



**CENTRAL AFRICAN OFFICE**  
 Gwydyr House, Whitehall,  
 LONDON S.W.1  
 Telephone: Whitehall 7822, ext.  
 1 SEP 1962  
 28 September, 1962  
 CJ1531/8  
**SECRET**

Our reference:  
 Your reference:

*Dan Miller,*

*After counting shop  
 in Cent. Dept I told Mr  
 Brown we have nothing  
 against ENI from the  
 security angle.*

I enclose a copy of a letter of the 13th September (ref: 12853/6) from the Ministry of the Chief Secretary in Nyasaland to this Office, about the Italian firm AGIP, and should be grateful for any advice you can give on the point raised therein.

*RT 1531/3  
 (6)*

Thanks to the help of Eagers of the Ministry of Power, we have seen a copy of Foreign Office Circular 029 of the 30th March, 1961, about the activities of E.N.I., which is relevant to the Nyasaland enquiry. However, it may be that you can supply some additional information on the specific point raised in paragraph 3 of the enclosed letter, viz. whether there are any particular security considerations which should be borne in mind in any dealings which the Nyasaland Government may have with A.G.I.P. It would be most helpful if you could let us have an early reply, perhaps by telephone, especially if the answer is negative. If the answer is in the affirmative, then it would be sufficient at this stage, I think, if you could let us know this, with any very brief comments, so that we could give early warning. We could follow that up with more details later as might be necessary.

I am sending a copy of this letter and enclosure to Eagers in the Ministry of Power;  
 to Hickman in the C.R.O. (in view of the reference to Tanganyika)

*R.O. miles Esq.*

*Ecce Relations Dept Foreign Office*

*John Smith  
 92  
 J. Brown*

as on which after making enquiries in the proper quarter.

**SECRET**

SECRET

12853/6

SECRETARY GENERAL  
 INTERNATIONAL CONFERENCE  
 OF THE RED CROSS  
 12, rue de la Paix  
 1000 Brussels



NYASALAND

MINISTER OF DEFENCE SECRETARY

PO BOX 53

LUSAKA

NYASALAND

September, 1962.

N. D. Watson, Esq., C.M.G.,  
 Central African Office,  
 Gwydyr House,  
 Whitehall,  
 LONDON, S.W.1.

*21/9/62*  
*Mr. Watson*  
*to you this*  
*some friends*  
*will be with you*

*Dear Watson,*

You may perhaps recall hearing that when Msombi, our Minister of Trade and Industry, and Bill Watson were on their recent visit to Europe they were in contact with the well-known Italian firm of petrol producers, AGIP, who made certain non-committal noises about setting up Motels in Nyasaland. A certain amount of publicity was given to this by Msombi on his return and thereafter we all rather tended to forget about it.

I gather, however, that AGIP have in fact followed up on this one and that their Manager in Africa, who is based in Nairobi, has been in contact with the Ministry and is likely to be paying them a visit in the near future. My own personal opinion is that, in the event, very little will come of this as AGIP's modus operandi seems to be to go firstly for the setting up of a string of petrol stations and later to tack onto these when established the odd Motel. We here, as you know, are more than abundantly blessed with petrol stations which have sprung up of recent years like mushrooms and there just isn't room for any newcomers in that field, but that is as maybe.

The object of this letter however is to enquire whether there is any reason why we should be careful about AGIP from the security angle. So far as we know AGIP are a highly respectable, if somewhat toughly opportunist, firm. It is however known that they handle Russian crude oil rather than crude products from more respectable sources. They have also, as you no doubt know, recently obtained a contract for building an oil refinery in Tanganyika and F.I.S.B. have suggested to us that the circumstances surrounding this were such as to suggest that the Minister responsible for the negotiations had been generously bribed through Communist sources. This may, of course, merely be de Quisen "crying wolf" or trying to put us off AGIP for political reasons, but we thought it best to enquire through you as to whether anything undesirable was known about AGIP or whether there were any reasons why we should be careful in our dealings with them before the Ministry of Trade and Industry get too entangled with them. We have not said anything to either the Minister or to Bill Watson on this score and do not intend to do so unless your reply to this letter indicates that it would be desirable so to do. We would therefore be grateful for any guidance you can give us on this after making enquiries in the proper quarter.

*Yours sincerely,*  
*Philip M. Thabane*

SECRET

17th October, 1962.

ConfidentialE.N.I. in Nyasaland

As you know, we have been giving further consideration to the request from the Ministry of the Chief Secretary in Nyasaland (12853/6 dated 13th September) for information about the Italian firm AGIP, and would like to suggest, for your consideration, some additional points for incorporation in your reply.

It seems to us that, although in his letter Richardson is seeking advice mainly on the "security" aspects of AGIP, he should nevertheless be provided with some general guidance on the activities of the E.N.I. group of companies in so far as they affect the interests of the U.K. and of the British oil companies. I understand that it was already your intention to send with your reply a copy of the Foreign Office Circular 029 of 30th March, 1961. Though this is now somewhat out of date, it contains the essential material and is the most convenient source available at present. Since it was written, E.N.I.'s activities have, if anything, become even more troublesome and the preparation of an INTEL for distribution to posts abroad is under consideration.

The extent to which this material can be used in advice to African Ministers is a matter for those on the spot to decide. Probably only harm would be done by appearing to insulate British companies from competition. If, therefore, AGIP should be interested simply in opening petrol stations or motels in straight competition with the established marketers, we should have no cause for complaint, particularly in view of the fact that another E.N.I. subsidiary is in process of setting up in the U.K. But our experience of E.N.I.'s activities, particularly in the developing countries, is that it generally tries to do a deal with governments in order to secure preferential or monopoly rights to the detriment of established companies. When this happens we think it important that U.K. officials should do what they can to protect British investment. We realise that to lecture local Ministers about the benefits brought by the companies in the past will cut very little ice indeed, and that the best tactic is probably to appeal to the territory's clear self-interest. In the case in point, the most effective line would probably be to try and get it across that it is not in a country's own interests to restrict competition or to encourage developments that may result in the existing marketers deciding to pull out, leaving AGIP with a monopoly position with all the potential dangers that entails. If therefore AGIP comes forward with apparently attractive proposals, governments would be well advised to be wary and to consult the companies that have already invested in the country: their advice and experience should not be lightly ignored - and indeed they may already have alternative proposals in prospect.

J. Bourn, Esq.,  
Central African Office,  
Gwydyr House,  
WHITEHALL

We well realise that this is not an easy line to put across, particularly in present circumstances: much of what Mattel has to say is what his African listeners want to hear. But Mattel trades on the widespread ignorance of the facts of life of the international oil industry, and there is much that needs to be done to bring about a greater awareness of what the facts really are. If we are to be effective in protecting U.K. investment, it is important that the established companies' case should not go by default; this means we should have our say before local Ministers have already made up their minds that Mattel's way of doing business is what they are looking for. This can perhaps best be done by taking whatever opportunities occur - drawing upon the material contained in the Foreign Office circular - to get it across that not all is sweetness and light in E.N.I.'s activities and by suggesting that some countries where E.N.I. operates are already beginning to be disenchanted. We hope that the proposed INTEL referred to above will be available shortly and will provide additional material to that contained in the circular.

One final point. As E.N.I. is directing much of its attention to developing African markets we should be grateful if you would let us have any information about its activities that comes to your notice.

I am sending a copy of this letter to Miles at the Foreign Office.

(Derek Bagars)

Foreign Office,  
London S.W.1.

July 31, 1963.

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I enclose a copy of a paper on E.N.I. which has been drafted within the Foreign Office. I suggest that it might be submitted after amendment in the light of your comments and those of John Lucas to the Standing Oil Group.

2. As you will see from paragraph 1 of the annexe, I am not at all happy about the figures we have been able to collect on E.N.I.'s operations. This may not matter very much and it may not be necessary to have such an annexe in the paper we finally submit. Nevertheless I should be grateful for any corrections you may be able to offer.

3. I am sending a copy of this letter to John Lucas.

(R. O. Miles)

E. Wright, Esq.,  
Ministry of Power,  
London.

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E.N.I. and the Major International Oil Companies

I. Contact with the International Oil Companies  
Crude Supplies

In 1962, E.N.I.'s supplies of crude from sources under its own control fell short by some 4 million tons of the amount it required to reach its refining capacity (see Figures in annex). By the end of 1964 the short-fall might be twice as great or more. However, in the present oil surplus this presents no real problem. Her Majesty's Embassy in Rome have estimated E.N.I.'s crude requirements for 1963 as 11 million tons of which 5½ million tons would be from their own production and 5½ would be bought; the latter would include the 1963 share of E.N.I.'s two long-term purchase agreements, one with Jersey for 11-12 million tons over five years and one with the U.S.S.R. for 12½ million tons over four years. These arrangements clearly leave a further gap which has to be filled. Representatives of E.N.I. have visited Moscow since the Jersey deal was concluded and it has been reported that they were trying to buy still more crude oil. We have also heard from Her Majesty's Embassy in Rome that E.N.I. have been discussing with B.P. the possibility of buying 12 million tons over the next five years.



In addition to all these purchase agreements E.N.I. have been actively looking for more crude supplies of their own. There is now a great deal of attractive territory available for concessions in the Middle East, particularly in Iran, Kuwait, and Saudi Arabia. The difficulty from E.N.I.'s point of view is probably shortage of money. We know that they are heavily in debt and that the Italian Government are not so keen as they have been in the past to provide them with further credit.

3. Apart from the relinquished territory available in the Middle East there is the dangerous possibility that E.N.I. might seek concessions or oil producing contracts in the territory in Iraq which was taken from the I.P.C. by the late President Qasim. If they were to do so their feud with the international oil companies would enter an altogether more serious phase.

## II. Conflict with the International Oil Companies:

### Markets

4. E.N.I. has been assiduous in seeking agreements which would give its refineries overseas a monopoly. This has led to direct conflict with the international oil companies. In Morocco, Ghana and Tunisia, where it has already built or is building refineries, E.N.I. has obtained agreements which are greatly to the disadvantage of its competitors. It is seeking similar agreements in the other countries (outside Europe) where it has been planning refineries, in the Congo and Tanganyika and also we believe in Sierra Leone, Guinea and elsewhere.

5. The history of the Congo refinery project is typical. Until 1961 oil marketing in the Congo was in the hand of Shell, Mobil, Texaco and Petrofina. E.N.I. then made a confidential proposal to the Congolese government to build a refinery in return for a monopoly of refining and distribution. The four traditional marketers hastily carried out a study and made a counter offer. This has apparently been accepted by the Congolese government but there is still some doubt as to whether the original E.N.I. demand for a monopoly has been, or will be granted. There have been numerous announcements and counter announcements in the Press while President Adoula as he put it "faisait la jeune fille" between the rivals. The net result for the traditional marketers will be at worst to lose their markets to E.N.I. and at best to be compelled to build a refinery which in strict economic terms is too small to be worth building.

6. The imaginative element in the proposed B.P./E.N.I. deal, referred to in paragraph 6 above, is that B.P. are offering to come to terms with E.N.I. in a number of cut-throat struggles over refinery buildings. One B.P. proposal was to buy out two E.N.I. refineries, abandon their plans to build a refinery of own near a third, and reach crude supply agreements with E.N.I. in respect of certain refineries owned by the two companies in both Italy and the United Kingdom. But the deal, as reported to us, does not concern refineries outside these two countries.

### III. Propaganda

7. Apart from these strictly commercial conflicts there has been in the past an ideological conflict between E.N.I. and the "Seven Sisters". The British companies have



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have maintained that their attitude towards E.N.I. is the same as their attitude towards any other competitors and the American companies seem to have followed the same line (there may have been exceptions to this. According to Her Majesty's Embassy Leopoldville's reports, Mobil and Texaco refused to consider admitting E.N.I. to the consortium which proposed to build a refinery in the Congo). On the E.N.I. side, however, there has been a lengthy and bitter propaganda campaign against the major oil companies. The general line has been that the international oil companies are a cartel who overcharge their customers and under-pay their suppliers, that they carry out their operations under the protection of the Colonialist Powers and that the oil industry must and will be more rationally organised when the oil companies have been eliminated and trade in oil can be based on long-term contracts directly negotiated between producing and consuming countries.

8. Since Signor Matter's death E.N.I.'s propaganda may have lost some of its personal bitterness. However, E.N.I.'s trading tactics are certainly no less aggressive than before, and one of the contenders for the post of Chairman, Signor Girotti, is a convinced advocate of State Trading and the elimination of the international companies.

#### IV. Conclusions

9. Her Majesty's Embassy, Rome, have argued for a long time that the vendetta between E.N.I. and the major eastern oil companies was out of keeping with our excellent commercial relations with the Italians in other fields; in particular Italy gives us valuable support in the E.E.C.

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Sir Patrick Heilly recently suggested in a letter to Rome that we should consider trying to solve some of these problems at the Anglo-Italian Economic Committee. The next meeting of the Committee will be in November, by which time we should know whether or not the E.P./E.N.I. deal has gone through. If it does it will make things a great deal easier. By that time too the October conference of the Italian Socialist Party will be over, and it may be easier to see what kind of government Italy will have and whether it is likely to discipline E.N.I. effectively. Another point to be considered is that we may be discussing oil with the Europeans in W.E.U. in October.

10. The line we might take with the Italians, at the next Economic Committee meeting, if we decide that November is a propitious time, as a preliminary to full-scale discussion on international oil problems, is that oil, almost entirely imported, will become an increasingly important component in the total energy supplies of O.E.C.D. Europe and may by 1970 account for nearly fifty per cent of the total. The Middle East will become increasingly important as a source of supply of this oil and the flow of Middle East oil will be important to the growth of European countries in the years ahead. The European countries should beware therefore of supporting any policy or action which would prejudice the economic continuity of supplies. In the case of Italy the activities (giving examples) of E.N.I., which has publicly declared its animosity towards the major international

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oil companies, do not help to ensure that the international oil companies can discharge fully their important tasks. The Italian Government should know that in Her Majesty's Government's view the international oil industry constituted along present lines plays an essential role, providing supplies where they are needed with a high degree of efficiency and satisfying the interests and requirements of consuming and producing countries. Alternative systems - direct negotiation between blocs of such countries : an international commodity agreement : or a public utility status implying international regulation of the industry - would prejudice the economic continuity of supplies. We consider that the retention by the companies, comprising the international oil industry, of the control of oil production in exporting countries, its selling prices and the destination of exports, is vital for the proper functioning of the industry. Pronouncements by E.E.I. officially suggest<sup>s</sup> that the Italian Government may not share these views. We would therefore welcome an opportunity to discuss with the Italian Government the problems of the international oil industry and would request that meanwhile E.E.I. officials should be dissuaded from criticizing the structure of the international oil industry.

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E.N.I.'s Operations

Details of E.N.I.'s operations are hard to come by. The following figures are all from published sources. They no doubt contain inaccuracies, but give a general picture which is more or less correct.

Size

2. It is difficult to find a simple criterion for size in oil companies, but the volume of sales may be as good as any. E.N.I.'s sales in 1962 were about 6.8 million tons. Figures for some other oil companies' sales are:-

Shell	158 m. tons
B.P.	86 m. tons
C.P.F.	16.6m. tons
Petrofina	10.3m. tons.

Standard Oil of Indiana  
(one of the biggest  
American independent  
companies and better  
known perhaps by its  
international name,  
Pan-American)  
(1961 figures) : 17 m. tons

Continental Oil (a  
medium sized  
independent) 7.5m. tons  
(of which only 1.7 m. tons  
is outside the U.S.A.)

Production

3. E.N.I.'s own crude production in 1962 was as follows:

Italy (mostly from Gela in Sicily)	0.5 m. tons
Egypt	2.3 m. tons

(this was the quantity imported into  
Italy. E.N.I. holds nearly half the  
shares in COPE whose total production  
in 1962 was 3.5 m. tons.)

Iran	0.3 m. tons
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4. By the end of 1963 E.N.I.'s crude production capacity might be:

/Italy

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1 m. tons

5 m. tons

(the estimated total for  
COPE).

2 m. tons

(this is said to be the capacity  
of SIRIP's field on the Persian  
Gulf, where loading facilities  
are still under construction.  
The Iranians have the right to  
buy a half share in SIRIP).

Refining Capacity

5. In 1962 E.N.I. refined in Italy 6.75 m.  
tons. During the year production began at a  
new refinery in Morocco with a capacity of 1.25  
million tons per year. Refineries were under  
construction and due for completion before the  
end of 1964 in:

Italy 7 m. tons

Ingolstadt, S. Germany  
(to be owned jointly with  
a group of German banks) 2 m. tons

Bizerta, Tunisia (to be  
owned jointly with the  
Tunisian Government) 1.25 m. tons

Tema, Ghana 1.25 m. tons

6. In addition, the capacity of a refinery in  
Italy (at Marghera) jointly owned by E.P. and  
E.N.I. will shortly be raised from 2.6 to 4.3  
million tons, and E.N.I. is expected to supply  
some crude to Itale-Suisse for use in the  
refinery near completed at Aigle in Switzerland.  
Thus E.N.I.'s total refining capacity could  
reach 20 million tons by the end of 1964.

S U M M A R Y

ENRICO MATTEI

1. Mattei's death on October 27, 1962, in a plane crash (paragraph 1).
2. Mattei's origins, his appointment as President of ENI in 1953 and his achievement in developing ENI in Italy and abroad (paragraphs 2 to 4).
3. Mattei's character and objectives (paragraphs 5 to 7).
4. Relations with the British and American oil companies and with the Italian Government and Italian industrialists (paragraphs 8 and 9).
5. Mattei's successors. Poldrini appointed President and Ceis Vice-President of ENI. ENI's financial difficulties and the possibility of action by the Italian Government to bring ENI under control. Prospects for the future (paragraphs 10 to 13).



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No. 128 ✓

(1534)

British Embassy,

Rome.

December 19, 1962.

1531/19

My Lord,

On October 27 Signor Enrico Mattei, President of ENI (Ente Nazionale Idrocarburi, the Italian State Oil Corporation), was killed when his small Morane - Saulnier jet transport crashed in bad weather near Milan. I never met Mattei. His star had not risen when I was in Italy after the war. I was due to meet him at a luncheon specially arranged last October; at the last moment he chose to fly off to Sicily instead and from Sicily he flew back to his death, pressing on typically but quite unnecessarily in the dark and bad weather until his pilot, good though he was, made a fatal mistake when approaching the airfield. At the time of his death Mattei was one of the most powerful as well as controversial figures in Italy and I have the honour in this despatch to attempt an assessment of his aims and achievements and to consider the effect his death may have on the future of ENI.

2. Mattei was born in 1906 in Pesaro on the Adriatic coast between Rimini and Ancona, the son of a sergeant in the Carabinieri. He was an outstanding partisan leader in the latter stages of the war and in 1946 was a member of the Christian Democrat Party Directorate and was elected Deputy for Pavia.

3. His career as an ordinary politician was however brief. He came to the notice of successive Prime Ministers Bonomi and De Gasperi; in 1945 he was put

/in

The Right Honourable  
The Earl of Home,  
etc., etc., etc.  
Foreign Office, S.W.1.

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in charge of the pre-war State oil company AGIP (Agenzia Generale Italiana Petroli) and in 1953, when ENI was established, he became its President and held that position until his death. AGIP had been set up by Mussolini to explore for oil and gas as part of his campaign to make Italy self-sufficient. It had never had much success and at the end of the war was to all appearances bankrupt and moribund. Mattei's task was to arrange for its liquidation. His aims were however different. He continued drilling and had the good fortune to strike large reserves of natural gas in the Po Valley. This methane, and the profits which it produced, provided the basis for the whole of the subsequent development of ENI. Indeed there are those who would argue that the exploitation of natural gas, of which further reserves were recently discovered in Southern Italy, was the only one of Mattei's many enterprises which had an assured economic foundation and could be counted on to make a profit. On this foundation Mattei built up ENI into a corporation controlling about seventy subsidiary companies with interests extending far beyond the direct exploitation of oil and natural gas. These interests included other forms of energy production, and Mattei's contract with the British Consortium for the construction of a nuclear power station at Latine was the first such export from the United Kingdom. Subsidiary companies of ENI were concerned with the widest range of engineering and chemicals connected with oil, extending from tankers through oil industry machinery and steel pipe to synthetic rubber and fibres. Under Mattei's direction ENI also expanded with startling rapidity outside Italy. Concessions to explore for oil or to exploit oil production were obtained in Egypt, Iran, Lybia, Somalia, Morocco, Sudan, Tunisia, Jordan and Nigeria, and Mattei was certainly in touch with Algerian leaders about Saharan oil before the Evian Agreements. He had contracts for refining, distributing or pipe line construction with countries from India, through the Middle East, North and Central Africa to South America. A barter deal with Russia provided for the supply of 12 million tons of Soviet oil over four years

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against payment in synthetic rubber, steel pipe and other ENI products. Last summer Mattei was negotiating with the Communist Chinese leaders who were in Geneva for the Laos Conference and at the time of his death he was about to inaugurate, in collaboration with Mr. Charles Forte, a chain of petrol stations and "motels" in the United Kingdom.

4. This was Mattei's achievement, a remarkable record by any reckoning and a supremely personal one. ENI was Mattei's own creation and could have been built by no one else. He was technically a servant of the Italian Government and ENI was in theory subject to the Ministry of State Participations; in practice he was independent and although the Government might seek to influence him on occasions it did not attempt to give him orders or dictate his policy. He had, of course, able lieutenants but kept all the threads of policy in his own hands. ENI's published reports were deliberately vague or misleading and there was no financial audit to establish the profit or loss on his multifarious transactions or to reveal the subventions paid to political parties, individual politicians, newspapers, journalists and others. It must be very doubtful whether any successor will have the ability and fantastic energy to perform the same conjuring trick and keep all the balls in the air.

5. Mattei's public achievements are easy enough to chronicle but as a person he is much more difficult to assess. He was a complex character, reserved and rather anti-social with few real friends, Italian or foreign. A psychiatrist might say that his nature was the result of complexes resulting from his humble origins; certainly he had many prejudices and was all too ready to take offence at any implied slight. His only real relaxation from work was fishing and he would think nothing of flying to Alaska for a week's sport. Although in a position to command almost unlimited money his tastes were relatively simple and he lived without ostentation, shunning publicity. In spite of his differences with the British oil companies he professed an admiration for our country which was certainly sincere and of which his award of the contract for the Latina Nuclear Power Station was evidence. He was much

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was hostile to the Americans, partly because he regarded the American oil companies as his most bitter opponents and in part, perhaps, because he was essentially a European and found the American temperament and way of life foreign and uncongenial.

6. There has been much argument about Mattei's real aims. There were those, including the British oil companies, who thought that his objective was essentially political and that, through ENI, he aimed at becoming, openly or behind the scenes, the real ruler of Italy. The evidence does not, in our view at this Embassy, support this. He certainly used politics by buying politicians, newspapers, etc. but the same is true of other Italian industrialists - except that they could scarcely operate on Mattei's scale. He did not limit himself to any one party but distributed largesse wherever it seemed to promise a useful return. His dealings with the Russians and Chinese have been cited as evidence of Communist sympathies. Mattei himself claimed that he was compelled to take Russian oil because the Western oil companies would not give him a share in their production of crude. Certainly the Russian deal, and the very low price he paid for Soviet oil, was good business for ENI and that is probably sufficient explanation. His approach to the Chinese last summer is less easy to explain in these terms because it did not appear to offer similar economic advantages, except in the very long term. However the prospect of getting into a new market ahead of his competitors, as he had done in Russia, was probably incentive enough to Mattei. The known facts are definitely against the suggestion that he was in any way a Communist or fellow traveller, although there is some evidence that he leaned towards "neutralism", not for its own sake but because of his irritation with the restrictions imposed on trade with the Communist lands by Italy's obligations as a member of NATO.

7. The most reasonable conclusion on the evidence is that Mattei was first and foremost an industrialist and not a politician. ENI gave him ample scope for his extraordinary energy and boundless ambition. Although he started as a Christian Democrat and retained closer links with the C.D. Party than with any other, party affiliation and loyalties

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took second place to his industrial interests. His origins inclined him to sympathise with the under-privileged and there was a genuine streak of idealism in his make-up, which showed itself even in his rather naive pose as the champion of the producing countries against the oil companies. But business came first and in pursuing the advancement of ENI, and of himself as its President, he was ruthless and single-minded.

8. Mattei's relations with the major British and American oil companies - "the Seven Sisters" as he called them - were notoriously bad. As a new comer trying to break into the international oil industry it was probably inevitable that he should have met hostility and opposition. He himself maintained that he would have preferred to work with the existing companies rather than against them. There was perhaps a time when this might have been achieved but Mattei then had little to offer and the companies saw no reason to take his pretensions seriously. His exclusion from the Iranian oil consortium was a turning point and this made him so bitter that it may be true, as Shell and B.P. maintain, that since then he was impossible to deal with. Nevertheless the expansion of ENI continued and Mattei was in a position to do us considerable damage by profiting from our difficulties in countries like Iraq and the newly independent states in Africa, opportunities which he was ready to seize as and when they were offered. Shell and B.P. still maintained that by comparison with their own scale of operations and resources ENI was insignificant and that they had no incentive to pay Mattei what they regarded as blackmail. ENI may become more amenable and less dangerous under Mattei's successors and our own oil companies may be more accommodating. From the political point of view this would certainly be an advantage as there was a potential danger in the Italian tendency to regard Mattei as their valiant David standing up against the Goliath of the rich, selfish Western countries. Governments cannot nowadays disassociate themselves from their oil industries and it scarcely makes sense, at a time when Anglo/Italian relations are so close in other fields and when we are looking to Italy for help over our entry into the Common Market, that our respective

/oil

oil industries should be in a state of cold war, quite apart from the damage that this quarrel can cause to British interests up and down the World.

9. In Italy itself Mattei did not lack enemies. The big industrialists were largely hostile because they objected to state enterprise in principle and felt that Mattei enjoyed the unfair advantage of having the virtual backing of the Italian Treasury while remaining in practice free from the restraints of Government control. The Government were undoubtedly concerned at Mattei's power and independence and the tendency of ENI to become a state within the State. (ENI in theory was subject to the Minister of State Participations, but Mattei had succeeded in getting the post given to an ex-lawyer and creature of his own). The Government were also embarrassed by some of his actions, such as the deal with Russia, which caused Italy difficulties with her NATO allies. There is some evidence that pressure was mounting in all three Government parties to get rid of Mattei or at least to impose greater control over his activities. This could have been done next Spring when his three year term as President of ENI was due for renewal. In practice it is unlikely that opposition to him would have been effective and his re-appointment, had he lived, was assured. His strength did not rest only on the support which he bought with ENI money. At home his services to the Italian economy were visible in the network of ENI plants throughout the country, including Sicily and the depressed south, and in his many other activities that brought work and prosperity to thousands of Italians, for example his rescue of the bankrupt Nuova Pignone works at Florence and their conversion into a modern plant making oil drilling equipment. Abroad he had the full backing of the Government (the present Prime Minister Fanfani described him publicly as the projection of Italy) and of public opinion in his assault on the Anglo/American oil "monopoly" and his ventures in so many countries added substantially to Italian influence and prestige. It would have been difficult for any Italian Government, even if they had wished to do so, to move against such a man. But beneath the veneer of organized

/grief



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grief and remembrance there can be detected in Government, political, and above all business circles a sense of relief at the disappearance of a man whose self-confidence was believed to be rapidly turning into megalomania. He would brook no opposition and came to imagine with fatal results, that the elements too would give way before his will.

10. After Mattei's death many people expected Signor Fanfani to appoint as his successor a politician or at least someone who would be more amenable to Government control. He must have been tempted to do so but may well have concluded that a political appointment would cause a storm of protest which would be very damaging in this pre-electoral period. In fact the Vice-President, Prof. Marcello Boldrini, was promoted to President and Signor Eugenio Cefis was brought in as Vice-President. This looks like a stop-gap arrangement. Boldrini is over 70 and, although amiable and friendly towards us, is quite incapable of becoming another Mattei. I have not yet met Cefis, but am told that he is cast much more in Mattei's mould. He is 41 and served under Mattei in the partisans. He has held high positions in the most important ENI subsidiaries and was later General Manager of ENI itself. Earlier this year he quarrelled with Mattei on a matter of policy and left the Central Direction of ENI, but since then Mattei indicated that he still regarded Cefis as his obvious successor. Like Mattei he is tough and ruthless and is not interested in social activities. In politics he is said to incline to the right but to be basically non-political. Unlike Mattei he comes from a comparatively wealthy family and is married to a very rich wife, perhaps for this reason he suffers from fewer complexes. Potentially at least he appears to have the ability and character to carry on Mattei's work and policy.

11. Boldrini was appointed only for the unexpired portion of Mattei's term and many people expect that Cefis will succeed him next Spring. This cannot be taken as certain. After the general elections, and depending of course on their  
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outcome, the new Government may feel strong enough to impose a more drastic re-organisation on ENI. How far Cefis would agree to a drastic reduction of ENI's activities is uncertain but he would probably be more inclined than Mattei to stick to ENI's proper business in oil and gas. It is likely in any event that the Government will try to take the chance to bring ENI back under control and to confine it to the business for which it was established.

12. Certainly the present state of ENI is far from happy. The general impression is that its affairs are in such a muddle that some cutting back is inevitable, particularly of marginal activities such as the plan for "motels" in England, which is said already to have been dropped. It has been known for some time that the Corporation's financial basis was too narrow and that it was greatly over-extended. In spite of his efforts Mattei had not succeeded at the time of his death in acquiring a major source of crude production under his own control. Many of his foreign ventures were losing money and almost all of them were financed by long term credits and could not be expected to show a return for many years, if ever. (A typical example of Mattei's recklessness is ENI's contract for building a gas pipe line in Argentina, a venture involving an outlay of 230 million dollars on credit, and taken on when it was already clear that the Argentine State was not going to be able to meet its existing debts). The full extent of ENI's indebtedness is calculated by the Shell Company at about \$350 million. The servicing of this debt takes a disproportionate amount of ENI revenues and there are reliable reports that there is insufficient cash even to meet current salary payments. The money will no doubt be found since the Government could not allow ENI to crash, but it looks as though there will have to be a period of re-organization and retrenchment.

13. To sum up - it is too early to make any firm prophecies about how ENI will develop in the future. If Cefis gains effective control of ENI he is likely to prove as able and tough a negotiator as Mattei. He will not have Mattei's authority and is unlikely to be able to establish such a

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degree of independence from Government control; but he will probably run his affairs more cautiously than Mattei did with his grandiose tendencies. In any event the first task of any successor to Mattei must be to bring order into ENI's finances and to prune its more exotic ramifications. This process should mean that for some time at least ENI will pursue a more cautious policy, both at home and abroad, and should therefore be a less awkward customer to deal with.

14. I am sending copies of this despatch to H.M. Representatives at Washington, Paris, Cairo, Bagdad and Tehran and to H.M. Treasury, the Commercial Relations and Exports Department of the Board of Trade and the Ministry of Power.

I have the honour to be  
With the highest respect,

My Lord,

Your Lordship's obedient Servant,

JG Ward

(Sir John Ward)

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