FORTUNE®
November 1973

BUSINESSMEN IN THE NEWS

Staff: Alexander Stack, Eleanor Johnson Tracy, Varian Ayers Knisely, Caroline Parker Young

The Man Behind the Sumed Pipeline

Until the outbreak of the fourth Arab-Israeli war, the big news out of the Middle East last month was that Egypt had finally decided to go ahead with the 207-mile Sumed pipeline from the Gulf of Suez to the Mediterranean Sea—its first major public construction since the Soviet-backed Aswan High Dam. What was most startling about the announcement was that the Sadat government gave the job, not to the eleven-nation consortium with which it had been negotiating for three years, but to the Wall Street firm of Kidder, Peabody & Co.

Roger Tamraz, 34, an Egyptian-born banker who carries a Lebanese passport and is Kidder's vice president in Beirut, deserves the lion's share of credit. Bringing in Bechtel, the big U.S. engineering company, and the First National City Bank, he fashioned the deal in a matter of months, personally negotiating with the Egyptians. "Hopeless cases are our specialty," he says. "They give us a chance to show our stuff."

The beauty of Tamraz's approach was its conceptual elegance. To be sure, Kidder's bid was cheaper than the consortium's—$345 million versus $360.9 million. But it was also far less complicated, involving American dollars rather than a bewildering variety of European currencies. While the Europeans haggled among themselves about prices, Bechtel surveyed the area in July, submitted an estimate two weeks later, and soon followed with a firm offer. Tamraz told the Egyptians simply: "You sign. We finance. Bechtel builds. Any problems, discuss it with me or my deputy."

Tamraz learned banking by watching his parents, who specialized in real estate and the financing of imports in Egypt. Graduated from the American University of Cairo, he also attended Cambridge, the European Institute of Business Administration at Fontainbleau, and finally Harvard Business School. ("Most of my schooling amounted to collecting address books. Other students have been good contacts.") At twenty-seven, as a recruit at Kidder, he went to work for the creditors of Intra Bank, whose crash in 1966 brought down a fifth of Beirut's private bank deposits, and profitably revived the operation. He later helped assemble deals in which American Transcontintental Pipeline will liquefy some $2 billion worth of natural gas in Iran, and he helped Egypt finance the purchase of Boeing 707's, worth $60 million.

Tamraz of Kidder, Peabody

"Other banks come to the Arab countries to take out money," says Tamraz. "We're here to put it in." More accurately, to make it circulate from the rich countries to the poor. He found the money for Egypt's planes in Kuwait, which, along with Saudi Arabia, will also invest in the Sumed pipeline. With the oil countries building monetary reserves by the billion, the ability to make money circulate is much in demand.

February 10, 1975 Newsweek 75 cents

THE FIRST ARAB OF FIRST ARABIAN

He is short, slim, blondish, blue-eyed and fastidiously pinstriped. He speaks English with just a soupçon of a French accent. At 34—barely ten years out of Harvard Business School—he is the very model of a modern Arab moneyman.

Daring and controversial, young Roger Tamraz has been involved in some of the most widely publicized international business transactions of recent years. Some (like his Commonwealth Bank deal in Detroit) have worked out. Others (like his effort to get a piece of Lockheed Aircraft) have fallen through. Tamraz is typically cool about his successes and unperturbed by his flops. "I'm interested in things they say can't be done," he mused last week. Tamraz is the Cairo-born son of a Lebanese importer-exporter. He was schooled at the American University of Cairo, Cambridge and Harvard—a cross-cultural mix that has stood him in good stead when negotiating with both Westerners and fellow Arabs.

Coup: His first big coup came in 1967 when Intra Bank of Beirut failed. At the time, Tamraz had been working for all of two weeks for Kidder, Peabody & Co. in New York. Undeterred by his fledgling status, Tamraz confidently went to see Kidder, Peabody chairman Albert H. Gordon and told him: "I want to save that bank." Gordon thought it over and decided to give Tamraz his chance. Kidder, Peabody became Intra's financial consultant and the bank was kept afloat.

As Tamraz tells it now, the solution to the Intra mess began with a simple concept. It was to get the bank's creditors to accept "this piece of paper," that is, common stock in the bank, in exchange for their claims.

Following the success at Intra Bank, Tamraz and Kidder helped Egypt finance the $60 million purchase of six Boeing 707s by borrowing from Arab sources rather than seeking the funds on Wall Street or in the European money markets. His biggest triumph appeared to have come in 1973, when he steered the contract for construction of Egypt's Gulf of Suez-Mediterranean Sea (Sumed) oil pipeline to a U.S. firm, Bechtel Corp., and away from a European consortium. No sooner had the contract been agreed on, however, than Egypt launched the October war against Israel and the deal was off.

Last year, Tamraz formed his own Beirut-based investment-banking firm, First Arabian Corp., taking with him most of his former staff at Kidder. He reportedly has lined up Arab clients who have more than $1 billion to invest in the U.S., including Ghaith Pharaon, whose father is one of King Faisal's senior advisers. With such backing, Tamraz proposed a $100 million petrodollar transfusion for ailing Lockheed, but the U.S. Government vetoed that deal immediately on the ground that the country's second largest defense contractor couldn't fall into Arab hands. But Tamraz continues his attempts to act as the Arabs' broker in the U.S. "I am interested by nature in distress cases," he said last week. "The Commonwealth bank needs capital; on its own it will never survive." Tamraz also is trying to promote joint research-and-development projects between U.S. corporations and Arab investors.

Risk: Nearly everything Tamraz has proposed so far seems to involve risk for the Arabs, who for the most part are a financially conservative lot. But he contends Arabs must make such investments to show that they are not bent merely on taking over large, blue-chip U.S. companies. "It's the tax you have to pay," he said.

Tamraz has found that he has had to pay personal dues as well. He lives in Beirut with his wife and small daughter, but finds himself at home only about one day out of five. Otherwise he's in Jidda, Cairo, New York or elsewhere working on a deal, and his family feels the strains of travel.

Robert R. McElroy—Newsweek

Tamraz: Life out on a limb

Along the way, Tamraz has picked up detractors who see him as a promoter who hasn't delivered the goods. "We wouldn't touch him with a 10-foot pole," said one financial adviser to Kuwait. Tamraz insists that failures like Sumed and Lockheed are part of the high-risk game he plays; he says that only one of every five deals he proposes will ever go through.

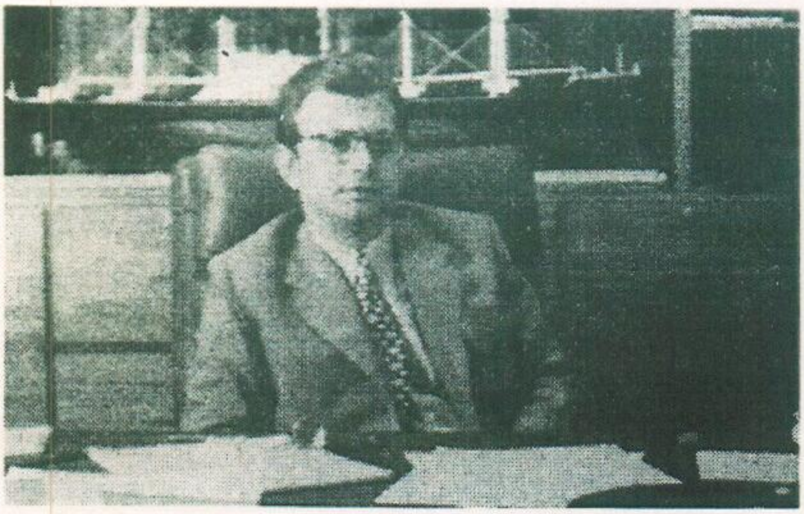
In any event, Tamraz seems to thrive on the challenge and thrills of high-risk capitalism. He likes to tell the story of how, sitting in the top row of a steeply banked Harvard Business School lecture room, he asked to address the class. Permission granted, he climbed down to the well of the lecture hall, then clambered up on the instructor's desk. After a dramatic pause, he delivered a flash lecture on the perils of making business decisions, concluding: "You're all alone, just like I am here, and sometimes you have to go out on a limb by yourself." With that, he hopped down off the desk and marched from the room.

—DAVID PAULY with BARRY CAME in Beirut

The New York Times

THURSDAY, 4 MAY 1978

Arab Group Is Discussing Buying Refinery From Commonwealth Oil



Roger E. Tamraz, chairman of the First Arabian Corporation

WASHINGTON, May 3—An Arab group that has offered to purchase a Canadian-based oil refinery is quietly discussing the purchase of of a contrilling interest in a Puerto Rican refinery of the troubled Commonwealth Oil Refining Company.

Roger E. Tamraz, chairman of the First Arabian Corporation, a Luxembourg-chartered holding company controlled by Middle Eastern investors, confirmed in an interview that he had discussed the possibility of buying into Commonwealth Oil, which has refining operations and petrochemical plants in Puerto Rico and which has filed for court protection under the Federal Bankruptcy Act.

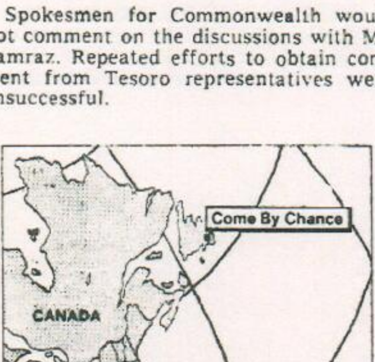
This represents the first serious effort by an Arab company to acquire control of refineries near the United States that directly serve the American market.

Last month, First Arabian made an offer to purchase Come-By-Chance, a 100,000-barrel-a-day refinery in New foundland owned by the Shaheen Natural Resources Company. The refinery was declared bankrupt two years ago, and debts were recently estimated at $600 million. The offer, the details of which are secret, is still being considered by Canadian officials, who reiected an earlier offer bv a British concern.

In a telephone interview, Mr. Tamraz, a 38-year-old Harvard-trained Lebanese investment banker, confirmed that he had discussed the Commonwealth refinery in Penueles, P.R., with executives of the Tesoro petroleum Corporation, the Texas-based oil and gas company that owns 36.7 percent of Commonwealth, the largest single block.

No Comment From Commonwealth

Spokesmen for Commonwealth would not comment on the discussions with Mr. Tamraz. Repeated efforts to obtain comment from Tesoro representatives were unsuccessful.



The New York Times/May 4, 1978

Two oil refineries that the First Arabian Corporation is considering buying into are Come-By-Chance in Newfoundland and one in Penueles, P. R.

Platt's Oilgram News, a trade journal, reported in March that negotiations were under way for the possible sale of Commonwealth to E.F. Hutton Triad, a combine of the investment house E.F. Hutton and the Triad-Naft interests of the Khashoggi brothers of Saudi Arabia, notably Essam Khashoggi, the youngest of the three Khashoggi brothers.The Khashoggis could not be reached for comment.

Mr. Tamraz denied that he and the Khashoggis were jointly negotiating for Commonwealth and said he had had no business dealings with Mr. Kashoggi, but would not rule out future business dealilng with him. He stated that his discussions had been strictly on behalf of First Arabian.

Mr. Tamraz said that he had been exploring the possibility of acquiring an interest in refineries near the United States market for several months. "We are interested in refining, since we have good ties with suppliers," he said, adding, "I believe in the interdependence of Arab and American economies. It's a healthy development for both."

Oil analysts indicated that refining facilities off the mainland had a competitive edge over East Coast-based refineries.

A study prepared in 1976, for the Federal Energy Administration estimated that in a free market environment, for example, a Puerto Rican-based refinery would have a total cost advantage over East Coast refiners of $1.32 per barrel.

The First Arabia Corporation was established in 1974 by Mr. Tamraz. It owns, among other things, 76.7 percent of the Bank of the Commonwealth of Detroit. It is a syndicate made up of wealth Kuwaiti and Saudi Arabian investors, including Prince Abdullah bin Mousaid, a member of the Saudi ruling family. Ghaith R. Pharaon, the Saudi financier who agreed to purchase shares held by Bert Lance, the former director of the Office ofM anagement and Budget, in the National Bank of Georgia, is reported to have sold his interest in First Arabianrecently.

Among Mr. Tamraz's more controversial transactions was a bid in 1974 on behalf of Arab investors to invest $100 million in the Lockheed Aircraft Corporation, one of America's largest defense contractors, which was then in financial difficulty. The offer was rejected by Lockheed after alternative financing to meet a cash shortage was arranged through an American company.

25¢
New York,
March 27, 1981

DAILY NEWS
Tonight

LATEST STOCKS

FRIDAY EDITION

The billionaire who bought into Kaiser steel

By BARBARA ETTORRE

Roger E. Tamraz, Lebanese, raised in Cairo, educated at Cambridge and Harvard, and now the driving force behind a $1 billion international investment company, is a self-made businessman with a vengeance.

MAN IN THE NEWS

His business partners are a pair of Arab sheiks, one a prince of the Saudi royal family, the other, the largest contractor in Saudi Arabia. Tamraz and his First Arabian Corp. are headline makers with their controversial, large-scale, lightning-speed takeover forays that have been known to fall apart at the last minute.

His latest deal, announced this week, is the surprising purchase of 17% of the Kaiser Steel Co. for almost $58 million.

Kaiser, a lumbering, family-entrenched company, has been burdened with operating losses and foreign competition. Wall Street points, for example, to its giant steel plant in Fontana, Calif., which badly needs modernizing at a cost some put at $500 million.

But now that Tamraz has arranged to buy 1.2 million shares from the Henry J. Kaiser Family Foundation, and expects to be named to the board, he says he is unconcerned and confident about his role at Kaiser.

"WE MADE A quick decision on Kaiser," he said. "We would not have wanted to buy into the company with a Kaiser at the helm. But when Edgar Kaiser resigned abruptly, we met just once with him and made our decision.

"Kaiser is a turnaround situation," he maintained. "It is undervalued by the market for psychological reasons. The steel business just looks depressing, but Kaiser made sense to us."

Tamraz also has his eye on Kaiser's coal reserves, which he estimated at 800 tons. "If the United States solves its coal problems, it would have energy for the next 300 years," he said.

A strong-willed father, who thought that his son should finish high school and work in the family business, motivated Roger E. Tamraz to strike out on his own 20 years ago.

"My father was a self-made man, and it would have been impossible to conceive of his son being in business with him without his dictating the situation," Tamraz explained during a recent interview in his Olympic Tower suite. "I spent one year with him before I went to Harvard. I left the privileged life to build my own life without using family funds, just as my father had."

After several years on Wall Street, Tamraz went on to form the First Arabian Corp., a bank holding company. He is chairman and holds 51% of the stock. Other partners are Prince Abdullah bin Musaid of the Saudi royal family and Shiek Salem bin Ladn, the biggest contractor in Saudi Arabia.

FIRST ARABIAN owns 77% of the Bank of the Commonwealth in Detroit, where Tamraz' Harvard chum, Matthew Steckel, is chairman. In the last decade, Tamraz has made bold—but unsuccessful—moves to acquire the Northern States Bank Corp., the assets of the bankrupt Commonwealth Oil Refining Co. and a piece of Lockheed Aircraft.

Tamraz' personal holdings include farmland, oil stocks and silver. He owns 400,000 shares of Sunshine Mining stock, which makes him the second-largest shareholder in the company. The first is an Arabian group which bought out the Hunt brothers recently.

The 41-year-old businessman grew up in Cairo on the island of Zamalec in the Nile. His house was on the river, adjoining the Gezira Sporting Club, where officers of the British Army used to play cricket, polo and tennis during the occupation of Egypt. "It was rather a cosmopolitan environment, with many Europeans and Americans around because of my father's business," he recalled. "He imported heavy machinery from America."

Educated at British-style grammar schools and the American University in Cairo, Tamraz studied economics at Cambridge and earned an MBA at Harvard.

"I left the privileged life to build my own life without using family funds, just as my father had." **Roger Tamraz**

He speaks Arabic, French and English. His light brown hair, fair skin and blue eyes—plus accented French which has a vaguely Alsatian ring—make him seem more German than Lebanese.

HIS PARENTS WERE descendants of the Circassian tribe from the Caucasian Mountains in southern Russia, which ruled the Middle East during the Middle Ages. "We think of ourselves as descendants of the Crusaders," he said, smiling.

For many years, Tamraz' independence put some emotional distance between him and his father. "Later in life we became closer. I began to look at him as a human being rather than as a father," he said.

Last year, to cement family relations, Tamraz and his father went big-game hunting in Africa. "I forced him to go," he said. "We were on a riverboat between Chad and the Republic of Central Africa. I hadn't realized how old he's gotten. But we had a good time together."

As did many Lebanese, the family lost its home in Beirut during the 1976 civil war. Tamraz' sister, however, decided to stay and fight for her home in the mountains.

"She played Scarlett O'Hara defending Tara in 'Gone with the Wind,'" he said. "She won. She's still there."

After the war, Tamraz moved his wife and 8-year-old daughter to Paris. He has divided his time in Paris, New York and Detroit, maintaining apartments in each city. "I have clothes in each place and separate phonebooks because I take two to three major business trips a month," he said. In spite of this jet-set business style, Tamraz still owns no limousine and no private plane.

TO RELAX, HE reads history, foreign affairs and Somerset Maugham, "because I love his simplicity." He enjoys philosophical discussions with friends, something he says Americans think is a waste of time.

"I spend 80% of my adult life on things irrelevant," he said. "American businessmen have lost the freedom of time to dream, to sit on the grass and do some creative thinking."

It is not surprising then that Tamraz became philosophical describing what he calls "the foreign European community in the heart of New York City."

"This city is the last stand of capitalism," he observed. "One shouldn't criticize America except fondly. Almost every major industrial family has an apartment here. You bump into them in Doubles and Regine's. They bring an innovative way of doing business to America. You are more structured and institutionalized. Foreigners have more of a 19th-century merchant banking, paternalistic approach."

With pride he cited a deal that illustrated this. A foreigner, whose major asset was a collection of about 250 Persian rugs valued at $20 million, was refused a loan by American banks because they would not allow him to use the rugs as collateral. Tamraz—who acutely feels the loss of his family's antique rug and old silver collections which were looted during the Lebanese civil war—introduced the man to his Detroit bank, which granted the loan.

"Here was an example of one foreigner coming here and needing capital and another foreigner owning a bank and granting it to him," he said. "I take real pleasure in the loan. I sometimes go into the vault and just look at the rugs. They are so beautiful."

Then the businessman in Tamraz took over: "Besides, at 25% a year appreciation, they are excellent collateral." ■

HVB

CORPORATES & MARKETS

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Mr. Roger Tamraz
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Your Contact	Telephone	Date
Armin Weiland	(+49-89) 378-25228	20th August 2004
Bernhard Wochinger	(+49-89) 378-25619	

Re: YUKOS

Dear Mr. Tamraz:

In our meeting in Munich on 12th August 2004, we discussed your potential interest in acquiring a 49 percent stake in YUKOS and simultaneously arrange through YUKOS external financing in order to pay any outstanding tax liability ("the Transaction").

HVB, as a leading bank in Europe, enjoying a strong position in international capital markets and being highly familiar with the natural resources and energy sector, has significant experience in successfully arranging financing for a transaction of this nature. Based on the limited information provided to date, we have held preliminary internal discussions regarding potential financing structures for the Transaction. Following these discussions, we are pleased to confirm our interest in potentially arranging such financing up to an amount of $ 10 billion for the proposed Transaction as Mandated Lead Arranger. As a next step, we look forward to the opportunity to concretise the proposed Transaction and conduct detailed analysis and due diligence. Following satisfactory completion of this process, we would expect to be in a position to provide a firmer indication of our level of interest. For the avoidance of doubt, this letter is not, and should not be construed as a commitment of financing for the proposed Transaction.

We write this letter to support your current negotiations and look forward to progressing our work with you on this transaction.

Yours sincerely,
Bayerische Hypo- und Vereinsbank Aktiengesellschaft

Armin Weiland		Bernhard Wochinger

NETOIL INC.

ENGINEERING DIVISION

CLIENT LIST 2017

Client	Project Locations
ExxonMobil	USA, Offshore Malaysia, Offshore Africa
Royal Dutch Shell	Onshore & Offshore USA, Offshore Africa
BP	Onshore & Offshore USA
ChevronTexaco	Onshore & Offshore USA, Offshore Africa
British Gas	Offshore Tunisia
ConocoPhillips	Onshore & Offshore USA
Schlumberger	Onshore USA, Offshore Nigeria
Petrobras	Offshore Brazil
Gulf South Pipeline	Onshore USA
Southern California Gas Company	Onshore USA
Sempra Energy	Onshore USA
Plains All America Pipeline	Onshore USA
Warren Petroleum	Onshore USA
Oceaneering	Offshore Africa
Ensearch	Offshore USA
Al Furat Petroleum Company	Syria
StatOil	North Sea
Chiles Offshore	Offshore Brazil
Reading & Bates	Offshore USA
PT Medco E&P Indonesia	Onshore Indonesia
Iraq State Company for Projects (SCOP)	Iraq (Near Kirkuk)
Bluewater Gas Storage	Onshore USA
Kerr McGee	Offshore USA
Coastal Oil & Gas	Offshore USA
Total (Elf Aquitaine)	Offshore USA
POGO Producing	Offshore USA
Astus Enginering, Ltd.	Nigeria
Premier Industries, Inc.	Onshore USA, Nigeria

GOVERNMENT OF DUBAI
DEPARTMENT OF ECONOMIC DEVELOPMENT
Director General's Office

حكومة دبي
دائرة التنمية الإقتصادية
مكتب المدير العام

Dubai, April 12th, 2005

Mr. Roger Tamraz
Chairman
Dubai Energy Corporation
Suite 2114
Shangri-La Hotel Complex
Sheikh Zayed Road
Dubai, UAE

Mr. Y. Takeshige
Senior Advisor (Former Executive Vice President)
Tomen Corporation
8-1, Marunouchi 3-chome
Chiyoda-ku
Tokyo 100-8320, Japan

Dear Mr. Tamraz and Mr. Takeshige,

I have received copies of the exchange of correspondence between your consortium and His Highness Sheikh Mohammed.

I believe that the time is now right to move forward with this project, and suggest that you send us a draft contract for the supply of gas for a period of twenty-five years from the inception of imports.

Once we have analyzed it, we propose to invite you from Tokyo to Dubai in order to formally sign the contract with all the members of your consortium.

Yours sincerely,

Mohamed Ali Alabbar
Director General

ص ب: ١٣٢٢٣ دبي، الإمارات العربية المتحدة، هاتف: ٢٢٢٣٣٦٩ (٩٧١ ٤) فاكس: ٢٢٢٨٨٠٨ (٩٧١ ٤) e-mail: dgoffice@dubaided.gov.ae

P.O. Box 13223 Dubai, United Arab Emirates. Tel : (971 4) 2223369 Telefax : (971 4) 2228808 e-mail : dgoffice@dubaided.gov.ae

CASPIAN PIPELINES

Companies and countries are fighting for the enormous energy riches of the troubled region. But wars and geopolitics are holding the projects up.

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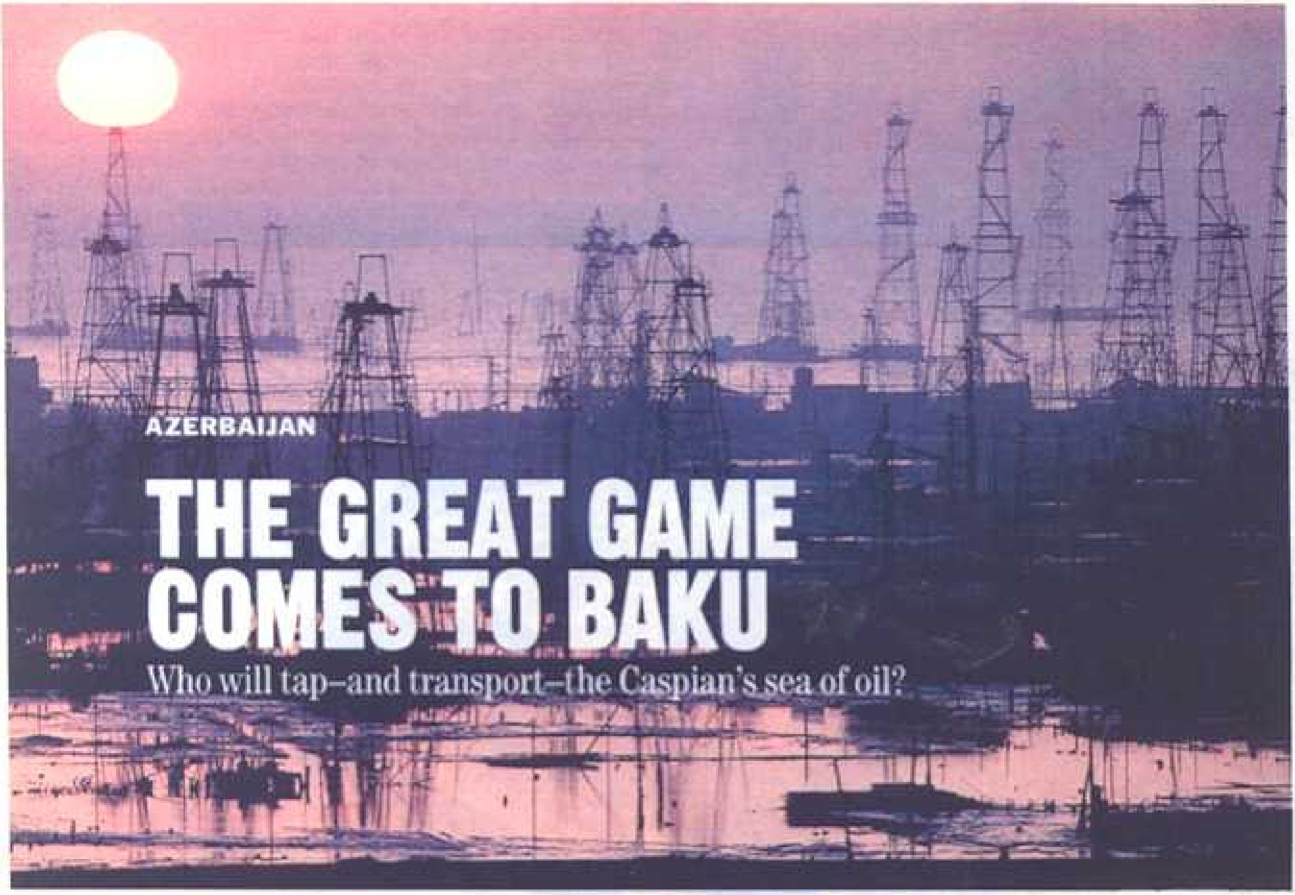


AZERBAIJAN

THE GREAT GAME COMES TO BAKU

Who will tap—and transport—the Caspian's sea of oil?

Oil and the venerable Caucasian town of Baku have had a long and profitable association. In 1900, Baku, then a Russian outpost, was a cradle of the fledgling oil industry on a par with Oil City, Pa., and East Texas. At about that time, Russian writer Maxim Gorky described booming Baku's clutter of wooden derricks and huts as "a dark hell painted by an artist of genius."

Now Baku, the capital of independent Azerbaijan, is poised to open a dramatic new chapter. Foreign companies are ready to plunk down tens of billions of dollars to help open the Caspian's riches. Baku, a city of 1.5 million with an old world, Middle Eastern flavor, would be the major staging area. Azerbaijan and neighbors Kazakhstan and Turkmenistan could have well over 100 billion barrels of oil, making them comparable to Iraq or Kuwait and potentially bigger than Alaska's Prudhoe Bay or the North Sea. "We think the potential of the whole region is between 100 billion and 200 billion barrels. That is why there's such enormous interest by the industry," says Thomas M. Hamilton, president of Pennzoil Exploration & Production Co., which is in on two big Caspian projects.

Leading the pack in Azerbaijan is a 12-member consortium that is headed by British Petroleum Co. and Amoco. Pennzoil, Exxon, the Russian giant Lukoil, and Socar, the Azeri national oil company, are also partners in the Azerbaijan Independent Operating Co. (AIOC).

The first flows will be modest, about 80,000 barrels a day, but the plan is to increase them to 700,000 barrels a day. As the deal is structured, Azerbaijan will keep 80% of the revenues, meaning the nation of 8 million will receive an incredible windfall of about $80 billion over the 30-year life of the project.

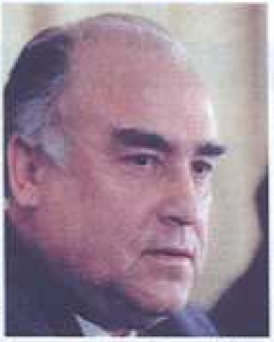
BIG PLAYERS. But before the Azeris back into high gear again, there are huge uncertainties to overcome. The big drawback about the Caspian is that it is landlocked. Proposed pipeline routes go through unstable Georgia, devastated Chechnya, or Armenia, which has been at war with Azerbaijan since 1988.

What's more, all the region's big players—Iran, Turkey, and especially Russia—want to influence the Caspian republics and would like a slice of the oil revenues. Often through oil companies but sometimes by other means, the competing powers are playing out a latter-day version of the 19th century Great Game, in which Britain and Czarist Russia fought and intrigued for influence in this area.

Moscow has been putting the screws to Azerbaijan by covertly supporting the Armenian side in the war over the breakaway enclave of Nagorno-Karabakh. "The Russians want to keep Azerbaijan in the Russian fold. There will be no exports from that region without the Russians sanctioning them," says Julia Nánay, an analyst at Petroleum Finance Co.

A new factor in Russia is the ascendancy of Prime Minister Viktor S. Chernomyrdin, a former gas industry chief who is a master at the international energy game. Chernomyrdin has been pushing long-stalled foreign oil projects in Russia. Exxon and Japan's Sodeco in late June signed a $12.7 billion contract for a monster oil and gas project on

CHERNOMYRDIN, AN OLD ENERGY HAND, WILL PUSH RUSSIA'S CLAIMS IN AZERBAIJAN HARD



Sakhalin island in Russia's Far East.

The Western oil companies and the Azeris feel Chernomyrdin is a reasonable man with whom they can do business. They have cut Lukoil, which is close to Chernomyrdin, in on 10% of the AIOC and 34% of another project with Pennzoil. The thinking is that if Chernomyrdin and his oil and gas crowd prevail in the battles now raging in the Kremlin, a way will be found to get the oil out. If hard-liners regain the upper hand in Russia, all bets are off. Chernomyrdin's camp recently won a big victory when they defeated a no-confidence vote in Parliament and Yeltsin ousted several hard-liners.

PIPELINE PROBLEM. One of the optimists is Natik A. Aliyev, head of the Azeri company Socar. He holds court in a waterfront mansion on the Caspian—once owned by a pre-Soviet oil millionaire. Aliyev thinks the consortium could begin pumping about 80,000 barrels a day of "early oil" by late 1996. "The point of early oil is to show that the consortium works," Aliyev says.

By September, the consortium will choose a route for early oil that won't require new pipelines. The big decision comes later: the selection of a new pipeline that could cost $1.5 billion and handle a much larger volume. That choice means everything to the success of the AIOC project, others like it, and the political and economic future of Azerbaijan.

The AIOC doesn't want to get into a mess similar to the Chevron Corp. ordeal in Kazakhstan. Various political and financial battles have kept Chevron from finding an export route for the oil from its $20 billion Kazakh project.

Moscow wants the Azeri pipeline to terminate at its Black Sea port of Novorossiysk, with oil being shipped through Turkey's Bosporus Straits. But Turkey balks at a plan that would deprive it of transport revenues and expose Istanbul to the risks of tanker spills and explosions in the narrow Bosporus. The Turks are stumping for a terminus at their southern port of Ceyhan.

> "You're going to have at least 1 million barrels a day of oil coming out of [there] before long"

The pipeline game is drawing in some of the world's most brazen entrepreneurs. One is Roger Tamraz, a Cairo-born U.S. citizen who is a veteran oil wheeler-dealer. Tamraz, head of New York-based Oil Capital Inc., on June 6 announced a new plan to build a large, $2 billion pipeline through Armenia. Says Tamraz: "The fact of the matter is that you need several pipelines. You're going to have at least 1 million barrels a day of oil coming out of the region before long, and there's no way all that oil can go through the Bosporus."

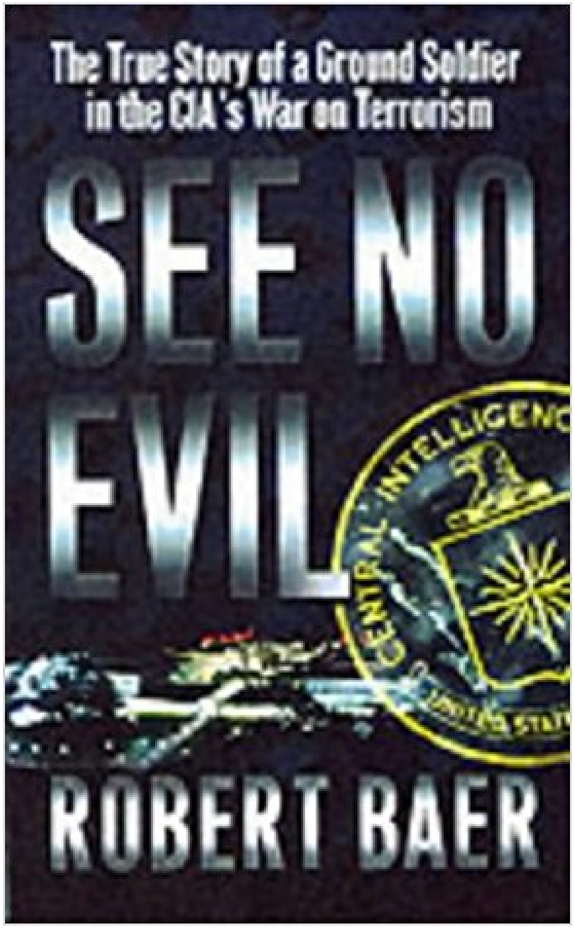
LOST WEAPON. Washington is also being drawn in. Under pressure from such oil heavyweights as Amoco, Mobil, Exxon, McDermott, Brown & Root, Bechtel, and Chevron, the Clinton Administration is increasingly being pushed to alter its pro-Russia policy and start backing the republics. But Washington may have thrown away a valuable weapon against Russia when it launched a campaign against Iran this spring. The companies could have pressured Russia by negotiating for a route through Iran or by swapping their oil with the Iranians for oil at the Iranian export terminals on the Persian Gulf. But by forcing the Azeri consortium to rescind the 5% share it had given the Iranians, and by ruling out a pipeline route that would go through Iran, the White House drove the one regional power with resources to match Russia's a bit closer to the Kremlin.

That's why the outcome of the battles in the Kremlin is being watched so closely in Baku and elsewhere. The key to the future of this potentially huge energy source probably lies there.

By Peter Galuszka in Baku, with John Rossant in Rome, Gary McWilliams in Houston, Russell Mitchell in San Francisco, and Stanley Reed in New York

CASPIAN PIPELINES

Companies and countries are fighting for the enormous energy riches of the troubled region. But wars and geopolitics are holding the projects up.



"After months and months of listening to Roger Tamraz I finally understood why my company had kept up contact with him all those years.

He could get to anyone, anywhere. He must have had a Rolodex the size of the New York telephone book."