

The oil market after 1973

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The rise of Marc Rich + Co. cannot be understood without the transformation of the international oil market in the 1970s. Until the early 1970s, the oil of the Middle East, Africa and Latin America was produced and marketed largely by a small number of integrated international oil companies, which held concessions in the producing countries, transported the crude oil in their own tankers, refined it in their own refineries and sold the products through their own distribution networks. Because the price of crude oil was set administratively, there was little room for independent traders.¹

The nationalisations of the oil industries in the producing countries, from Algeria and Libya to Iraq, Iran, Venezuela and the states of the Arabian peninsula, transferred the ownership of the oil to national oil companies, which now had to sell it themselves. The embargo of 1973 and the quadrupling of oil prices created a market in which supply was uncertain, prices volatile and the relationships between producers and consumers fluid. A spot market for crude oil developed, in which cargoes were traded outside the long-term contracts of the major oil companies.

The independent trader found his place in this market. National oil companies that wished to sell outside the channels of the major oil companies, refiners that needed crude oil at short notice, and governments that wished to buy oil without appearing in the market themselves, all needed intermediaries who could arrange the purchase, the transport, the financing and the sale of cargoes quickly and discreetly. The trader's knowledge of the market, his relationships with the national oil companies and his willingness to take positions made him indispensable. Marc Rich had developed this business at Philipp Brothers and took it with him to Zug.

The location of the new company in Zug was not accidental. The canton offered the tax regime for mixed companies described in Part B, which

taxed the foreign profits of a trading company at a fraction of the ordinary rate. Switzerland offered political neutrality, the absence of capital controls and a banking system that could finance oil cargoes. Zug offered proximity to the banks of Zurich, a discreet environment and an administration that asked few questions. The combination made the canton the natural base for a trading business that needed to deal with governments across the political spectrum and to move money freely across borders.

1 Notes

1. Wikipedia (English), "Seven Sisters (oil companies)", accessed September 2026: the major oil companies were vertically integrated upstream, midstream and downstream, coordinated production to limit supply, and before the 1973 oil crisis controlled around 85 per cent of the world's petroleum reserves; Wikipedia (English), "1973 oil crisis": the posted price of oil remained consistently higher than the market price between 1961 and 1972; the price quadrupled by 1974 from about 3 to nearly 12 dollars per barrel. The article cites Daniel Yergin, *The Prize*, as the standard account. ↩

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