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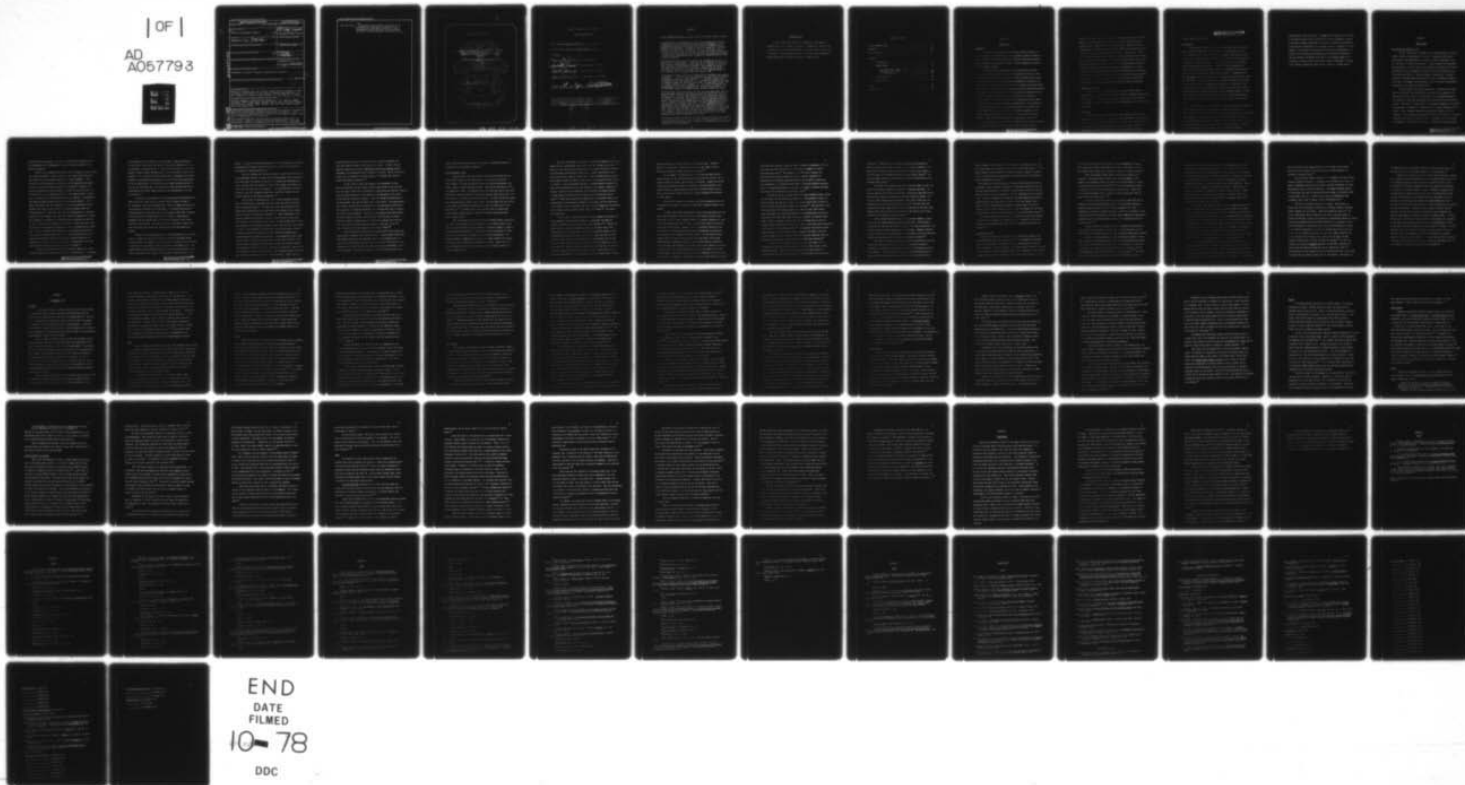
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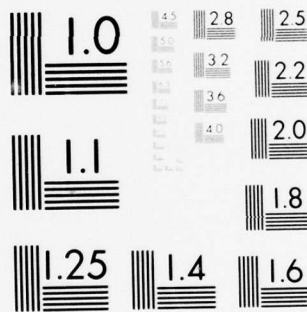
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20. ABSTRACT (Continue on reverse side if necessary and identify by block number) This thesis attempts to determine if oil can be used as a strategic weapon to coerce other nations into action or inaction. Four oil crises are examined--Iran in 1951, the Suez Canal crisis, 1956, and the embargoes of 1967 and 1973. It was determined that oil was not an effective force prior to the 1970's. However, certain conditions allowed oil to be used effectively during and subsequent to the 1973 crisis. Evidence		

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OIL AS A STRATEGIC WEAPON

A thesis presented to the Faculty of the U.S. Army  
Command and General Staff College in partial  
fulfillment of the requirements for the  
degree

MASTER OF MILITARY ART AND SCIENCE

by  
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## ABSTRACT

OIL AS A STRATEGIC WEAPON, by Captain James L. McAuliffe, USAR, 63 pages.

In October 1973, the Organization of Arab Petroleum Exporting Countries (OAPEC) curtailed oil production and embargoed oil shipments to those countries they perceived as sympathetic to Israel--the United States, Western Europe and Japan. In order to regain the needed oil, the OAPEC demanded a cessation of aid and support to Israel and a more active backing of the Arab cause. By the time the political crisis had subsided, the majority of the industrialized countries had not only censured Israel, but were actively courting the Arab countries to insure security of their future oil supplies.

This was not the first time oil producers had attempted to use oil as a political or strategic weapon. Since the end of World War II, there have been at least three previous, albeit unsuccessful, efforts to influence other countries or multi-national companies using either the threat or the actual withholding of oil. This thesis examines the oil crises situations of Iran in 1951, the Suez Canal in 1956, and the embargo of 1967, in addition to the more recent oil crisis of 1973.

The primary differences discovered between the 1973 situation and previous crises were: 1. In 1973, the Arab producers were able to act in concert to reduce oil production and to embargo. 2. They had a recognizable and mutually agreed upon objective. 3. The OAPEC had achieved a position of economic strength by 1973 and could afford to reduce their income from oil without damage to their economies. 4. The other oil producers not participating in the 1973 curtailment and embargo could not make up the oil shortfalls caused by the OAPEC as had occurred in past oil crises.

One of the major points to come out of this study was that there were two separate events occurring concurrently during the fall of 1973 and the spring of 1974. The first was discussed above--the political actions by the members of the OAPEC. The second was economic--the great increase in the price of oil by the Organization of Petroleum Exporting Countries (OPEC). The OPEC had been trying since 1960 to increase the price of oil with only moderate success, until 1973. The OPEC representatives were negotiating a price increase with the major oil companies in Vienna without much success when the fourth Arab-Israeli war broke out in October 1973. Shortly after the OAPEC announced the curtailments and embargo, the OPEC announced a doubling of the posted price per barrel of oil and by the time the political crisis had ended, the price of oil on the world market was four times the September 1973 price.

The study concludes that oil as a strategic weapon is effective in coercing other countries to do one's will. It will continue to be effective so long as the industrialized nations depend on oil imported from irreplaceable sources like the OAPEC members.

#### ACKNOWLEDGMENTS

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## CHAPTER 1

### INTRODUCTION

#### Background

In October 1973, the Arab oil producing countries stunned the world, initially by curtailing their oil production, quickly followed by price increases, and then by withholding petroleum from those countries who either supported the State of Israel or did not support the Arabs in their war against Israel.<sup>1</sup>

This embargo was largely aimed at the United States, Western Europe, and Japan, the most industrialized countries in the world, also among the largest consumers of petroleum. These countries had been used to buying virtually all of the petroleum they needed at relatively low prices (1970 prices were about \$2 per barrel of crude) and now were faced with severely reduced supplies of oil from the Arab oil producing countries. Additionally, when the embargo was lifted, the price by January 1974 had risen to a previously unheard of level, between \$11.50 and \$16 per barrel of crude.<sup>2</sup> The combined effect of the reduced production, price increases, and the five month embargo was unsettling to the economies of the industrialized countries. In the United States, for example, "the embargo affected 14 per cent of the U.S. petroleum consumption. Its economic impact was a \$10-20 billion drop in the GNP (Gross National Product). 500,000 additional people were unemployed at its peak."<sup>3</sup>

The 1973 embargo was not the first time the oil producers, singly or collectively, attempted to withhold Middle East oil from the world

market in an attempt to bring pressure on consuming countries. The first attempt, after World War II, was an indirect effort by Iran after she nationalized the Anglo-Iranian Oil Company (AIOC). Iranian oil was not traded on the world market for about thirty months in an attempt to force recognition of the National Iranian Oil Company. This failed. Another try was made in 1956 by Egypt's closing of the Suez Canal and the destruction of oil pipelines in Syria. This time, the actions were a more or less spontaneous attempt to force Israel back to the 1948 borders and punish France and Great Britain for their attempted intervention. This also failed. The boycott of 1967 was the first concerted effort by the Arab oil producers collectively to pressure countries perceived as sympathetic to the State of Israel. Although the boycott officially lasted about three months, the de facto embargo was only about a week in duration.

#### Organization of Paper

In Chapter Two, I examine these three crises in more detail. The 1973 embargo is surveyed in much greater depth in Chapter Three because of its apparent success in pressuring the western world. Chapter Four will largely consist of attempting to draw conclusions from all four of the oil crises.

#### Hypotheses

The withholding of oil is an effective weapon in forcing other nations to do one's will. It was not an effective weapon in the 1950s and 1960s.<sup>5</sup> It was effectively employed in the 1970s. The withholding of oil will continue to be effective in the foreseeable future, provided the producing countries act in concert and maintain sufficient capital

reserves under their control.

#### Methodology

The approach I chose to use in this study was to survey literature on oil, embargoes and boycotts, oil crises and international politics, western foreign policy in the Middle East, pertinent study projects undertaken at the various military institutes; i.e., the U.S. Army War College's Institute for Strategic Studies, Air War University, and the Army's Command and General Staff College. A review of the bibliographies of this literature revealed many other sources of information, particularly in the periodicals current during those crises studied. I referred to the New York Times frequently throughout the research phase for the 1951, 1956, and 1967 periods to verify names, dates, and events bearing on the crisis as well as for quotes to substantiate information. I found that I did not have access to certain reports and testimony that some of the authors had had during and immediately after the events studied; however, in those cases the events and actions reported were merely additional substantiation and did not seem to differ from the reports in other sources that I used.

In order to test the effectiveness of the 1973 embargo, I surveyed the policies of certain leading, western, industrialized nations as they pertained to the State of Israel and the Arab countries prior to, during, and subsequent to the termination in the spring of 1974 of the embargo. By identifying any major policy changes by those countries, and the stated or implied reasons for such change or any such policy change as perceived by the Arab states, I may be able to show at least the peripheral

effectiveness of the oil weapon. By examining the amount of oil imported by the United States prior to October 1973 and then subsequent increase or decrease in import quantities, I can make a reasonable determination concerning the vulnerability of the United States to a renewal of the oil embargo. In addition, by reviewing the United States government's projections of the United States becoming self-sufficient in petroleum, I can then estimate the general time when the oil embargo ceases to be effective, at least as far as the United States is concerned. The question of Western Europe and Japan will be covered in a later chapter.

## CHAPTER 2

### THREE CRISES

#### The Iranian Oil Dispute - 1951

In 1949, the Iranian government and the Anglo-Iranian Oil Company (AIOC) of which the government of the United Kingdom was the majority stockholder, began negotiations to modify the 1933 oil agreement which was the basis for Iran's oil industry.<sup>1</sup> Modifications of this agreement were necessary to correct some of the imbalances perceived by the Iranian government due to the change in the world political and economic situation after World War II. The major proposed changes were: increased royalties, increased taxes paid by AIOC to Iran, a guaranteed payment of \$4 million in dividends, and additional monies to be used at governmental discretion in the amount of \$45 million.<sup>2</sup>

The plan was for the Iranian government to submit the new agree-  
3  
ment to the Majlis for ratification, but before it was submitted, the national elections resulted in a new Majlis and the proposed agreement was expected to meet with considerable opposition from the nationalistic members. Therefore, in January 1950, the government suggested the proposed new agreement be examined by a committee prior to being considered by the Majlis. Doctor Muhammed Mossadegh was appointed chairman of the oil committee. After studying the agreement for most of the year, the committee reported to the Majlis in December that the agreement did not safeguard the interests of Iran and, at the end of the year, the Iranian government

withdrew from the agreement. The Majlis charged the oil committee with the responsibility of recommending a course of action in regard to the AIOC oil situation.

While the oil committee was developing its strategy the AIOC offered the Iranian government a compact similar to that which Saudi Arabia had just received from the Arabian American Oil Company (ARAMCO) -- which called for a 50-50 sharing of the profits, and an immediate cash payment to Iran to help in her current financial difficulties.<sup>4</sup> However, the offer was considered by the government as being too little too late, for in February 1951, Dr. Mossadegh proposed to the committee that it recommend to the Majlis that Iran nationalize her oil industry. The committee then queried Premier Razmara if such a solution were feasible. On 3 March, the Premier told the committee that if Iran nationalized the oil industry, she stood to lose "heavily in foreign exchange income and foreign prestige."<sup>5</sup> Four days later, he was assassinated by a religious extremist of the Fadayan Islam (those who sacrifice themselves for Islam). The following day, 8-March, the nationalization resolution was approved by the oil committee and referred to the Majlis. Within two weeks, both the Majlis and the Senate had approved the bill of nationalization, which read: "For the happiness and prosperity of the Iranian nation and for the purpose of securing world peace, it is hereby resolved that the oil industry throughout all parts of the country, without exception, be nationalized, that is to say, all operations of exploration, extraction and exploitation shall be carried out by the Government."<sup>6</sup>

The British government reacted by sending a formal note to the Iranian government protesting any attempt at nationalization. It reminded

the Iranians that "the AIOC had a firm agreement with the government of Iran (1933) valid until 1993, and any unilateral termination of such an agreement was illegal per se."<sup>7</sup> The British note went on to cite four specific reasons against expropriation or nationalization of AIOC and its property: "(1) Iran did not have enough money to compensate the British company for expropriating its assets, (2) Iran did not have enough money to run the operations, (3) Iran did not have enough trained personnel to work in the operations, and, (4) Iran did not have the world-wide sales organizations and tanker fleets needed for the distribution of oil and oil products."<sup>8</sup>

The Shah of Iran appointed two succeeding men as Prime Minister in March 1951 before submitting to pressure from the Majlis to appoint Dr. Mossadegh. Soon after Mossadegh took office, he began the process of nationalization mandated by the Parliament. The British retaliated by severing diplomatic ties with Iran and requesting in June 1951, a hearing on the issue by the International Court of Justice. Prime Minister Mossadegh took the Iranian case to the Security Council of the United Nations in October 1951. The Security Council ruled that it would postpone the hearing until after the International Court had rendered an opinion.

Meanwhile, the AIOC employees were being pressured by the oil committee to remain on the job and continue working for the newly-formed Iranian National Oil Company. At the same time, the AIOC itself was trying to convince them to resign en masse to protest the nationalization. The Premier wrote to United States President Truman that "any stoppage in the flow of oil would be as a result of the Company's (AIOC) tactics, and he

warned: 'In such an eventuality responsibility for the grave and undesirable consequences which might follow will naturally lie upon the shoulders of the former oil company authorities.'"<sup>9</sup>

The AIOC informed the Iranian government in July 1951 that since it (the government) refused to accept modified endorsements from the captains of the tanker ships for receipt of the oil, the company was withdrawing the ships, shutting down the refinery at Abadan (the largest oil refinery in the world) and evacuating its personnel. The conclusion would be loss of revenue to Iran and widespread unemployment resulting "solely from the present attitude of the Iranian government."<sup>10</sup>

At the time of nationalization, the Iranian oilfields produced about 700,000 barrels a day which was about seven per cent of the Free World's petroleum output.<sup>11</sup> It constituted more than one-third of the Middle East production and more than twenty-five percent of the refined products outside of the Western Hemisphere.<sup>12</sup> After withdrawal of the foreign personnel of the AIOC, the crude production fell to less than four per cent of the previous year's level, or about 30,000 barrels a day, and production at the refinery dropped to about five per cent of the output of 1950.<sup>13</sup> This decrease in Iranian production did not have as adverse an impact on world oil levels as had been previously thought mainly because Middle East production outside Iran rose steadily by about forty-three per cent in 1951 and by more than fifty per cent by 1953.<sup>14</sup> The United States, in addition to increasing the output of refined products (forty-seven per cent of the loss), authorized in June 1951, eighteen U.S. oil companies to "pool their resources to aid friendly foreign nations who may be cut off from Iranian oil."<sup>15</sup> These measures, coupled with the

expanded refining capacity in Western Europe, served to eliminate any long term hardship caused by the Iranian oil crisis. In fact, Shoshana Klebanoff reports in his book, Middle East Oil and U.S. Foreign Policy, "The effect [supplementing the oil shortages to Europe] was so successfully carried out that imports of refined products (in Europe) were actually reduced and exports increased."<sup>16</sup>

In 1953, after a coup d'etat against the government of Prime Minister Mossadegh, the new regime reopened negotiations on the problems with the AIOC, chiefly that of agreeing on compensation due the AIOC resulting from the nationalization of the company and expropriation of its assets by the National Iranian Oil Company. Iran, not having sold petroleum on the world market for over two years, had little capital. The negotiations were finally resolved by the formation of an international consortium of all the major oil companies operating in the Persian Gulf area to replace the AIOC as Iran's producer. Each of the participants paid fixed amounts for their respective shares, totalling about \$500 million, the figure AIOC had claimed as compensation.<sup>17</sup> Although the dispute had ended and both Iran and Great Britain resumed diplomatic relations, it was not until 30 October 1954 that Iranian oil was again flowing.<sup>18</sup>

Even though many countries were inconvenienced by the dispute and resulting oil stoppage, Iran suffered greatly. Deputy Premier Hessamodine Dowlatabadi reported in late September 1953 that the dispute had, in a little over thirty months, already cost Iran at least \$200 million in oil revenues and left AIOC in debt of almost \$29 million (increasing at \$1.25 million monthly). He further stated that \$30-40 million in spare parts

and at least 600 technicians would be required to restore the Abadan oil refinery to full operational capacity.<sup>19</sup>

#### The Suez Crisis - 1956

The Suez Canal links the Mediterranean Sea with the Red Sea and the oil-rich regions of the Persian Gulf. It was built by the Suez Canal Company, a private enterprise backed with capital investments from France, Egypt and other European sources. Construction was begun in 1859 and completed in 1869. The Egyptians held forty-four per cent of the stock, Ferdinand de Lesseps, founder of the Canal Company, held ten per cent, and the rest was in the hands of the other backers. In 1875, the British government purchased Egypt's shares, and in 1882, occupied Egypt and took control of the Canal which Britain retained in one form or another until after World War II.<sup>20</sup> In October 1954, after several years of negotiation, Great Britain finally agreed to remove all British troops from Egypt within twenty months.

The crisis began on 26 July 1956 when President Nasser nationalized the Canal in retaliation for the withdrawal by the United States, Great Britain, and World Bank of their promises of financial support to Egypt's proposed Aswan Dam project.<sup>21</sup> (The Soviet Union also withdrew its offer at about the same time, although she later provided assistance.) He promised complete compensation to all of the former owners if all assets of the Suez Canal Company were surrendered to Egypt. France and Great Britain responded by not only freezing the Canal Company's assets, but those of Egypt as well.

The issue was brought to the United Nations for resolution and "Nasser warned that any intervention would bring about the closing of the Canal."<sup>22</sup> Closure of the Canal was the action that had concerned the Western European countries since nationalization took place. Europe, particularly Great Britain and France, depended heavily on oil from the Middle East producers which passed through the Canal, as well as for free access for their ships of commerce. Egypt had already violated the Constantinople Convention of 1888, which guarantees free and open passage to all vessels, commercial or warship, in peace or war, regardless of nationality, by denying passage to ships flying the Israeli flag or traveling to or from the State of Israel.<sup>25</sup> Negotiations concerning compensation to the former owners, the safeguarding of international interests in the Canal, and the composition of the Canal's board of managers, had failed in late summer and discussions in the United Nations Security Council were of no avail.<sup>24</sup> The issues were deadlocked.

On 29 October, Israel broke the political impasse by invading the Sinai Peninsula for the stated purpose of eliminating "the Egyptian fedayeen (commando squads) based in the Sinai Peninsula."<sup>25</sup> Twenty-four hours after the Israeli paratroopers landed in the Mitla Pass, about thirty miles from the Suez Canal, the British and French issued a joint ultimatum instructing both Israel and Egypt to cease fire and "to withdraw ten miles from the east and west banks, respectively, of the Suez Canal and allow British and French troops to establish themselves along its length."<sup>26</sup> Israel complied, although its forces had not yet reached the bank. Egypt rejected the Anglo-French order. About twelve hours after the termination of the ultimatum, French and British aircraft began

bombing airfields in Egypt's Delta and in the Canal Zone. President Nasser, in retaliation, "ordered the blocking of the canal: this was achieved by sinking 47 ships filled with concrete."<sup>27</sup>

On 3 November, the Syrians blew up the Iraqi and Saudi Arabian pumping station of the pipeline passing through Syria in reprisal for the attack on Egypt by Israel, Great Britain, and France. French and British troops began arriving in Egypt on 5 November, but United Nations intervention as well as strong protests from both the United States and the Soviet Union forced Britain and France to start planning the withdrawal of their forces.

What did the closure of the Suez Canal and the destruction of the pipelines in Syria mean to the United States and to Western Europe's oil supply?

In 1956, the United States imported very little petroleum from the Middle East countries. Not only was the United States virtually self-sufficient in oil, it had a reserve production capacity estimated at about 2.2 million barrels per day.<sup>28</sup> Thus, the Suez Crisis would not directly affect the United States. However, the U.S. government postulated that the security of the Western World depended on minimizing the reduction in the amount of oil shipped to Western Europe. "In the United States, shortly after the Nasser action nationalizing the Canal, the Foreign Petroleum Supply Committee [Office of Defense Mobilization, Department of the Interior] was requested by the Secretary of the Interior to prepare a plan of action for supplying Western Europe in the event of 'the loss or impairment of the Middle East pipelines, the stoppage of the Suez Canal, or both'."<sup>29</sup> On August 10, the committee approved a plan which established

the Middle East Emergency Committee (MEEC) composed of government officials and representatives of fifteen U.S. oil companies engaged in foreign petroleum operations.<sup>30</sup> The purpose of the MEEC was to execute the Foreign Petroleum Supply Committee's plan of action; initially, by gathering data concerning petroleum reserves and available transporters, and subsequently in conjunction with Europe's Petroleum Industry Emergency Group, by "preparing schedules of actions to be taken to prevent shortages resulting from disturbances in the Middle East."<sup>31</sup>

Two-thirds of the petroleum needed by Europe normally passed through the Suez Canal and the Middle East pipelines. This amounted to about 2.2 million barrels per day and of that, 1.5 million barrels went through the Canal and about 700,000 went through the pipelines.<sup>32</sup> The realities of the situation called for insuring supplies to Europe to meet their entire daily requirement of 3.25 million barrels -- the Middle East's portion in addition to the normal flow from other areas, notably, the Western Hemisphere. With the closure of the Canal, the oil tankers had to travel to European ports around Africa by way of the Cape of Good Hope which added about sixty per cent to the shipping costs.<sup>33</sup> Additionally, with barely enough tanker capacity to meet pre-Suez closure demands, the added 7,000 mile journey (round trip) and the extra two weeks involved seriously taxed the ability to supply Europe's daily needs with Middle East petroleum.<sup>34</sup>

After the first month of the Suez closure, the amount of oil arriving in Europe was about forty-six per cent of that normally coming through the Canal. Most of the oil from the Middle East enroute to the eastern United States was rerouted to European ports to help with the

shortfall.<sup>35</sup> Production in the Western Hemisphere was increased by seven to ten per cent; first, to make up for internal consumption that amount of oil from the Middle East diverted to Europe, and secondly, to add both crude oil and refined products to meet Europe's needs.<sup>36</sup> The average shipment from the United States was about 475,000 barrels a day throughout the crisis.<sup>37</sup>

In January 1957, Egypt's Suez Canal Authority began to clear the Canal of the sunken vessels as a prelude to reopening the Canal. It finally required loans from ten countries, amounting to about \$85 million and about four months to effectively clear the Canal for traffic. On 8 April, normal operations were resumed, albeit with a three per cent surcharge on the toll to help repay the loans.<sup>38</sup> By April 1958, the negotiations between Egypt and the former stockholders in the Suez Canal Company were finally settled and compensation was made for the losses sustained in nationalizing the Suez Canal.<sup>39</sup>

Syria allowed representatives of the pipeline company to begin repairs of the damaged pumping station in March 1957. The estimated reconstruction time was ten months to a year to be fully operational, with less than capacity being transported in the interim. However, expanded pipeline construction previously under consideration by the Iraq Petroleum Company was rerouted due to the political situation in Syria.<sup>40</sup>

The overall effects of the Suez blockage on Europe were less than originally feared due to the rapid shift to alternative sources of petroleum, the relatively mild winter of 1956-57, and European conservation measures. "Total shipments of crude oil and petroleum products to Europe fell by only eight per cent over the entire five month crisis

period, November 1956 to March 1957; in November, the flow was twenty per cent below normal, and in March it was four per cent below normal."<sup>41</sup> The latter figure was well within the European countries' capacity to absorb due to the elimination of non-essential expenditure of oil and government-backed conservation measures.<sup>42</sup>

The effects of the Suez crisis on the Middle East countries was more pronounced. Iraq's northern oilfields of Kirkuk were effectively cut off from the transloading port in Lebanon, causing Iraq to lose about thirty-seven per cent of her oil revenues in 1956-57, amounting to over \$700,000 a day. Syria and Lebanon lost income from the same transloading problem affecting Iraq, Syria lost about \$50,000 per day, and Lebanon almost \$6,000 a day.<sup>43</sup> Saudi Arabia's production dropped from 1.05 million barrels to about 700,000 barrels a day. Jordan, by siding with the other Arab countries, lost "her annual subsidy of \$36,000 from Great Britain."<sup>44</sup>

The Western World learned that in an emergency it could work together and substitute for Middle East sources of oil. Therefore, the Arab oil producers did not possess the power that was previously feared by the Europeans.<sup>45</sup>

#### The Crisis of 1967

After the Suez crisis, the Western World realized the weakest link in the petroleum chain was transportation.<sup>46</sup> To overcome this problem, many of the countries, particularly those of Western Europe, began to build larger and faster oil tankers. The standard sized tanker (T-2) prior to 1956 was about 16,500 deadweight<sup>47</sup> tons with a capacity of about 100,000 barrels of oil, and the largest was twice the size and capacity of a T-2.

At the end of 1966, there were several 300,000 deadweight ton tankers with capacities of about 2 million barrels each, on the seas. By 1974, the largest tanker afloat had a capacity of almost 3.5 million barrels.<sup>48</sup>

This trend toward larger carrier capacity was largely one of economics. The larger ships required about the same number of crew members, were generally faster, and used less fuel per barrel in transit and resulted in less cost per barrel.<sup>49</sup> If the 1956 crisis was largely a transport crisis, the next crisis was not going to be. "There were 62.7 million deadweight tons of tankers in service last year [1966] as against 28.6 million in 1956..."<sup>50</sup>

On 4 and 5 June 1967, eleven of the Arab oil countries<sup>51</sup> met in Baghdad to discuss the withholding of oil "for any country backing aggression against an Arab state."<sup>52</sup> The participants, on 5 June, "... unanimously decided to 'suspend the flow of Arab oil, to prevent it from reaching directly or indirectly, any state which committed or supported an aggression against the sovereignty, territory, or territorial waters of any Arab state'."<sup>53</sup>

Israel launched a preemptive attack on Egyptian forces moving to the Egyptian/Israeli border on 5 June 1967, and for the third time in twenty years, the Middle East was the site of another Arab-Israeli conflict.

At about 6:30 the morning of 6 June, Radio Cairo relayed a statement from the UAR High Command which said "the US and Britain are taking part in the Israeli aggression insofar as air operations are concerned. It has been fully proved that some British and U.S. aircraft carriers are carrying out wide scale activities in helping Israel."<sup>54</sup> The report went on to list some alleged acts by the British and United States

aircraft and later in the morning, the UAR had informed the other Arab countries of the 'military intervention'. At 11:00 a.m., the UAR High Command announced the closing of the Suez Canal because of the intervention of the United States and British governments. The Arab oil producers of the Middle East responded to the alleged intervention by ceasing production, refusing to load ships, and shutting down pipelines. Algeria froze the assets of American and British companies. Saudi Arabia announced that exports to supporters of Israel would be cut off, without specifying which countries would be deprived; but later, after riots against Arabian American Oil Company (ARAMCO) employees, Saudi Arabia announced the cessation of all exports.

By 13 June, Saudi Arabia allowed ARAMCO to resume operations but extracted pledges from the oil purchasers, tanker captains, and ARAMCO itself, that Saudi oil not reach the boycotted countries, specifically, the United States and Great Britain. Kuwait resumed production operations the next day, also continuing to boycott tankers bound for United States or British ports. On 15 June, Iraq resumed pumping oil but maintained the Anglo-American boycott. On 5 July, "When Libya resumed oil production, she justified her decision by arguing that her ban on oil exports to Western Europe 'has had no effect at all, since Western Europe has been able to meet its oil requirements from other Arab countries'."<sup>55</sup>

In the United States on 13 June, a week after the opening of hostilities in the Sinai, the Middle East Emergency Committee (MEEC) met to discuss a plan of action similar to the plan put into effect during the Suez crisis in 1956. But by 16 August, the world oil situation was pronounced balanced. Assistant Secretary of the Interior J. Cordell Moore

said that since the Free World supply of oil was equal to the demand, there would be no reason for the United States to make emergency oil shipments to Western Europe.<sup>56</sup>

At the Khartoum Summit Conference of 1 September, the Arab Foreign Ministers decided officially to terminate the oil boycott of the West in spite of opposition from Iraq, who wanted to extend the boycott for three more months, then cut back on production. The summit conferees came to the conclusion that Arab oil had more effective power as a positive force for the Arabs, that is, a resource to be used in strengthening their economies, rather than to damage them by withholding oil.<sup>57</sup>

Why did the attempted boycott not succeed? Fuad Itayim, in writing for the International Institute for Strategic Studies, discusses several reasons for the failure. Among the reasons he cites are: the lack of sufficient capital reserves on the part of the Arab states to weather the embargo; economic and ideological differences between the various Arab states precluded them from working together as a coalition; one of the chief targets of the boycott was virtually self-sufficient in terms of the Western Hemispheric oil; the oil companies made up the shortfall of oil to the embargoed countries; the lack of a common interpretation of the coverage of the boycott; and, lastly, with no quota ceilings imposed on production, no actual shortage was created.<sup>58</sup> In fact, according to a report in Newsweek magazine, 26 June 1967, production in Algeria and Iran during the abortive boycott amounted to nearly 8.6 million barrels a day, supplying about seventy-five per cent of the normal 12 million barrels produced daily prior to the boycott. This amount of

oil together with the two months of stocks on hand in Europe made up the difference and "the crisis stage remained far in the distance."<sup>59</sup>

Although the Iranian oil crisis of 1951-3 was not solely a problem of the producer country withholding oil from the world market (some of the oil companies apparently refused to trade in Iranian oil under threat by the AIOC of law suits stemming from the legal question of ownership), I included it for several reasons: first, it serves to illustrate that although Iran then supplied about 7 per cent of the Free World's crude oil and a large portion of the refined products, the amount of Iran's supplies to the world petroleum market were substitutable--by this, I mean that the other producers were able to build up production and refining to cover the shortfall. Second, and most notably, Iran was included because it was the first country to nationalize its oil industry and form its own company, the National Iranian Oil Company (NIOC). As Edith Penrose said, the NIOC was "the very first of the national oil companies in the major crude-oil exporting countries, and anticipating by nearly 10 years any other such company in the Middle East."<sup>60</sup> Further, the NIOC provided a model for other oil exporting countries and led the way in negotiating new oil agreements with the multinational oil companies. Again, in the words of Ms. Penrose, "... Iran's lead has had an important influence on the evolution of policies elsewhere in the Middle East, and in a variety of ways has set the pace of development."<sup>61</sup>

## CHAPTER 3

### OIL EMBARGO 1973

#### Prologue

"... National interest in energy issues is not of recent vintage. For at least the last 75 years, four basic objectives have vied for priority in the formulation of [United States] energy policy."<sup>1</sup> The four are: a. acquisition of sufficient energy supplies to fuel the economy; b. insurance of the uninterrupted flow of these supplies; c. equitable distribution of energy costs and benefits between producers and consumers; and d. reduction of the detrimental environmental impact of the production, transportation, and use of these supplies.

Prior to 1950, the United States exported oil to Western Europe. During the 1950s, low cost oil from the Middle East forced most of the higher priced United States oil out of the European market. In addition, the United States also imported small quantities of oil, although mostly from Canadian and Caribbean sources which were closer and therefore, relatively more secure than the Middle East oilfields. In order to protect the domestic oil industry as well as trying to keep the United States dependence on imported oil to a minimum, the government adopted the Trade Agreements Act of 1958, which instituted a mandatory system of import quotas for oil.<sup>2</sup>

The production of domestic oil in the United States reached a peak in 1970 of 9.6 million barrels per day and began to steadily decline. (In 1975, crude oil production sank to 8.2 million barrels per day.)<sup>3</sup>

At the same time, however, internal American demand for oil and oil products continued to increase at about seven per cent per year.<sup>4</sup> The solution to the reduced production and increasing demand problem was to import oil to make up the difference, which is what the United States did. "Until 1968, the United States produced 80 percent of its own [oil] consumption; thereafter, world consumption began to increase... Additional world demand was created by declining United States production, ... and internal American demand, which continued to grow at about seven per cent per year."<sup>5</sup> Between 1970 and 1973, United States consumption of foreign oil increased at an annual rate of 30 percent, from 3.4 million barrels a day to 6.2 million barrels per day.<sup>6</sup> This increased demand for external oil by the United States served to strengthen the oil producing countries' position vis-a-vis the international oil market.

#### OPEC

The oil producing countries in the late 1950s realized that in order to be effective in dealing with the oil companies, they had to organize and negotiate as a cohesive unit rather than as individual producer countries. In September 1960, the Organization of Petroleum Exporting Countries (OPEC) was established to attempt to reinstate the price of oil that had just previously been reduced by the oil companies by ten to fifteen percent. This action was taken by the companies unilaterally in an attempt to offset the surplus of oil on the world market.

The original OPEC members were: Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela; subsequently joined by Qatar (1961) Libya and Indonesia (1962), Abu Dhabi (1967), Algeria and Nigeria (1972), and Ecuador (1973). (Gabon also joined in 1973 as a non-voting associate

member.) These countries represent the most significant oil bloc in the world. "In fact, by 1973, OPEC countries were producing more than 55.4 per cent of the world's oil; 66.3 percent of international (oil) reserves was (sic) located in their territories; and they supplied more than 87 per cent of the oil marketed in the world during that year."<sup>7</sup> The OPEC was only partially successful. "For ten years, the price of Arab oil remained stationary."<sup>8</sup> Among the reasons for this lack of raising prices was the threat of surplus oil on the world market. Each country was trying to increase production to gain additional revenues while the oil companies were trying to hold down production to prevent a glut of oil from driving prices down.

#### OAPEC

While the OPEC then, was instituted for economic reasons, primarily the restoration and maintenance of the posted price and increasing production, the Organization of Arab Petroleum Exporting Countries (OAPEC) was established for political goals. After the Six Day Arab-Israeli war of 1967 and the accompanying abortive oil embargo, the largest Arab oil producing countries, Saudi Arabia, Kuwait, and Libya (who remained out of the conflict) founded the OAPEC, "with the declared objective of preventing Nasser from again using their oil for the attainment of Egyptian political aims, as he tried to do during the Six Day War."<sup>9</sup> The original charter restricted membership to Arab countries whose main source of income was oil and who were members of OPEC, specifically eliminating Egypt and Syria from consideration. "However, at the time of the officer's (sic) coup in Libya there was a far-reaching

change in the orientation of the OAPEC and, one after the other, militant Arab countries such as Iraq and Algeria (and ultimately also Egypt) joined the organization."<sup>10</sup> By 1973, the OAPEC grew to include Abu Dhabi, Bahrain, Dubai, Qatar, and Syria. In 1972, the members of the organization controlled over 50 per cent of the oil reserves, 27 per cent of oil production, and 60 per cent of the oil commerce in the world."<sup>11</sup>

Among the projects undertaken by the OAPEC are the creation of a tanker fleet and the construction of dry dock facilities in the Persian Gulf. These will enable the Arab producing countries to become more independent of outside influence. In the past, the threat was always present for the companies to withhold transportation of the oil to the consumers. With their own transportation facilities, the OAPEC will have eliminated virtually the last physical hold on them by the multinational companies.

Through the 1960s, the strength of the oil companies and the corresponding weakness of the individual OPEC members could be attributed to three interrelated factors: "the existence of a buyer's market, the self-sufficiency of the United States as a producer and consumer of oil, and the dominant position of the major oil companies."<sup>12</sup> All three factors had been reversed by the early 1970s.

In July 1970, the Revolutionary Regime of Colonel Mummar Qaddhafi confronted the twenty-one oil companies operating in Libya. He told them that unless they agreed to negotiate for higher prices, he would take unilateral action to raise the posted price. The companies stalled and attempted to come up with a joint plan of action with which they could oppose Qaddhafi. As a result of their inaction, Qaddhafi cut the amount

of oil the companies could produce by about 400,000 barrels per day. Having failed to achieve a solution among themselves, in September the companies capitulated and agreed to the price increase.<sup>13</sup>

The demands for higher prices spread rapidly to the other producing countries. On December 9, 1970, the OPEC met in Caracas, Venezuela in a mood of new militancy. "The more radical members saw the Libyan tactics with the technique of the [oil] cutoff as preparing the way to new victories."<sup>14</sup> Between September 1970 and January 1972, the posted price of Arabian light crude oil (generally accepted as the basis for determining the price for the rest of the crude) rose from \$1.80 to \$2.48 per barrel.<sup>15</sup> The revolutionary tactics of Libya were apparently able to accomplish in a matter of months what the rest of OPEC had not been able to do in ten years.

#### War and Oil

On 2 October, President Anwar Sadat convened a meeting of Egypt's National Security Council, composed of the highest military and political leaders. He explained to them that it might be necessary to break the ceasefire with Israel in the near future. He said that he expected a limited battle but would not elaborate on his meaning of limited. When asked if he thought oil would become a weapon in this battle, Sadat answered, "he did not think he could make any demands on the oil producing Arab states in advance, but that once the fighting started any Egyptian requests to them would find a ready response."<sup>16</sup>

What caused President Sadat to believe that the OPEC or some of its members would support Egypt with oil or that it would be useful?

Mohamed Heikal, former Egyptian Minister of Information, relates two key events in his book, The Road to Ramadan. He says that in the spring of 1973, he asked Doctor Mustafa Khalil to conduct "a study of the energy crisis in the United States and its implications for the Arab States."<sup>17</sup> The report was finished and given to Heikal on 1 October. The report concluded that "oil should be regarded as a strategic and economic commodity and not a weapon in itself since oil by itself can never win a war. It can be used as a sort of political lever, and of course oil has always played a dominant part in the politics and diplomacy of consuming countries, so there is nothing new in the Arabs' making political use of it."<sup>18</sup> The report also said, "that we should take note of the attitude of other countries and base our conduct accordingly. If they were opposed to our war with Israel, which we regarded as a lawful act to liberate Arab territory, we should be entitled to take a stand against them."<sup>19</sup>

The second incident occurred the last time President Sadat saw King Faisal of Saudi Arabia prior to the October War. King Faisal had always been opposed to using oil as a weapon. Even as late as July 1973, he was on record as saying that oil was not a military weapon. However, something apparently made him change his mind, for in August 1973, "he told Sadat that if he (Sadat) wanted to use the oil weapon this time he could. 'But', Faisal said, 'give us time. We don't want to use our oil as a weapon in a battle which only goes on for two or three days and then stops. We want to see a battle which goes on long enough for world public opinion to be mobilized'."<sup>20</sup>

On 6 October, the battle in the Middle East had begun. The armies of Egypt and Syria simultaneously attacked Israel, thereby initiating the

Yom Kippur or Ramadan War. In the North, after some initial setbacks in the Golan Heights against Syria, who was later joined by Iraqi and Jordanian forces, the Israeli army successfully repelled the attackers, albeit with large equipment losses. The organized fighting terminated by the United Nations mandated ceasefire deadline of 22 October.

In the South, the fighting between Egypt and Israel resulted in very heavy losses in both men and materiel. The Israeli government requested of the United States substantial amounts of weapons and military equipment to replace their severe losses. After some internal debate, the United States decided to comply with the request and ship about \$2.2 billion in military aid.<sup>21</sup>

"On 14 October, the day the State Department announced a massive American airlift of arms to Israel, Kuwait called a meeting of the OAPEC."<sup>22</sup> The meeting was held on 17 October. At the meeting, OAPEC decided to employ its oil as a means of applying pressure on Israel indirectly, through the industrialized consumer countries. The OAPEC decided it would reduce petroleum exports by at least five per cent monthly until Israel withdrew from the Arab territory held since 1967.

Meanwhile, on 17 October, Omar Saqqaf, the Saudi Arabian Foreign Minister, accompanied by three other ministers of OAPEC countries, called on President Nixon and Secretary of State Kissinger in Washington. Saqqaf presented a letter to President Nixon from King Faisal, stating "that if the United States did not stop supplying Israel within two days, there would be an embargo. But Nixon explained that he was committed to supporting Israel."<sup>23</sup>

Saudi Arabia ordered a ten percent cutback in production on 18 October as a result of the Kuwait meeting of the OAPEC oil ministers

the previous day. The rejection of King Faisal's ultimatum forced Saudi Arabia to follow through with the embargo of her oil to the United States. Abu Dhabi announced on October 18 that it was also "stopping all exports of oil to the United States and said it would take similar action later against any other country that supported Israel."<sup>24</sup> By November, the curtailment and embargo was announced by Saudi Arabia, Abu Dhabi, Kuwait, Qatar, Bahrain, Algeria, Libya, and Dubai.<sup>25</sup> (Iraq, favoring more radical action than the rest of the OAPEC, chose to design its own oil policy. She followed the OAPEC's embargoed list, but supplied other states with her maximum production capacity as she saw fit.)<sup>26</sup>

At the 35th OPEC Conference in September 1973, the Gulf Six (Abu Dhabi, Iran, Iraq, Kuwait, Qatar, and Saudi Arabia) were designated to negotiate collectively with the oil companies to raise the price of their oil. The meeting was set for 8-10 October in Vienna. In the interim, the Arab-Israeli war broke out and this was to add fervor and unity to the bargaining process.<sup>27</sup>

The OPEC representatives were led by Saudi Arabian oil minister, Sheikh Zaki Yamani and Iranian oil minister Jamshid Amouzegar. They were seeking a price increase because inflation had rendered the previously agreed upon increase of 2 1/2 per cent a year inadequate. Further, the price of goods imported by the OPEC members were far exceeding the price of oil. Sheikh Yamani opened the bargaining by asking for a doubling of the price, to \$6 per barrel. The companies counter-offered a 15 per cent increase, intent on keeping the final price as far below \$5 per barrel as they could. The negotiations soon became deadlocked and the company representatives had to cable their respective company boards for

additional instructions. The replies were similar; because of the large increase demanded, further negotiations would have to be postponed until the consumer governments could be contacted and this might take as long as two weeks. After being informed of this, the OPEC delegation left the conference and on 16 October, unilaterally raised the price of oil 70 per cent, from \$3.011 to \$5.119 per barrel.<sup>28</sup> On the following day, 17 October, the OAPEC members announced the production cutbacks and the embargo against countries supporting Israel. In The Seven Sisters, Anthony Sampson addresses the two separate events (the OPEC's price increase and the OAPEC's political embargo and curtailments) by stating, "The coincidence of the two acts provided the catastrophe: the embargo led to the shortage, and thus to the further doubling of prices. And the [oil] companies could only look on helplessly, while OPEC [and OAPEC] apparently usurped their old role."<sup>29</sup>

#### United States

By the fall of 1973, the United States had become very dependent on imported oil for the domestic market, "importing 1.2 million barrels of Arab oil a day."<sup>30</sup> This was about 28 per cent of United States imports of crude, and by adding to this, the reduction of the anticipated increases for the US market from European refineries (500,000 barrels a day), eliminating the overseas supplies to the U.S. military (300,000 barrels a day), and restrictions on the importation of Canadian oil (about 100,000) resulting in a 14 per cent deficit in United States oil supplies during the embargoed period.<sup>31</sup> By February, it (the oil from the OAPEC) was down to 18,000 barrels a day.<sup>32</sup>

James W. McKie, in an article for the Daedalus journal, said that the United States "official policy (in the Middle East) seems to have leaned toward the view that a 'balance of power' was necessary in the Middle East, that Israel (along with Iran, perhaps) could be a military 'bulwark' of anti-Communist 'bastion' for United States policy there, and that some neighboring Arab nations had become tools of the Soviet Union."<sup>33</sup>

At the same time, the United States realized that she needed the oil that the OAPEC members produced, at least until she could again become petroleum self-sufficient. In sum, the United States was more or less neutral, with emotional ties to the state of Israel and economic ties to the Arab states. However, both the Arabs and Israelis clearly perceived the United States was the main supporter of Israel. And without U.S. support, Israel would not be a viable force.

Throughout early 1973, Washington was receiving warnings from the Arabs and the multinational oil companies alike; specifically, if another Middle East war were to break out and the United States supported Israel again, the flow of OAPEC oil would probably be cut off.<sup>34</sup> The general attitude of the U.S. government still seemed to be that the Arabs need to sell their oil more than we needed to buy it. Further, the fiasco of the 1967 boycott was still lingering--the idea that the OAPEC members could form a cohesive front seemed unlikely.

However, the precipitation of the October Middle East war and the respectable showing by the Arab military forces resulted in an Arab cohesion previously unknown (in recent years). Oil suddenly became a

viable commodity with which the owners could reward or punish as they saw fit. Additionally, the price increases since the Tripoli and Tehran conferences of 1970-71 had brought more funds to the OAPEC than they could spend, resulting in a capital surplus of about \$5 billion.<sup>35</sup>

The United States, although an importer of Middle East oil, stood to be only mildly affected by the embargo. Europe and Japan, on the other hand, were heavily dependent on the Middle East for petroleum. During the crises surveyed in a previous chapter, the United States had always had a reserve production capacity which had been used to assist Europe in emergency situations. This was no longer the case. Europe, well aware of the necessity to appease the Arab producers in return for oil, refused to take joint actions to counter the oil threat and sought bi-lateral agreements with the producer governments.

The United States' domestic response to the embargo was a concerted attempt at conservation--lower heating levels in buildings, lowering speed limits on the highways, and appeals to the business community for conservation measures. (Private enterprise in the United States used about 70 per cent of the nation's energy.)<sup>36</sup>

While Europe and Japan quickly adjusted their Middle East policies in support of the Arab cause, "The United States was also interested in a settlement of the Arab-Israeli conflict on terms acceptable to both sides. Yet, as a great power, the United States would have been loath to yield to economic pressure in matters of high policy. To submit to it would have been sensed as too demeaning. Washington remained uncoerced at the time, but it received a disturbing message with reference to the future that would be dangerous to ignore."<sup>37</sup>

Secretary of State Kissinger spoke about the United States' position on the oil situation in response to a question at a news conference on 27 December 1973. He said, "the U.S. position with respect to the oil embargo has been that we cannot discuss specific peace terms in relation to the lifting of the oil embargo, that we can express our commitment to bring about a just and durable peace--or help to bring it about--based on Security Council Resolution 242. But as I have explained many times before, we cannot bargain individually with oil-producing countries and then enter into a peace conference in which the parties have to negotiate this process all over again."<sup>38</sup>

The embargo and curtailment against the United States ended on 18 March 1974, due to the "goodwill in using its [the United States] influence to get Israel to carry out military disengagement with Egypt and to agree to contacts with Syria to negotiate a similar pullback..."<sup>39</sup>

What effect did the embargo have on the United States' domestic scene? In addition to occasionally irritating the American public and making them more aware of the events in the Middle East, Lester Sobel said in the Energy Crisis Volume 2 1974-75, that 150,000 to 225,000 people were unemployed as a direct result of the oil boycott and an additional 310,000 unemployed could be traced indirectly to the fuel shortages caused by the boycott. The United States economy declined by \$10-\$20 billion during the first quarter of 1974. The reduction in gasoline consumption caused the individual states to lose about \$700 million in tax revenues.<sup>40</sup>

### Europe

The October Middle East war had a profound impact on the Western Alliance in two ways. Although both were known, the effect was not realized until the fall of 1973. First, the United States had a different level of vulnerability with regard to oil than did Western Europe. And, second, "The United States as a super-power, while able to deliver politico-military security, was not and is not able to deliver economic security in case of external boycotts."<sup>41</sup> The nuclear umbrella reaches Europe, but the oil umbrella no longer reaches.

On the eve of the October war, Western Europe was dependent of oil for 67 percent of her total energy needs. Over 75 percent of this required oil was imported from the Middle East.<sup>42</sup> The northern countries of Europe have a slightly lower reliance of oil: Belgium-57 percent of her energy is derived from oil; Federal Republic of Germany-55 percent; Great Britain-47 percent; and, the Netherlands-44 percent. This lower dependency is primarily due to the coal and gas production in those countries. France and Italy, with little or no coal deposits rely on imported oil for over 70 percent of their energy needs.<sup>43</sup> The 18 October OAPEC curtailment in oil production showed Western Europe just how much their industrialized economies rely on the Middle East for petroleum.

The prime target of the embargo was the United States, but Europe and Japan were the most vulnerable. Therefore, to facilitate Israeli withdrawal to her pre-1967 borders, the curtailment of production was necessary in order to prevent circumvention of the embargo. Faced with little enough petroleum for domestic needs, the non-embargoed countries

like those of Western Europe, would probably not re-export or trans-ship petroleum to those countries who were being embargoed.<sup>44</sup>

#### Great Britain

Quoting an unidentified British diplomat during the October war, the Insight Team of the London Sunday Times in The Yom Kippus War wrote, "Producing a peace has always meant persuading Israel by logic or force to accept the rest of the world's interpretation of Resolution 242. ... We have told the United States that as well. Only they have any power over Israel--which I agree is not much. But we in Europe have even less. What can we do? It's America's problem."<sup>45</sup> In keeping with this policy of maintaining a low profile, Britain banned arms shipments to the Middle East. Both the Arabs and the Israelis were affected. This was especially detrimental to Israel who had already bought and payed for sorely needed ammunition and spare parts for the British-made Centurion tanks. "The Heath Government did further harm when it forbade the passage to Israel via Cyprus of American war supplies and ferried fighter bombers."<sup>46</sup> Clearly, the British had submitted to the OAPEC in return for a listing as a friendly country.<sup>47</sup>

#### France

France was outspokenly pro-Arab. Tareq Y. Ismael quotes the French position from the French Foreign Policy paper issued by their Embassy Information Service:

First, the continued occupation by Israel of sizeable territories belonging to sovereign Arab States constitutes a violation of the principle of inadmissibility of the acquisition of territory by force.

Second, 'the two essential elements in Resolution 242 (1967)

are inseparable; no withdrawal without commitments for peace, but no commitments for peace without withdrawal.<sup>48</sup>

The rest of the paper deals with the right of self-determination by the Palestinian people and a request to Israel to accept Egypt's interpretation of United Nations Security Council Resolution 242.

When the embargo was declared, France was singled out for her pro-Arab policy and placed on the favored country list, entitling her to pre-October amounts of oil from the OAPEC.

#### Federal Republic of Germany

Since 1969, West Germany has tried to remain neutral with reference to the Middle East situation. In June 1972, Egypt and the other Arab states intimated that they were "pleased by Herr Brandt's attempt to conduct an impartial policy in the Middle East."<sup>49</sup> A year later, in June 1973, the West German Chancellor went to Israel and was received by Prime Minister Golda Meir. This was probably one of the reasons for Germany's exclusion from the most favored nation list of the OAPEC. Another reason surely was her allowing the United States to fly war material to Israel from bases within Germany. Three days following the initiation of the airlift, Germany was under pressure from the Arabs to disallow the United States continued use of German territory for the resupply operations. Bonn was able to hold off official reaction until 23 October when she was informed by the U.S. Embassy that the operation was complete. Germany passed the information to Cairo that the United States had ceased use of German territory, but two days later, two Israeli ships were loading cargo at Bremerhaven under security provided by U.S.

military police. This forced Bonn to issue a statement "that the United States had been requested to stop all shipments to Israel at once."<sup>50</sup>

For most of the European countries, the American airlift to Israel was embarrassing. They feared that they would be asked by the United States for stop-over rights or at least for permission to overfly their territory. The dilemma was difficult--do they allow the United States access to their territory enroute to Israel and offend the Arab oil-producers, or refuse and offend the United States? Of those countries asked, all but one refused. Portugal allowed the United States planes to land at Lajes in the Azores. In retaliation for this permission, Portugal became one of the few countries on the embargoed list.

The other major country to be embargoed was the Netherlands. On 30 October, "the Arab governments had reportedly been angered by Dutch offers to aid in the transit of Soviet Jewish immigrants to Israel and by the outspoken Dutch view that Israel did not have to withdraw its forces from all lands occupied in 1967."<sup>51</sup> In addition, the Dutch leaders allowed recruiting on their territory of volunteers to serve in Israel, as well as allowing the Dutch airline, KLM, to conduct chartered flights to Israel to support the war effort.<sup>52</sup>

Rotterdam, at the mouth of the Rhine River, is one of Europe's main oil terminals. Of the 139 million tons of crude oil imported by the Netherlands in 1972, they exported 116 million tons to the rest of Europe.<sup>53</sup>

The embargo of the Netherlands together with the 25 percent cut in production announced on 5 November by the OAPEC now threatened even

the friendly European countries with the oil crisis. In addition to the United States, Portugal, and the Netherlands, the OAPEC's embargoed list now included those third parties who refined oil for either United States or Dutch consumption. Included on this list were Canada, the Bahamas, Singapore, and Puerto Rico. "Similarly, certain European refineries-- in Italy, Greece, and France--which supplied the American markets or navy were also subjected to full or partial embargo."<sup>54</sup>

On 6 November, the nine members of the European Economic Community (EEC), under threat of boycott, jointly called for both Israel and Egypt to return to the lines they held on 22 October and called on Israel to end the territorial occupation which she has maintained since the conflict of 1967. They declared "that a peace agreement should be based primarily on the 'inadmissability of the acquisition of territory by force.'<sup>55</sup> This position was viewed by the Israelis as being anti-Israel and applauded by the Arab countries. As a result, the OAPEC decided at their 18 November meeting to cancel the 5 percent cut back scheduled for December.

During the EEC meeting held on 6 November, the Dutch requested a pooling of the petroleum stocks on hand by all the members. This request was not acted on, chiefly because France and Great Britain feared that such a policy might jeopardize their privileged position vis-a-vis the OAPEC.<sup>56</sup>

"Despite their wealth, the nine nations were forecasting record deficits and recession resulting from the increased costs of importing reduced quantities of oil, and individual members of the Community, particularly Britain and France, were showing their worry by rushing to

sign private agreements with whatever oil producer they could, usually in exchange for arms."<sup>57</sup>

As Eric A. Kevitz states, "The United States viewed this complete lack of cooperation as a virtual breakdown of the Alliance. Yet few in Europe saw any threat to the Alliance. Since no real military threat was perceived in Europe, each nation acted according to its own view of its best interests."<sup>58</sup>

#### Japan

"On January 24, 1975, Prime Minister Miki of Japan told the Japanese Diet that he regarded the question of Arab oil as being indivisible from the Arab-Israeli conflict."<sup>59</sup> Thus, he tacitly confirmed the diplomatic schism that had developed between Tokyo and Washington since 1973 and the disputes over Arab oil. This decision brought Japan closer to France and western Europe than to the United States, who was seeking to separate oil from Middle East politics.

The New York Times reported on 19 October 1973 that Japan was stunned for the second time in two days when the Arab exporting countries announced the 5 percent cutback in production; the first surprise was the OPEC 21 percent price increase in oil.<sup>60</sup>

Japan was the hardest hit of all the industrialized countries because she "is the second biggest oil consumer, after the United States... Of the 62 billion gallons Japan imported during the fiscal year ending last March 31 [1973], almost 40 percent came from Iran, one of the price raisers, and 45 percent came from the Arab states that announced the production cutback."<sup>61</sup> During 1972, oil accounted for 74.9 percent of Japan's

energy supply, and she had to import 99.7 percent of her oil requirements.<sup>62</sup>

Since World War II, the United States and Japan have had a unique alliance. Mokoto Momoi, in a study for the International Institute for Strategic Studies, calls it unique for two reasons: "First, it is the only alliance the United States has under the treaty of mutual cooperation and security; second, the treaty has a unique sentence in the second paragraph of Article II: 'They (the parties) will seek to eliminate conflict in their international economic policies and will encourage economic collaboration between them'."<sup>63</sup> No other U.S. treaty contains this wording. Therefore, in October, when the Arab oil producers classified Japan as unfriendly to the Arab cause as a result of her neutrality, she sought guidance from the United States. Secretary of State Kissinger advised the Japanese Foreign Ministry representatives not to capitulate to the OAPEC demands. The Japanese soon realized "that the United States was concerned not so much with 'economic collaboration' as with a global strategic balance."<sup>64</sup> Japanese options were limited to: following the United States (who was in a far better position with respect to petroleum) and tolerate the embargo with no assurances of being supplied by the United States or the major oil companies,<sup>65</sup> or, Japan, with "59 days oil stockpiled including that aboard tankers enroute",<sup>66</sup> could defy the United States and declare her support of the Arab cause and be considered in the friendly category, eligible for OAPEC oil again.

After the OAPEC exempted the European Economic Community members from the restrictions on oil for making public statements supporting the

Arab position, on 22 November, the Japanese Foreign Minister, Masayoshi Ohira announced "The government of Japan will continue to observe the situation in the Middle East with grave concern and, depending on future, developments, may have to reconsider its policy toward Israel."<sup>67</sup> Additionally, Japan backed the Arab interpretation of Security Council Resolution 242.

The heads of state of the OAPEC members met in Algeria on 27 November, and, in addition to the decision to add other countries to the embargoed list, "announced they had exempted Japan and the Philippines from the 5 percent cut in oil export foreseen for December. This was in appreciation of what the Arabs see as desirable changes in the positions of the two nations."<sup>68</sup>

Once Japan saw the necessity of developing closer ties to the Arab producing countries to insure more secure supplies of oil, she dispatched special envoys to the Middle East. Between December 1973 and the middle of 1974, Japan had pledged a total of about \$563 million in economic aid to many of the Middle East countries. This aid encompassed such projects as \$140 million to Egypt for widening the Suez Canal and \$250 million in technical assistance to Iran for developing her petrochemical industry.<sup>69</sup>

In summary, the embargo had limited outright effect on the United States' changing her policy toward the Middle East situation, although she did more actively seek a solution to the Arab-Israeli conflict. It did, however, clearly affect the more oil dependent nations of Western Europe and Japan, initially in their relations with both the Arabs and Israelis, and later, with the United States over how to solve the crisis.

The effect of the crisis on Israel was to isolate her from the majority of the industrialized countries and from the developing world as well--between 28 and 30 African nations had broken diplomatic relations with the Israelis in response to Arab requests and threats. And for this action "The Africans got no reward: to their chagrin the Arab oil prices---hit Africa the same as everywhere else."<sup>70</sup>

The effect on the Arabs was a new cohesion. "The Islamic community of nations have declared their full support for the Arab cause, as has the recently non-aligned bloc of nations. These are impressive diplomatic gains which can be greatly consolidated in the new era of Arab affluence."<sup>71</sup> A very good example of this support occurred at the United Nations on 14 October 1974, less than a year after the initiation of the oil crisis. The General Assembly voted 105 to 4 to allow the Palestine Liberation Organization (PLO) and its leader, Yasser Arafat to participate in the discussion of the Palestinian question. Further, they voted to give the PLO a Permanent Observer status at the United Nations. This was in effect, de facto recognition of the PLO as the official representative of the Palestinian people. The four countries who voted against were the United States, Israel, Bolivia, and the Dominican Republic.

What had changed to make the oil weapon an effective force now vis-a-vis 1967?

First, the internal Arab position had changed--King Faisal of Saudi Arabia had opposed Nasser and his policies for Egypt in 1967; President Sadat formed a genuine alliance with the King and had obtained his support before the war. Second, the complete approval of all of the OAPEC was no longer necessary prior to instigating the curtailment and

embargo because the total production of Saudi Arabia, Abu Dhabi, and Kuwait, the leaders of the production cutbacks amounted to over 60 percent of the Arab production; therefore, the rest of the OAPEC was not really required for the embargo to be effective. Third, the success of the Arab armies in the field created the moral and political pressure desired to encourage the non-combatants to deploy the oil weapon. Fourth, by October 1973, most if not all the Arab oil producers had reached a position of economic strength, allowing if necessary, a cutback in production without damaging their economies. Fifth, the ultimate target of the oil weapon was not the reasonably unattainable total destruction of Israel as it was in 1967, but a more feasible goal--the enforcement of United Nations Security Council Resolution 242. Sixth, the United States had become more dependent on Arab oil in 1973 than she was in 1967. Lastly, the OAPEC realized that an embargo without production cutbacks to create shortages was ineffective and virtually unenforcable.<sup>72</sup>

The oil price crisis of 1973-74, while occurring at the same time as the oil crisis, was different in two important aspects: "First, the reasons for raising the prices were primarily economic, as opposed to the political reasons for the boycott; secondly, it was OPEC as a whole [including the OAPEC members acting as OPEC] rather than the Arab oil-producing group that initiated the price increases."<sup>73</sup>

From an economic standpoint, the production cutbacks and embargo could not have come at a more opportune time. As has previously been mentioned, the OPEC were in the middle of negotiating a price increase with the multinational oil companies in Vienna.

Throughout the crisis, the price of oil rose from \$4.01 per barrel to over \$11.65 per barrel, with spot prices occasionally exceeding \$17 a barrel at auction.<sup>74</sup> This phenomenal increase in price served to accomplish what Time magazine called "the greatest and swiftest transfer of money in history: the thirteen OPEC countries earned \$112 billion from the rest of the world...[in 1974]. Because they could not begin to spend it all, they ran up a payments surplus of \$60 billion."<sup>75</sup> In order to fully appreciate the enormity of this sum, the Time writers give the following illustrations of the vastness of petrodollars: "At that rate of accumulation [\$164 million a day], the Economist of London calculates, OPEC could buy out all companies of the world's major stock exchanges in 15.6 years (at present quotes), all the companies on the New York Stock Exchange in 9.2 years, ...All IBM stock in 143 days, all Exxon stock in 79 days, the Rockefeller family's wealth in six days..."<sup>76</sup>

## CHAPTER 4

### CONCLUSIONS

What I have attempted to show in this paper is that oil can be an effective strategic weapon provided certain conditions are present. As I showed in the oil crises of the 1950s and 1960s, the attempts to manipulate other nations by various oil producing countries, singly or severally, were doomed from the initiation. By shifting oil supplies and increasing production in the non-participating producer countries, the world oil market was able to avoid any major or extended shortages.<sup>1</sup> In most cases, only temporary and minor inconveniences were the result. Further, as the 1967 crisis vividly pointed out, the producer countries themselves were the hardest hit. They lacked sufficient reserve funds to allow their pumps to remain idle for any length of time. Another major factor was the lack of unity of the producers, particularly among the Arab oil producers in the Persian Gulf area. Petty squabbles, Arab infighting, and regional hegemony, all at one time or another, prevented a solidifying of the various Middle Eastern oil producers.

In 1970, the situation started to change. The Tripoli and Tehran Conferences brought more money to the oil producers than they could adequately spend. Many of the old rivalries had faded and were replaced by closer bonds of cooperation between Arab countries. Probably the most significant event in unifying the Arabs was the military successes during the October War, allowing the Arab world to regain its pride after having suffered ignoble defeat on three previous occasions at the hands of the Israelis.

At the same time, the situation in the consumer countries had begun to change. Inflation was causing the industrialized countries to raise the prices of their goods exported to the Middle East. The prices were steadily increasing while the relative price of oil increased more slowly.<sup>2</sup> Secondly, the United States, the world's leading oil consumer, was becoming more dependent on imported oil in general, and on Middle East oil in particular.<sup>3</sup> This combination of circumstances led to the successful application of oil as an instrument of coercion in international politics. The price increases leading to a quadrupling in the price of oil within five months, were merely a result of the OPEC's economic strategy taking advantage of the OPEC's political maneuvering.

What would occur if the OPEC embargoed or OPEC reinitiated an embargo or production cutback against the industrialized countries again to influence their foreign policy?

In response to the 1974-4 oil crisis, the United States sponsored the formation of the International Energy Agency (IEA), an organization to counter such oil shortages as embargoes and production cutbacks of behalf of the members. In all, 15 countries belong to the IEA "which include all the developed non-socialist countries."<sup>5</sup> The IEA membership<sup>6</sup> accounted for 80 percent of all the oil imported in 1974. The concept is to use oil reserves to aid members who experience shortfalls of 7 percent or more of their petroleum requirements. There are also provisions requiring all members to share total production and oil imports during periods of supply shortages. In the words of Edward N. Krapels, "the management of an oil crisis depends ultimately on the degree of political solidarity among the importers."<sup>7</sup>

Based upon the experiences of 1973-4, I seriously question the "degree of political solidarity" among the members of the IEA, particularly the European members, when faced with the option, as in 1973, of siding with the oil producing countries and being assured of sufficient oil supplies or opposing the producers and remaining together with IEA, knowing reductions of oil would be unavoidable for an unknown period of time, thereby risking at least the loss of economic growth if not disaster, as in Japan's case, and possible alienation of their citizens. It would take only one or two defectors to crack the unity of the IEA or any other similar organization and a repeat of 1973-4 might well ensue.

Additionally, with the United States currently the world's leading importing country,<sup>8</sup> relying on imports for more than 47 per cent of her domestic demand (as of 31 March 1978),<sup>9</sup> would the U.S. industry and the American public allow the Government to create a more severe oil shortage during an embargo, causing more intense economic problems, by sharing any of the remaining 53 per cent with other members of the IEA? Further, would the other members of the IEA risk an embargo themselves to share their oil with the United States? A definitive answer is, of course, impossible to project, but I submit that any Administration in Washington considering such a move would have to seek Congressional approval prior to releasing any U.S. petroleum for export, and that might prove difficult to obtain.<sup>10</sup>

Boutros Boutros-Ghali, Professor of Political Science, Cairo University, sums up the future application of the oil weapon thusly: "It should always be remembered that the real strength of the weapon lies in its function as a deterrent rather than an instrument of coercion."<sup>11</sup>

Oil will continue to be effective as a strategic weapon in the foreseeable future so long as those conditions outlined previously remain--solidarity of the producers, sufficient monetary reserves under their control to allow cessation of production without disastrous economic effects on the producers, and ultimately, so long as the consuming countries have no feasible substitutes or alternatives to imported oil.

Chapter 1NOTES

<sup>1</sup>Paust, Jordan J. and Blaustein, Albert P., "The Arab Oil Weapon - A Threat to International Peace", American Journal of International Law, 68, No. 3, July 1974, 410-39.

<sup>2</sup>A barrel is the standard unit of measurement of petroleum and is equivalent to 42 US gallons.

<sup>3</sup>U.S., Federal Energy Administration, Project Independence Final Task Force Report, Washington: Government Printing Office, November 1974, p. II-5, Exhibit II-3.

<sup>4</sup>U.S., Federal Energy Administration, Project Independence Report, Washington: Government Printing Office, November 1974, p. 2.

<sup>5</sup>This disparity in logic is only apparent. As I shall demonstrate in later chapters, the effectiveness is contingent upon several factors, not the least of which is the monetary reserves or their lack of on the part of the producing countries.

NOTE: Although notes 3 and 4 above have similar titles, they are separate documents.

Chapter 2NOTES

<sup>1</sup>Lubell, Harold, Middle East Oil Crises and Western Europe's Energy Supplies, Prepared for: U.S. Air Force Project Rand, Memorandum Rm-2766-PR, California: Rand Corp., 1962, p.9.

<sup>2</sup> Shwadran, Benjamin, The Middle East, Oil, and the Great Powers, New York: Wiley, 1974, p. 90.

<sup>3</sup>The Iranian Parliament is composed of two houses - the Senate and the House of Representatives or Majlis.

<sup>4</sup>Shwadran, op. cit., p. 91

<sup>5</sup>The Middle East Journal, Volume 5, Spring 1951, p. 198.

<sup>6</sup>Shwadran, op. cit., p. 91.

<sup>7</sup>Klebanoff, Shoshana, Middle East Oil and U.S. Foreign Policy, New York: Praeger, 1974, p. 85.

<sup>8</sup>Ibid.

<sup>9</sup>New York Times, 29 June 1951, p. 5.

<sup>10</sup>Shwadran, op. cit., p. 98.

<sup>11</sup>New York Times, 25 March 1951, III, p. 1.

<sup>12</sup>Klebanoff, op. cit., p. 87.

<sup>13</sup>Lubell, op. cit., p. 14.

<sup>14</sup>Ibid., p. 15.

<sup>15</sup>New York Times, 29 June 1951, p. 5.

<sup>16</sup>Klebanoff, op. cit., p. 91.

<sup>17</sup>Middle East Journal, Volume 8, 1954, p. 447.

<sup>18</sup>Shwadran, op. cit., p. 145.

<sup>19</sup>New York Times, 30 September 1953, p. 8.

<sup>20</sup>Shimoni, Yaacov and others, ed. Political Dictionary of the Middle East in the 20th Century, (rev. ed.) New York: Quadrangle, 1974, p. 369.

<sup>21</sup>Fisher, Carol A. and Krinsky, Fred, Middle East in Crisis, Syracuse: Syracuse University Press, 1959, p. 58.

<sup>22</sup>Ibid., p. 59.

<sup>23</sup>Shimoni, op. cit., p. 370.

<sup>24</sup>Ibid.

<sup>25</sup>New York Times, 30 October 1956, p. 1.

<sup>26</sup>Shimoni, op. cit., p. 371.

<sup>27</sup>Ibid.

<sup>28</sup>U.S. News and World Report, 16 November 1956, p. 77.

<sup>29</sup>Lubell, op. cit., p. 17.

<sup>30</sup>Later, several domestic and independent oil companies were represented on the committee bringing the total to 18.

<sup>31</sup>Lubell, op. cit.

<sup>32</sup>Klebanoff, op. cit., p. 127.

<sup>33</sup>Newsweek, 13 August 1956, p. 46.

<sup>34</sup>Levy, Walter J., "Issues in International Oil Policy", Foreign Affairs, April 1957, p. 455.

<sup>35</sup>Lubell, op. cit., p. 23.

<sup>36</sup>Ibid., p. 18.

<sup>37</sup>Klebanoff, op. cit., p. 130.

<sup>38</sup>Loeffler, William H., CMDR, USN, The Strategic Implications of Reopening the Suez Canal, U.S. Army War College Research Report, 1972, p. 12-3.

<sup>39</sup>Shimoni, op. cit., p. 370.

<sup>40</sup>Shwadran, op. cit., p. 270.

<sup>41</sup>Lubell, op. cit., p. 27.

- <sup>42</sup>Lenczowski, George, Oil and State in the Middle East, Ithaca: Cornell University Press, 1960, p. 328.
- <sup>43</sup>Ibid.
- <sup>44</sup>Chandler, Martin B., COL, USA, Strategic Importance of Middle East Oil, U.S. Army War College Research Report, 1956, p. 26-7.
- <sup>45</sup>Lubell, op. cit., p. 27.
- <sup>46</sup>Shadran, op. cit., p. 539.
- <sup>47</sup>Deadweight tons is a term used to describe the empty weight of oil tankers.
- <sup>48</sup>Szyliowicz, Joseph S. and O'Neill, Bard E., ed., The Energy Crisis and U.S. Foreign Policy, New York: Praeger, 1975, p. 77.
- <sup>49</sup>Klebanoff, op. cit., p. 208-9.
- <sup>50</sup>New York Times, 12 August 1967, p. 29.
- <sup>51</sup>Iraq, Saudi Arabia, Libya, Kuwait, Algeria, the UAR, Bahrain, Qatar, Abu Dhabi, Syria, and Lebanon.
- <sup>52</sup>Dishon, Daniel, ed., Middle East Record, Volume 3, 1971, Newark: Transaction Books for The Shiloah Center for Middle Eastern and African Studies, p. 244.
- <sup>53</sup>Ibid.
- <sup>54</sup>Ibid., p. 242.
- <sup>55</sup>Ibid., p. 262.
- <sup>56</sup>New York Times, 17 August 1967, p. 49.
- <sup>57</sup>Dishon, op. cit., p. 264.
- <sup>58</sup>Itayim, Fuad, "Strengths and Weaknesses of the Oil Weapon", The Middle East and the International System, II. Security and the Energy Crisis, Adelphi Papers No. 115, London: International Institute for Strategic Studies, 1975, p. 1-2
- <sup>59</sup>Newsweek, 26 June 1967, p. 57.
- <sup>60</sup>Penrose, Edith, The Growth of Firms, Middle East Oil and Other Essays, London: Frank Cass & Company, 1971, p. 296-7.
- <sup>61</sup>Ibid.

Chapter 3

NOTES

<sup>1</sup>Manke, Richard B., "Background Paper", Providing For Energy, Report of the Twentieth Century Fund Task Force of United States Energy Policy, New York: McGraw-Hill, 1977, p. 42.

<sup>2</sup>For a more definitive explanation of the domestic oil industry controls, see The Control of Oil, by Doctor John M. Blair, Vintage Books, New York, 1976, Chapter 7.

<sup>3</sup>Manke, op. cit., p. 44.

<sup>4</sup>Kumins, Lawrence, "Energy Shock: Oil and the Economy", Current History, November 1975, p. 189.

<sup>5</sup>Ibid.,

<sup>6</sup>Mancke, op. cit., p. 44. Although Kumin's article uses a different amount of oil consumed per day than Mancke uses for 1970, 2.5 million vs 3.4 million, the net effect is the same--a great increase in consumption.

<sup>7</sup>Vallenilla, Luis, Oil: The Making of a New Economic Order, New York: McGraw-Hill, 1975, p. 108.

<sup>8</sup>Heikal, Mohamed, The Road to Ramadan, New York: Ballantine, 1975, p. 270-1.

<sup>9</sup>Shimoni, Jaacov and others, ed., Political Dictionary of the Middle East in the 20th Century, (rev. ed.) New York: Quadrangle, 1974, p. 478.

<sup>10</sup>Ibid.

<sup>11</sup>Ibid.

<sup>12</sup>Lenczowski, George, "The Oil-Producing Countries", Daedalus, Vol. 104 No. 4, Fall, 1975, p. 60.

<sup>13</sup>Mancke, op. cit., p. 44.

<sup>14</sup>Sampson, Anthony, The Seven Sisters, New York: Bantam, 1976, p. 257.

<sup>15</sup>Darmstadter, Joel and Landsberg, Hans H., "The Economic Background", Daedalus, Vol. 104, No. 4, Fall, 1975, p. 26.

- <sup>16</sup>Heikal, op. cit., p. 16.
- <sup>17</sup>Ibid., p. 276.
- <sup>18</sup>Ibid.
- <sup>19</sup>Ibid., p. 277.
- <sup>20</sup>Ibid., p. 275.
- <sup>21</sup>Damaree, Allan T., "ARAMCO is a Lesson in the Management of Chaos", Fortune, February 1974, O. 58.
- <sup>22</sup>Bill, James A. and Stookey, Robert W., Politics and Petroleum, Brunswick, OH: King's Court Communications, 1975, O. 123.
- <sup>23</sup>Sampson, op. cit., p. 301.
- <sup>24</sup>New York Times., 19 October 1973, p. 1.
- <sup>25</sup>Mandershausen, Horst and Nehring, Richard, Protecting the U.S. Petroleum Market Against Future Denials of Imports, Prepared for: Defense Advanced Research Projects Agency, R-1603, ARPA, Santa Monica, CA: Rand Corp., October 1974, p. 1.
- <sup>26</sup>Leczowski, op. cit., p. 63. However, the author also says that "Iraq's defection from the common Arab front did not, however, make an appreciable difference in the overall Arab export situation."
- <sup>27</sup>Sampson, op. cit., p. 17.
- <sup>28</sup>Leczowski, op. cit., p. 68.
- <sup>29</sup>Sampson, op. cit., p. 19.
- <sup>30</sup>Ibid., p. 313.
- <sup>31</sup>Mendershausen, op. cit., p. 3.
- <sup>32</sup>Sampson, op. cit., p. 313.
- <sup>33</sup>McKie, James W., "The United States", Daedalus, Vol. 104, No. 4, Fall, 1975, p. 84.
- <sup>34</sup>For a more detailed explanation of these warnings, see The Seven Sisters.
- <sup>35</sup>Hansen, Bent, "The Accumulation of Financial Capital by Middle East Oil Exporters: Problems and Policies", The Middle East: Oil, Conflict & Hope, Critical Choices for Americans, Volume X, Udovitch, A. L., Lexington, MA: Lexington Books, 1976, p. 101

- <sup>36</sup> Sobel, Lester A., Energy Crisis, Volume 1, 1969-73, New York: Facts on File, 1974, p. 213.
- <sup>37</sup> Knorr, Klaus, "Foreign Oil and National Security", Oil, Divestiture and National Security, Adelman, M. A., et al, New York: Crane, Russak & Company, 1977, p. 112.
- <sup>38</sup> U.S., The Department of State Bulletin, Volume LXX, No. 1804, Washington: Government Printing Office, 21 January 1974, p. 52-3.
- <sup>39</sup> Sobel, Lester A., Energy Crisis, Volume 2, 1974-5, New York: Facts on File, 1975, p. 13
- <sup>40</sup> Ibid., p. 88-9.
- <sup>41</sup> Kaiser, Karl, "The Energy Problem and Alliance Systems: Europe", The Middle East and the International System, II, Security and the Energy Crisis, Adelphi Papers No. 115, London: International Institute for Strategic Studies, 1975, p. 20.
- <sup>42</sup> Roberts, Vincent, "Chronology of a Crisis", European Community, No. 173, February 1974, p. 9.
- <sup>43</sup> Krappels, Edward N., Oil and Security: Problems and Prospects of Importing Countries, Adelphi Papers No. 136, London: International Institute for Strategic Studies, 1977, p. 3.
- <sup>44</sup> Maul, Hanns, Oil and Influence; The Oil Weapon Examined, Adelphi Papers No. 117, London: International Institute for Strategic Studies, 1975, p. 6.
- <sup>45</sup> The Insight Team of the London Sunday Times, The Yom Kippur War, New York: Doubleday, 1974, p. 421.
- <sup>46</sup> Gelber, Lionel, Crisis in the West, New York: St. Martin's Press, 1975, p. 188.
- <sup>47</sup> Prodi, Romano and Clò, Alberto, "Europe", Daedalus, Vol. 104, No. 4, Fall, 1975, p. 98.
- <sup>48</sup> Ismael, Tareq Y., The Middle East in World Politics, Syracuse: Syracuse University Press, 1974, p. 92.
- <sup>49</sup> Gelber, op. cit., p. 186.
- <sup>50</sup> The Insight Team, op. cit., p. 425.
- <sup>51</sup> Sobel, op. cit., p. 202. (see Note 35)
- <sup>52</sup> Lenczowski, op. cit., p. 65.

- <sup>53</sup>Sobel, op. cit., p. 202. (see Note 35)
- <sup>54</sup>Lenczowski, op. cit., p. 65.
- <sup>55</sup>New York Times, 7 November 1973, p. 1.
- <sup>56</sup>Lenczowski, op. cit., p. 66.
- <sup>57</sup>Goldsborough, James O., "France, the European Crisis, and the Alliance", Foreign Affairs, April 1974, p. 539.
- <sup>58</sup>Kevitz, Eric A., Major, USA, Future Availability of Strategic Raw Materials and Possible North Atlantic Treaty Organization Actions, U.S. Army Command and General Staff College Thesis, 1975, p. 7.
- <sup>59</sup>Tsurumi, Yoshi, "Japan", Daedalus, Vol. 104, No. 4, Fall, 1975, p. 113.
- <sup>60</sup>New York Times, 19 October 1973, p. 61.
- <sup>61</sup>Ibid.
- <sup>62</sup>Okita, Saburo, "Natural Resource Dependency and Japanese Foreign Policy", Foreign Affairs, July 1974, p. 714.
- <sup>63</sup>Momoi, Makoto, "The Energy Problem and Alliance Systems: Japan", The Middle East and the International System, II. Security and the Energy Crisis, Adelphi Papers No. 115, London: International Institute for Strategic Studies, 1975, p. 25.
- <sup>64</sup>Ibid., p. 26.
- <sup>65</sup>The Insight Team, op. cit., p. 478.
- <sup>66</sup>Momoi, op. cit., p. 26.
- <sup>67</sup>New York Times, 23 November 1973, p. 3.
- <sup>68</sup>New York Times, 29 November 1973, p. 1.
- <sup>69</sup>Tsurumi, op. cit., p. 124.
- <sup>70</sup>The Insight Team, op. cit., p. 466. Also see Itayim, Note 71, below.
- <sup>71</sup>Itayim, Fuad, "Strengths and Weaknesses of the Oil Weapon", The Middle East and the International System, II. Security and the Energy Crisis, Adelphi Papers No. 115, London: International Institute for Strategic Studies, 1975, p. 4.

<sup>72</sup>Ibid., p. 2-3. Also see Boutros Boutros-Chali, "The Arab Response to the Challenge of Israel", *The Middle East; Oil, Conflict & Hope*. (Note 35)

<sup>73</sup>Lenczowski, op. cit., p. 68.

<sup>74</sup>Penrose, Edity, "The Development of Crisis", *Daedalus*, Vol. 104, No. 4, Fall, 1975, p. 51.

<sup>75</sup>*Time*, 6 January 1975, p. 8.

<sup>76</sup>Ibid., p. 9.

Chapter 4NOTES

<sup>1</sup>Krapels, Edward N., Oil and Security: Problems and Prospects of Importing Countries, London: International Institute for Strategic Studies, 1977, p. 24.

<sup>2</sup>Sampson, Anthony, The Seven Sisters, New York: Bantam, 1976, p. 298.

<sup>3</sup>Ibid., p. 286-7.

<sup>4</sup>Krapels, op. cit., p. 27. Also, Strategic Survey 1973, London: International Institute for Strategic Studies, 1974, p. 62.

<sup>5</sup>Mikdashy, Zuhayr, "The OPEC Process", Daedalus, Vol. 104, No. 4, Fall, 1975, p. 212.

<sup>6</sup>As of 1975, the members were: Belgium, Canada, Denmark, Germany, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Spain, Sweden, Switzerland, Turkey, The United States, and Great Britain.

<sup>7</sup>Krapels, op. cit., p. 27.

<sup>8</sup>Ibid., p. 28.

<sup>9</sup>Oil and Gas Journal, 10 April 1978, p. 110-1. 7.9 million barrels per day imported as a percentage of the total supply of 16.7 million barrels per day.

<sup>10</sup>Business Week, 1 May 1978, No. 2532, p. 48.

<sup>11</sup>Boutros-Ghali, Boutros, "The Arab Response to the Challenge of Israel", The Middle East: Oil, Conflict & Hope, Critical Choices for Americans, Volume X, Udovitch, A. L., Lexington, MA: Lexington Books, 1976, p. 237.

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