venga, studi, negozi: qualunque cosa ne verrà fuori, che potrà mettere l’ARAMCO k.o. nel suo stesso dominio”\textsuperscript{198}.

However, a more detailed analysis carried out by ENI's executives led to the Saudi offer being considered insufficient. Selem conveyed to Paolucci the conclusions that had been reached in Rome with the following words:

“Nessun dubbio deve sussistere sul nostro più vivo desiderio di dare concreto corso ad una attività effettiva e duratura con l’Arabia Saudita, ma proprio per questo restiamo perplessi sulla proposta saudiana di agire soltanto quali loro contrattisti quando da parte nostra siamo pronti ad offrire una ben più vasta collaborazione sulla base della formula SIRIP, formula che riteniamo sia la più onesta e la più cooperativa fra tutte quelle finora divise e realizzate in materia di sfruttamento petrolifero.

E’ a tale formula che noi vorremmo impostare la nostra attività in Arabia Saudita e sa dall’altra parte si fa obiezione alla nostra natura di società statale, non comprendiamo l’essenza logica di tale eccezione quando fin da ora si ritiene che I nostri eventuali accordi dovrebbero essere inguadrati in un patto di cooperazione tecnica interstatale. E’ questo contrasto di concetti che i Saudiani ci dovrebbero chiarire\textsuperscript{199}(…).

As Paolucci explained, what was preventing the government from giving contract to another state-owned entity was both a religious and legislative provision, contained in

\textsuperscript{198} Letter from Paolucci to Selem n°122, November the 27\textsuperscript{th} 1959, ASENi Pomezia, DE, AZ.II.3, busta 67
\textsuperscript{199} Letter from Selem to Paolucci, February the 4\textsuperscript{th} 1959, ASENi Pomezia, DE, AZ.II.3 busta 67
the spiritual testament of King Ibn Sa'ud. In his original agreement with Roosevelt, which had led to the establishment of the ARAMCO consortium, the King had set as a condictio sine qua non that no State companies could be involved. It was therefore a holy principle which clearly left no margin for infringement.

The continuation of negotiations was made particularly difficult also by ENI's reiterated decision not to accept any agreement other than the “SIRIP” formula. According to Paolucci, it was a mistake to insist on imposing a formula which risked becoming obsolete, giving the impression that ENI was the instrument of a colonialist State, after the Italians had initiated the reform of concepts such as concession and royalties. The Italian diplomat's recommendations served no purpose and in the months following the events of Spring 1959, the negotiations proceeded at a slow pace with no agreement being reached. On June 25th 1959, Dr. Jacoboni met Tariki, Head of Directorate General Of Petroleum and Mineral Affairs of Saudi Arabia, and submitted to him the proposals for the participation of ENI in the searching and mining activities in two areas of the Kingdom of Saudi Arabia. One area did correspond to the Jizan-Farsan archipelago (See map n°2) whereas the other to the so called Preferential Zone (see Map n°1). Tariki accepted ENI proposal for Jizan-Farsan which was based on two assumptions:

a) fixed royalties at 50% of the net profits

b) Saudi right, once oil was discovered in commercial quantities, to strike up a partnership at 25% of the exploitation of oil-related activities.

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200 Letter from Paolucci to Selem, February the 9th, 1959, p.3 ASENi Pomezia, DE, AZ.II.3 busta 67
Anyway, since the Italian holding was not sure of the value of that area it postponed the decision whether to intervene or not after the detection by geologists was ended.

The (second) meeting between ENI and Saudi Arabia's top-ranked authorities was held on August 8th, 1959 at the Kendra Palace Hotel in Gedda.

A note from Ing. Selem to Kemal Adham reports what happened in that circumstance\(^\text{201}\). The meeting started with official invitation to Faruk Hussaini to visit fertilizer plant in Ravenna. Then, Selem presented to Tariki the different proposals the Italian company was ready to submit. Proposals I and II in the Preferential area and the Proposal in the Jizan-Farasan area. “Tariki put them aside proposing to study them later.”

Since Eng. Selem was to leave the very same day, he proposed to sum it up the three proposals. Tariki agreed. Among the two proposals the Jizan-Farasan area was considered by the Italian company of no great value. All the expectations were on the Preferential area.

Referring to Proposals I and II, Selem was forthcoming to meet the requests of the Saudi Government and pleased Tariki to the maximum extent “not for the area he is offering, but for getting him as an ally in our fight. But in this effort of ours we either accept his request of 60:40 sharing or his request for integrated activities; we cannot accept both requests at the same time”.

Then Selem keeps on explaining that the 60:40 formula can be met only with Proposals II among which lines integration is impossible though. But if Tariki agreed to limit royalties with ENI at 50%, then Proposals I would cover, at its point eleven,

\(^{201}\) Copy of the note from Selem to Kamal Adham. August the 9\(^{th}\) 1959. ASENi Pomezia, DE, Fasc. A6F., Busta n°18
integration. At this point of the explanation – Selem says in the document- Tariki started to show great interest in Proposal I. He was pleased from the idea to have a fully integrated company which would allocate a portion of its profits (Selem suggested 5% of the profits before the royalties) from crude production to the implementation of integrating schemes. In fact, when Selem proposed as being a better alternative that the concession agreement envisaged two companies, one for the mining activity and one for the activities which come after crude production, Tariki strongly re-stressed the idea of having only one integrated company.

The final part of the note means to reaffirm ENI's willingness to build up an alliance with the Kingdom of Saudi Arabia even if the Italian Holding recognizes that such an agreement is likely to create frictions between Saudi Arabia and USA. “we are realizing of course the difficulties he (Tariki) has to meet for making an agreement with us but we are confident that he and his country are free in their decisions. We are therefore realizing and we agree that an efficient long-lasting alliance of such sort is a matter which must be carefully studied and can not be settled in a hurry”.

After this gathering, however, the negotiations entered once again into a stalemate due to the rigidity of the respective positions and this time the rupture was definitive and irremediable. The long venture in Saudi Arabia, despite the failure to reach the signing of an agreement, throws up nonetheless some interesting points for reflection. The rigid position taken by ENI can in many ways be considered the confirmation of the fact that Mattei was not attempting to defeat the American cartel at all costs and by all means but rather he was interested in pursuing a more profound route based on equal repartition of duties and benefits.
CONCLUSIONS

Mattei has been traditionally regarded as “the man of the Arabs”, who used to ride the wave of the Arab nationalism and break the rules of the petroleum markets to obtain a portion of the oil cake. The strong campaign made against Mattei by the American petroleum lobbies contributed to reinforce the idea of a man intimately Anti-American.

The aim of the first chapter has been to verify this last argumentation. Through the description of the American policy towards Italy in the first half of the 1950s we have seen how Mattei had contrasted the American oil companies inside the Italian territory in order to protect the national interest. This, however, did not inevitably take us to the conclusion that he was an intimate Anti-American character. On the contrary, according to Mattei’s most prominent biographers, he was convinced that Italy could aspire to reach an hegemonic position in the international system only by virtue of the United States' benevolent support.

In the second chapter we went further inside the matter by analyzing the formulation of the Italian Foreign Policy along the 1950s and, in parallel, the role that ENI played in that process. Since ENI soon became a crucial source of financial and political power, it was able to develop an autonomous “parallel diplomacy”, whose irreverence fed the American suspicion that a tacit agreement between Mattei and the Italian government had been reached. Even in this case the most plausible conclusion seems to be that Mattei never deflected from a pro-US stance since he always strove to enter into the oil club instead of trying to eradicate it. At the same time, the US
government never sincerely believed in the possibility to lose Italy at the benefit of the Eastern bloc due to Mattei's actions.

– Finally, we take ENI's venture in Saudi Arabia as a case-study. Mattei’s decision to let the negotiations fall down in the Arabian Peninsula epitomizes the fact that Mattei was not attempting to defeat the American cartel at all costs and by all means but rather he was interested in pursuing a more profound route based on the principles of equality and brotherhood.
Appendix N° 1. Draft agreement (Dr. Djabi, 1957)
Part I

AGIF MINARIA SUGGESTS:

1) AGIF MINARIA shall have an exclusive concession for petroleum exploration and exploitation in the areas referred to in point 2) below.

2) There shall be two concessions, that is to say:
   a) the mainland area which comprises a part of the Preferential Zone and other territory to the east of the said part of the Preferential Zone and to the west of the Rub' al Khali Desert, territory which AGIF is under obligation to surrender under the terms of the contract;
   b) the archipelago area of the Fahran Islands and the strip of coast and offshore facing the said islands.

The second concession shall cover:
   c) the area of the continental shelf facing the Kuwait Neutral Zone.

The above areas are shown by hatching on the attached map.

3) The concessions shall have a duration of 50/60 (fifty to sixty) years, and the exploration period shall be 20 (twenty) years.

4) The concessions shall provide for the payment, in favour of the Government granting the concessions, of 50% (fifty percent) of the profits from operation as royalties and taxes with no other payment being due to the Governments and/or public bodies.

5) Amortization of exploration expenditure and of plant and investments in general shall be completed in seven and a half years.

6) For operations however relating to the concessions the free movement of things and persons shall be ensured by the Governments granting the concessions.

7) Free use of State property (ground, materials, water, etc.) and quick procedures for the utilization at a fair price of private property shall be provided in respect of operations relating to the concessions.
Free exportation of the products extracted and their derivatives shall be ensured, as well as the importation free of customs duty of all the materials and equipment necessary for the carrying out of the operations.

9) General regulations shall be agreed upon for the settlement of exchange questions.

For payments in connection with petroleum exports the regulations applying to all markets shall be supplemented by special provisions for exports to the Italian market, in order to affect at least a part of the oil exported with imports of Italian products.

Conversion into the currency of the country shall be made at the free exchange value and on the basis of international practice and documents.

10) Provision shall be made for conciliation and arbitration at international level.

11) Provision shall be made to regulate the application and extent of cases of force majeure, allowing, inter alia, for the extension of the concessions for the duration of possible suspension of work in such cases.

12) The necessary clauses shall be inserted to give effect to the practical execution of the above-mentioned points.

Part II

Whereas ARIP Hirmera wishes furthermore to give the Governments granting the concessions the opportunity of participating in operating activities and in the profits from such exploitation, whilst remaining solely responsible for the expenditure incurred in the event of exploration leading to negative results, ARIP Hirmera suggests in addition to and in fulfillment of the above points the following:

a) Within four months of ascertaining that a pool is exploitable on a commercial basis in the area in which the concession relates ARIP Hirmera shall form for such concession a company limited by shares, hereinafter
and "the new Company", part of the capital of which shall be reserved to the Governments as set out in B). The Statute of the new Company shall be drawn up in such manner as to ensure that the letter and the spirit of the points set out in this memorandum be carried out.

B) AGIP Mineraria shall transfer each concession to one of the new Companies with effect from the date of its formation.

C) AGIP Mineraria shall carry out all exploration operations at its own expense and risk. Therefore:

a) In so far as expenditure during the exploration stage and up to the finding of the first commercially exploitable field is concerned AGIP Mineraria shall also, in derogation of what is laid down in B) below, be responsible for the finance to be provided by the Governments granting the concessions in proportion to their shareholdings.

b) In the event of positive exploration results, i.e., the finding of the first field exploitable on a commercial basis, AGIP Mineraria shall have the right to repayment by the new Company of the expenditure incurred for exploration but not exceeding the limits of the revenue from the exploitation of the concession.

In the event of no "commercially exploitable field" being found the expenditure incurred for exploration shall be charged entirely to AGIP Mineraria.

B) Within 90 (sixty) days of commercial exploitability having been ascertained the Saudi Arabian Government shall have the option to acquire shares representing 50% (fifty per cent.) of the capital of the new Company formed for the first concession, and 25% (twenty-five per cent.) of the capital of the new Company formed for the second concession (a further 25% (twenty-five per cent.) being reserved for future).

In order to ensure the smooth running of the new Company and to enable a decision to be reached in any eventuality, each partner shall deposit 25% (one per cent.) of his shares with a Bank to be mutually agreed upon. For the purpose of attendance at General Meetings the Bank shall
these shares at the disposal of a third person to be nominated by common accord, who shall cast his vote considering solely the interest of the new Company.

Dividends on the shares deposited will, of course, be paid to the partners.

(2) Subject to the derogation contained in (2) for exploration expenditure up to the first discovery, each partner in the new Company shall undertake to finance the Company in proportion to the size of his own participation.

(3) AHF Minera is undertaking to charge at actual cost the studies and exploration work carried out by it from the date of the granting of the concessions; and similarly at cost price the machinery and material which AHF Minera may transfer to the new Company.

(4) The provisions concerning the Board of Directors shall be set out in the Statute in such manner as to ensure that in the event of the Saudi Arabian Government (in the case of the first concession) and the Saudi Arabian and Kuwait Governments (in the case of the second concession) exercising the option they shall be represented on the Board by a number of members in proportion to their participation.

In consideration of the broad experience of AHF Minera in the petroleum field, the Managing Director and General Manager under whose authority the new Company shall be administered shall be chosen from the members representing AHF Minera on the Board. The Chairmanship of the new Company shall be entrusted to one of the members of the Board representing the participation of the Saudi Arabian Government (in the case of the first concession) and of the Saudi Arabian and Kuwait Governments (in the case of the second concession).

(5) The net profit shall be distributed as to 5% (fifty per cent.) in favour of the Saudi Arabian Government (in the case of the first concession) and of the Saudi Arabian and Kuwait Governments (in the case
of the second concession) in payment of taxes, duties, royalties, etc. as laid down in point d). The balance of 50% (fifty per cent.) shall be distributed between the partners in proportion to their respective participations.

The exploration expenditure incurred by AGIP Insercias prior to the formation of the new Company, and payable by the latter, as stated in c) above, only in the event of positive exploration results, shall be repaid to AGIP Insercias within seven and a half years.

1) The carrying out of the work of development and exploitation of the fields, as well as that necessary to make the production marketable, shall be entrusted by the new Company to AGIP Insercias or to other companies of the E.N.I. Group in the capacity of operators.

Moreover, the prices to be charged by AGIP Insercias or by other companies of the E.N.I. Group must be competitive.

2) In the event of any of the partners wishing to sell the whole or a part of his participation, the other partners shall have the right of option to acquire such shares at a fair price to be fixed by agreement or by arbitration on the basis of their true value. The partner wishing to sell shall give the other partners not less than 90 (ninety) days in which to exercise the option.

3) Although the two concessions mentioned in point 2) of the first part of this memorandum are separate, it is understood that the present proposal applies to all intents and purposes to the three areas referred to in the above point 2).

Nevertheless AGIP Insercias takes note that for area e) only, i.e., the area of the continental shelf facing the Kuwait Central Zone, an agreement must also be concluded with Kuwait. Therefore, whereas any agreement reached between AGIP Insercias and the Government of Saudi Arabia shall be binding on the two parties, it shall not become operative until the conclusion of arrangements with Kuwait for area e) (second concession).
II) The Saudi Arabian Government of the first part and AGIP Mineraria of the second part are the contracting parties for the first concession relating to areas a) and b) and the Saudi Arabian and Kuwait Governments of the first part and AGIP Mineraria of the second part for the second concession relating to area c).
Map 1: ENI's areas of interest for concessions: Preferential Area and Neutral Zone
Maps n° 2: ENI's area of interest: Jizan-Farsan
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