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The 1973 Oil Embargo Arab Oil Diplomacy

Amal Mustafa Shamma

*Western Michigan University*

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THE 1973 OIL EMBARGO
ARAB OIL DIPLOMACY

Amal Mustafa Shamma, M.A.
Western Michigan University, 1980

The Arab oil producing countries, following years of a stalemate in the Arab-Israeli dispute, decided to put their oil resource in the service of the Arab cause using it as an instrument of pressure against the West. Their objective was to induce a change in the Western world Middle East policy and to work toward achieving a lasting and peaceful solution for the Arab-Israeli problem.

The purpose of this thesis is to show that the application of Arab oil diplomacy has been effective into producing a more even handed policy in the area, and into breaking the deadlock in the search for peace.

Chapter I deals with the backgrounds to Middle East oil and the factors that led to the creation of OPEC.

Chapter II discusses OPEC in its early years and then focuses on the early Arab oil diplomacy attempts.

Chapter III examines the oil embargo of 1973.

Chapter IV deals with the effect of the 1973 Arab oil embargo on the Western world and Japan.

Chapter V examines the question of future embargoes and the possibility of American intervention in the area.
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Amal Mustafa Shamma
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If one is to be anybody in the world oil business, one must have a footing in the Middle East.

Jean Paul Getty
CHAPTER I

MIDDLE EAST OIL
THE CREATION OF OPEC

Oil is the most important source of energy available in the world today. Without it the industrial economies of the developed as well as the developing nations will be highly jeopardized. It has become the vein of life that runs through almost every facet of the world in which we live today.

The age of petroleum began when Edwin Drake, an American, struck oil in the State of Pennsylvania in the year 1859. Following its discovery and until the turn of the century, it was mostly used in filling lamps and in some forms of heating.

With the beginning of the 20th Century, the demand for oil began to increase dramatically. The automobile era had just begun. World War I was another development that drew attention to the tremendous importance of oil. "A drop of oil," said Clemenceau, "is worth a drop of blood."¹

The sharp increase in oil usage was specially evident in the U.S. In the post war years a whole new way of

life was formed based on cheap oil. The ability to have cars and to travel cheaply for every individual, abundant inexpensive electricity and cheap heating, all became part of turning the American dream into reality. By the year 1929, the U.S. was using petroleum for one third of its total energy consumption. Twenty years later that figure doubled. Today the U.S. uses one third of the world energy to fulfil its needs.¹

Up until World War I, the United States was relying in meeting its energy needs on oil found inside the country; huge deposits were discovered from the second part of the 19th Century onward. Standard Oil was founded by John D. Rockefeller in 1870. By 1880, Rockefeller's Standard came to dominate the domestic oil industry in the U.S. eliminating virtually all competition. Ruth Knowles writes of the influence of Rockefeller and his Standard:

How Rockefeller achieved his monopoly makes astonishing reading in the light of present-day business ethics and laws. Secret rebates from railroads, extinction of one small company after another, intimidation, bribery, collusion, deception—even his apologists admit his use of all these weapons, and his critics accuse him of far worse.²

Rockefeller's monopoly was not centered on trying to control the oil fields, but rather was evident in his attempts to control all other aspects connected with the industry. Thus he had a firm hold on pipelines, refining, transportation facilities, and the marketing of petroleum. By the beginning of this century, Rockefeller's ambitions turned into monopolizing the world market as well. Thus he ventured into Europe, Asia (oil for the lamps of China) and Latin America.¹ These ventures for global control were undermined by challenges from some European oil companies particularly a joint firm known as Royal Dutch-Shell.

The first World War was undoubtedly the main event that brought about the full realization of the great importance of oil. The big Western powers emerged from the war fully aware of the importance of oil for survival. Herbert Feis, an adviser to the State Department, commenting on the vitality of oil, stated: "That an adequate supply of oil was a vital element in military power, was one of the most easily read lessons of the war."² "The Allies," said Lord Curzon in what became a famous quotation, "floated to victory on a wave of oil."³ Oil was essential for victory in

times of war. It was also just as essential in times of peace. Thus the great competition for the control of oil, wherever it was found, began.

The Middle East was shattered after World War I. The Allies had promised the Arab countries their independence if they revolted against the Ottoman rule and sided with them.

The Allies won the war but their intentions were to keep the region under their control. The Middle East was strategically very important. In addition, oil was discovered in various parts of the area and they wanted to have control over this precious resource.

The Arab countries were divided at the end of the war between the two western powers, Britain and France. Zionism began to be an issue that alarmed the Arab nationalists after the Balfour declaration promised the Jews to establish a homeland for them in Palestine in 1917. Arab nationalism began to gain momentum. As for the big Western powers, namely the British and the French, their immediate concern was to control the Arab countries both politically and economically, in order to ensure their complete access to the oil in the region.¹

In 1901, William D'Arcy, a British engineer, was granted the rights to "search for, obtain, exploit, develop,

and render suitable for trade, carry away and sell natural gas, petroleum, asphalt and ozocerite throughout the whole extent of the Persian Empire. However, when his efforts to strike up oil ended in failure, the British Admirality convinced the British-owned Burmah Oil Company to come to the aid of D'Arcy, thereby enabling the search to continue. The two parties formed a syndicate which became the base for the Anglo-Persian Oil Company, later known as British Petroleum (BP). Later through the efforts of Winston Churchill, the then First Lord of the Admirality, the British Government bought 51 percent of the company's total shares.

American interest in the oil of the Middle East region was perceived with extreme suspicion by Britain. The British were adamant on keeping the Americans out of the oil picture. They considered the Middle East their domain and were determined to keep the competition out.

Around the same time that Britain obtained the Persian Concession, it was able to get its hands over another vastly important oil concession covering the whole region of Iraq. Britain had mandate powers over Iraq which was inherited from the Ottoman Empire and which proved to be one of the richest oil countries in the world.

The French were also siding with the British in try-

\[Ibid.\]
ing to thwart American efforts for establishing a foothold in the Middle East oil regions. The main purpose of the San Remo Agreement which was signed in 1920 between the British and the French was to keep the American oil companies out of the area that was under the British and the French mandate.

To the Americans, this situation was unbearable. U.S. fuels represented 80 percent of the total oil that was needed by the Allies in World War I and thereby its contribution to winning the Allied victory was decisive. The U.S. had helped win the war and it wanted a share of the Middle East spoils. The post war behavior of the French and the British seemed one of flagrant ingratitude. It disturbed the U.S. to see that these powers were using their capacities as mandate powers to prevent American companies from entering the region under their control. The need for more oil was rising in the U.S. Domestically, the oil supplies did not seem sufficient to fulfil the needs for the future. There seemed to be a definite need to rely on foreign oil to supplement the dwindling domestic supplies.\textsuperscript{1} The American navy was converting from the use of coal to oil and the general demand on the national market was increasing rapidly. It was intolerable for the U.S. to be excluded from

what seemed to be the natural outcome of reaping the spoils of the war.

Further, the U.S. feared British control over oil resources and any plans to monopolize them. Such fears were played upon by high British official's statements on this issue. One such statement was a declaration by Walter Hume long, First Lord of the Admiralty, that "if we secure the supplies of oil now available in the world we can do what we like."¹ A British newspaper boasted: "Britain will soon be able to do to America what Standard Oil once did to the rest of the world--hold it up to ransom."²

The American oil companies were not allowed to prospect for oil in the Middle East region. Their continuous efforts were completely in vain. Condemning "this iniquitous carve up"³ of the Middle East area, the companies appealed to President Wilson and to the State Department asking for immediate action.

Commenting on the British position, Wilson noted:
"It is evident to me that we are on the eve of a commercial war of the severest sort and I am afraid that Great Britain will prove capable of as great commercial savagery as Germany

¹Ibid., p. 860.
²quod in Leonard Mosley, Power Play: Oil in the
³Ibid., p. 44.
has displayed for so many years in her competitive methods."¹

The State Department stepped in on behalf of the American oil companies. Refusing to recognize the San-
Remo Agreement, it informed the British that the U.S. would continue to uphold the "Open Door Policy" which is "the broad principle of equality of commercial opportunity"² to all territories acquired in the war. This policy was originally formulated in relation to concessions in China.

Protesting the exclusion of American oil companies from the Middle East area and refusing to accept Britain's monopoly for its nationals in this field, the State Department emphasized equality of treatment for all nations. It cited the fact over and again that Americans had contributed to the Allied powers victory and should not be excluded from a share in the resources under the mandate.

Finally and following many years of diplomatic and commercial negotiations and pressuring from the State Department and American officials, the British and the French gave in. American oil companies were able in 1928, to formally enter the oil-territories of the Middle East, whereby they obtained a 23.75 percent interest in the Iraq Petroleum Company. In 1934, Gulf was able to obtain a concession together with the Anglo-Persian Company covering the

whole sheikdom of Kuwait. In 1936, Standard Oil of California got the oil concessions in Bahrain. Then together with Texaco, Standard managed to get a most important concession that opened up all of the country of Saudi Arabia for them under the name: the Arabian American Oil Company, known as ARAMCO.

The American companies were finally in. Soon after their entry into the Middle East, they acquired larger holdings and bigger operations than those of the British or the French.\footnote{DeNovo, Op. Cit., p. 876.} It was a struggle from then onward, not to let them take over completely.

It was through the State Department efforts that the doors to Middle East oil finally swung open for the American oil companies. This special relationship that existed with the State Department continued over the years. Since that time, the State Department has come to the aid of the companies in trying to secure privileges for them whenever and wherever the opportunity arises. Thus it has intervened on numerous occasions to obtain further benefits for these companies.

This special relationship between the oil companies and their parent country is not unique to the U.S. The relationship between the British oil companies and the French oil companies, and their respective governments...
is also close. The same is true in Italy and Japan.

The oil companies operating on the oil scene today can be divided into two main groups. The first group consists of seven major international companies. By 1970, these seven major companies were controlling close to 80 percent of the world's crude oil.¹

Of these giants, dubbed as the Seven Sisters in the oil business, five are American: Standard Oil Company of New Jersey (Exxon), Texaco, Gulf Oil Corporation (Gulf), Standard Oil Company of California (SoCal), Mobil Oil Corporation (Mobil). One is British: British Petroleum (BP), and one is Anglo-Dutch: Royal-Dutch Shell (Shell). The French Company: Compagnie Francaise des Petroles is sometimes included among the International Companies.²

The second group is composed of around thirty companies referred to sometime as "International Minors." According to Micheal Tanzer, they are called minors,

...depending on whether the stress is on their relative newness or their relative minor positions. The newcomers are primarily U.S. firms such as Standard Oil of California, Phillips Petroleum, Continental Oil, Atlantic Refining, Union Oil, etc.... However, there are also important newcomers from other countries such as .


²Ibid., pp. 35-36.
The entry of the oil companies in the Middle East region was made through concession agreements between the oil producing nations and the oil companies with the blessings and frequent interference of Western countries. Today these concessions have acquired a negative connotation in the Middle East because they were formulated heavily in favor of the concessionaires. They are looked upon as another form of exploitation, of extracting the riches of the underdeveloped nations by the colonial or ex-colonial powers. Many Arab observers argued that these concessions were granted under duress, at a time when these countries were either unsophisticated, weak, or totally subjected to the colonial powers, and could not exercise in any fashion their freedom of action. Quite often the texts of these concessions were ambiguous and unclear. It is only when these countries achieve their independence that they start reviewing the concession agreements only to find they are unjust and exploitative.\(^2\)

Sheikh Mana Saeed al-Otaiba, the Oil Minister of the United Arab Emirates, talks of the way these concessions

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were granted:

The large oil concessions, particularly in the Middle East, were granted under political and social conditions that were unfavorable for the producing countries, since most of them at the time did not exercise full sovereignty rights over their territories or over their natural resources, moreover, the nationals of such countries lacked the knowledge and experience necessary for the proper evaluation of the real value of the oil rights granted. Iraq for instance was threatened with the dismemberment of the Mosul province from its territory unless the government agreed to grant a concession to the then Turkish Petroleum Company, later named Iraq Petroleum Company (IPC).¹

Theodore Moran in his statement before the Church Committee in its investigation of the international oil companies discusses the position of the oil states at the time they grant the concessions:

Initial investments in resource extraction were undertaken with only the most primitive attempts at bargaining. When the international oil companies first approached King Ibn Saud of Saudi Arabia, they were invited to draft their own petroleum legislation.²

According to Moran, governments were ill equipped to judge adequately how much they could get from the companies so "they initially accept terms heavily weighted in favor of the foreign investor."³

²Church Committee Hearings, 93rd Congress, First Session, 1973, p. 299.
³Ibid., p. 297.
When these companies were given the exclusive rights to "search for, obtain, exploit, develop, render suitable for trade, carry away and sell" petroleum as it was stated in the Iranian concession and other Middle East concessions they were actually allowed extraordinary rights and privileges. In the words of a top oil official, these concessions were equated with a "transfer of sovereignty." So vast was the power of the concessionaires that they were able to "topple a government or set up another one."\(^1\)

The terms of these concessions were extremely beneficial to the oil companies. Their duration ranged between 60-75 years and in some cases up to 100 years. The area they covered was enormous. Some concessions covered all the country as it was the case in Iraq, Bahrain and Kuwait. Some others covered the majority of the land as it was the case of Saudi Arabia and Iran. Furthermore, the concession agreements carried no provisions for relinquishing unexplored territories by the companies.\(^2\) It took lengthy negotiations many years later between the oil companies and the host countries before the rights to explore in these territories were given up.

Due to the privileges obtained by the oil companies, the oil countries of the Middle East were unable to par-

\(^1\)Mikdashi, Op. Cit., p. 43,
ticipate in any of the general policies dealing with this vital resource. The companies made the decision as to where and when to explore for oil; it was the companies that decided the rate of development of the oil when it was found and again it was the companies that had total control over prices.¹ In the words of Sheikh Abdullah Traiki, Saudi Arabia's first Oil Minister, the oil companies "treat us like children."²

In 1959 and 1960 the oil companies announced, without prior consultation with the host countries, two cuts in the posted price of crude oil, citing the slumping of oil prices as a reason. The first price reduction of eighteen cents a barrel was announced in February 1959.³ That meant that the oil producing countries in the Middle East would lose about 10 percent of their earnings. Then in August 1960 the oil companies announced a further reduction of 10 cents a barrel, thereby diminishing the income of the oil countries even more.⁴


⁴Ibid., p. 158.
The first price reduction prompted the oil countries to rally their forces in the face of the oil companies. Thus in April 1959, the First Arab Oil Congress met in Cairo, with Iran and Venezuela joining the meetings as observers. During the Congress, several important meetings took place between the representatives of two prominent oil countries, Saudi Arabia and Venezuela. According to Dr. Juan Pablo Perez Alfonzo, Venezuela's Minister of Mines and Hydrocarbons, these informal meetings with Sheikh Abdullah Tariki, the Saudi Oil Minister, led to a secret gentleman's agreement that formed the basis behind the creation of OPEC.\textsuperscript{1} The Congress ended with the passing of a recommendation that was aimed at the oil companies. This recommendation asked that no change in the prices of crude oil should be allowed prior to discussing it with the host countries.\textsuperscript{2}

The second price cut was received with much more fury and seemed to unite the oil producers into a plan to fight back. On September 9, 1960 a meeting was called for in Baghdad at the invitation of the Iraqi government. The five largest oil producers: Saudi Arabia, Kuwait, Iraq (all Arab countries) and Venezuela and Iran attended. According

\textsuperscript{1}\textit{Ibid.}

\textsuperscript{2}\textit{Mikdashi, Op. Cit., p. 32.}
to one Arab observer, Fuad Itayim: "It was quite clear from the start that the price cuts might precipitate the establishment of what some delegate chose to call 'a cartel to confront the cartel.' It had precisely that effect."¹

On September 14, 1960, the delegates decided to form a permanent organization under the name: Organization of Petroleum Exporting Countries (OPEC). OPEC's creation marks the turning point for the oil producing countries in their relations with the oil companies and in their efforts to assume control over their vital resource.

They do not tell us what is going on outside the production phase. They say this is complicated and is the business of the parent companies. They treat us like children.

Abdullah Tariki, 1959

We have formed a very exclusive club.... Between us we control 90% of crude exports to world markets and we are now united. We are making history.

Perez Alfonzo, 1960
CHAPTER II

OPEC IN THE SIXTIES
FIRST ATTEMPTS AT OIL DIPLOMACY

The aims of the newly founded organization were stated clearly by the delegates in their first resolution passed at the meeting in Baghdad:

Members can no longer remain indifferent to the attitude heretofore adopted by the Oil Companies in effecting price modification. Members shall demand that Oil Companies maintain their prices steady and free from all unnecessary fluctuations; Members shall endeavour by all means available to them, to restore present prices to the levels prevailing before the reductions; they shall ensure that if any new circumstances arise which in the estimation of the Oil Companies necessitate price modifications, the said Companies shall enter into consultation with the Member or Members affected in order to fully explain the circumstances.¹

This resolution shows that the objectives of the oil countries were mainly the restoration of oil prices to their level before the reductions were made and the preventing of any further price cutbacks by the companies. The reductions effected by the oil companies undermined the development programs of the oil nations and were leading, according to Sheikh Mana Saeed al-Otaiba, the United Arab Emirates Oil Minister, to a dislocation detrimental

¹OPEC, Resolution 1.1

19
to their economies. The revenues from the sale of oil were and still are the main source of income for the oil countries. As OPEC stated in another resolution, the oil industry was viewed as "having the character of a public utility" upon which depended their development and modernization plans.

The question is asked if OPEC would have come into existence had it not been for the climate that the oil companies had created? In the words of one oil analyst: "Without the price cuts... the Organization of Petroleum Exporting Countries would almost certainly not have come into being at that time." There is no doubt that confronted with the kind of unity that the oil companies displayed on the price issue, the oil nations were forced to unify as well. As one Kuwaiti official commented, "OPEC could not have happened without the oil cartel. We just took a leaf from the oil companies' book. The victim had learnt the lesson."

The membership of OPEC was enlarged to include eight other oil nations. In addition to the original members:

2 OPEC, Resolution IV.32.

The OPEC nations, in their dealings with the companies, opted for the path of individual negotiations instead of collective negotiations. Such strategy was adopted in all the matters that were of importance to the members of OPEC. These matters included the restoration of prices, control of production and the question of royalties. This strategy proved to be faulty since it hardly accomplished anything for the members of the newly founded organization, throughout the sixties. In fact the price reductions were never cancelled. OPEC had later to give up its claim for price restoration altogether. It was not until the 1970, when the oil scene had changed considerably, that OPEC nations were able to obtain better prices for their oil.

On the issue of regulation of production, OPEC noted in its very first resolution that "...Members shall study and formulate a system to ensure the stabilization

of prices, by among other means, the regulation of produc-
tion....\(^1\)

Instead of reducing the level of production and consequently the amount of oil on the market as they had called for in their resolution, the oil nations actually stepped up their production. The introduction of the new independent oil companies (outside the seven sisters) into the unexplored fields of the region, did not help the picture at all. Neither did the national oil companies owned and operated by the oil producing countries themselves. These companies had access to high quantities of crude oil which they turned around and sold to the big companies on the international scene. This policy proved to be damaging to OPEC's main objective of restoring the August 1960 oil prices.

The only country among the OPEC members that was in favor of the idea of prorationing was Venezuela. Its Minister of Mines and Hydrocarbon, Dr. Perez Alfonso, was an advocate of the idea from the time of OPEC's creation. His friend Dr. Abdullah Tariki, the Saudi Oil Minister was also in favor of reducing production even though the Saudi government was not. The rest of the OPEC nation felt that such a policy would be hurtful. They were interested in maximizing their revenues in order to finance their devel-

\(^1\)OPEC, Resolution 1.1.
opment plans. To decrease production could mean jeopardizing these plans, a risk these countries were unwilling or unable to take.

Naturally the major oil companies who were in control of approximately 85 percent of oil exports from the OPEC area, were against any regulation of production.¹ Such a policy would be contrary to their interests. It meant a loosening of their tight grip over the industry and their own operations. In the words of the executive vice-president of Mobil, if such a policy is exercised "...the industry would lose the flexibility and the freedom of choice which it now enjoys."² What is ironic is that while the major American oil companies were showing clear opposition to OPEC prorationing, they were "all supporters publicly of prorationing in the United States."³

Even though OPEC adopted a production program in its Ninth Conference held in Libya in 1965 which asked for "rational increases in production from the OPEC area to meet estimated increases in world demand at equitable price levels,"⁴ the countries involved refused to abide by this program. Two years later, the idea of control over pro-

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²Ibid., p. 124.
³Ibid., p. 125.
⁴OPEC, Resolution IV. 61.
duction as a way "to ensure the stabilization of prices," was shelved indefinitely. OPEC began to channel all its efforts toward the issue of royalty payment.

Royalties were paid by the oil companies to the host countries for the privileges of exploiting their natural resource. OPEC members were getting 12.5 percent of the price per barrel as royalty payment. This amount was looked upon by the oil companies as a credit which was included in the oil governments' 50 percent share of the revenues. In 1962, OPEC adopted a resolution requesting that royalty payments are considered as a cost to be paid to the host governments and not as "a credit against income tax liability."¹

Once again OPEC chose the path of individual country-company negotiations and once again it was proven ineffective. Finally, following two years of negotiations, an agreement that was acceptable to the oil companies was concluded. In this agreement the host countries had to accept certain discounts off posted prices.² Furthermore the oil countries were left with no power to cancel these discounts in the future.³

It was only after the 1967 Arab-Israeli war and

¹OPEC, Resolution IV. 33.
the fear of an energy shortage, that the oil companies aware of their somewhat weakening position, accepted to open negotiations on all allowances and discounts. The Tehran Agreement concluded on February 14, 1971 marked the official end of all company discounts.

OPEC in the first decade of its existence was not a very effective organization. Determined to present itself as an organization of moderation, it earned instead a reputation of weakness.\(^1\) Consequently its various stands and resolutions were not taken very seriously by the major oil companies. Furthermore, the strategy it adopted of conducting individual country-company negotiations, undermined its effectiveness from the start.\(^2\) Failing to present a united front by copying the example of the oil companies, OPEC hurt its own interests.

The ineffectiveness of OPEC in the sixties can also be explained in the attitude of the oil companies toward it. From the beginning, the major oil companies treated OPEC with indifference. They at times even refused to acknowledge its existence. Robert Braun, President of ARAMCO, refused to allow the name of OPEC to be mentioned in the 1962 negotiations that were being conducted with Saudi Arabia on the question of royalty payment. When the

\(^1\)Ibid., p. 191.

\(^2\)Ibid., p. 189.
Saudi Oil Minister, Sheikh Ahmad Zaki Yamani, pressured him to have a meeting with an OPEC committee to discuss this matter, Braun is quoted to have said, "We don't recognize the so called OPEC." ¹

In general the oil companies tried over a period of years to reduce the new organization into a technical body with no real power of its own.

Although the oil companies dealt collectively with the oil governments, they refused to allow the same principle to apply in their dealings with OPEC. Choosing to ignore OPEC, they continued to deal individually with the oil countries, pitting them against each other all the time. ²

Relations between the oil companies and the oil producing nations, members of OPEC, began to improve with the events of the 1967 Arab-Israeli war and the subsequent closure of the Suez Canal. These events changed the picture on the oil scene. First, there was the oil embargo that the Arab oil nations declared against the West following the outbreak of hostilities in the region. Then there was a tremendous rise in the oil transportation rates followed by an increase in the price of petroleum and petroleum products in the world market. By the end of the sixties, the demand for oil was increasing rapidly and there were

first signs of a shortage, world wide, in oil. The international oil market that had remained for so long a buyer's market was slowly becoming a seller's market.\(^1\)

Libya was the first oil country to bring about a successful increase in petroleum prices. According to one observer, "It was Libya that transformed the oil industry."\(^2\) Libya dealt with the oil companies outside the cautious framework of OPEC. Following the same strategy that the companies used all along, Libya dealt with the companies (in its 1970 negotiations) one by one. Demanding an increase in prices, it first reduced its production output and later threatened to take unilateral action if its demands were not met.

The oil companies operating in Libya gave in and other companies had to follow suit in offering similar increases to the remaining oil nations. By 1973, thirteen years following the creation of OPEC, the major oil exporting countries were able to wrest from the international oil companies the role of deciding the price of their natural resource in the light of their joint interests as well as the market forces.\(^3\)


Early Attempts At Oil Diplomacy

The 1967 June war brought about the use of oil as a diplomatic weapon in the attempt to achieve a solution for the Arab-Israeli conflict. This was not, however, the first time that oil was used as a political lever by the Arabs. The principle of using oil in the Arab political struggle can be traced back to 1946, two years before the establishment of the state of Israel, when the call was first made to deny Arab oil to Western countries supporting the Zionist movement in Palestine.

The Establishment of the State of Israel

The theme for the creation of a Jewish home was developed by Theodor Herzl, an influential journalist in Austria, in his book titled Der Judenstaat (The Jewish State) written in 1895. Herzl witnessed the persecution and discrimination against Jews in Europe, and he felt that the only way to solve the Jewish problem would be in the creation of a homeland for them.

Through the successful efforts of Herzl, the first world Zionist Congress met in Basel, Switzerland in August, 1897. The program formulated at the end of the Congress, referred to as the Basel program, declared that "the aim of Zionism is to create for the Jewish people a home in Pales-
tine secured by public law." At the onset of World War I, a very powerful world-wide Zionist movement based on Herzl's vision had fully emerged. The early attempts by Herzl to obtain the support of the German Kaiser and the Turkish Sultan, for the Jewish homeland in Palestine, ended in failure. Following the death of Herzl in 1904, the Zionists under the new leadership of Dr. Chaim Weizmann, a chemistry professor at Manchester and a prominent Jewish leader, turned to the British for support. By 1917, they were able to ally the British government with the Zionist cause. On November 2, 1917, a declaration of sympathy with Jewish Zionist aspirations was made public in the form of a letter from Lord Balfour, the British Foreign Minister, to Lord Rothschild, a prominent Jewish leader. It stated the following:

Dear Lord Rothschild,

I have much pleasure in conveying to you, on behalf of His Majesty's Government, the following declaration of sympathy with Jewish Zionist aspirations which has been submitted to, and apporved by, the Cabinet.

His Majesty's Government view with favour the establishment in Palestine of a national home for the Jewish people, and will use their best endeavours to facilitate the achievement of this object, it being clearly understood that nothing shall be done

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2Ibid., p. 250.

which may prejudice the civil and religious rights of existing non-Jewish communities in Palestine, or the rights and political status enjoyed by Jews in any other country.

I should be grateful if you would bring this declaration to the knowledge of the Zionist Federation.¹

The British occupied Palestine during 1917-1918 placing it under their mandate. This mandate was confirmed by the Council of the League of Nations in July 1922. At the time of the mandate the number of the Jews living in Palestine totalled about 84,000 and the Palestinian Arabs from both Moslem and the Christian faiths numbered about 673,000.²

While the British government was promising the Jews the establishment of a homeland for them in Palestine, it was giving its assurances to the Arab nationalists that Palestine as well as the neighboring Arab countries would be granted their independence as soon as the war was over. Doors were open for Jewish immigration and settlement in Palestine. At the beginning, the number of Jews immigrating was rather low, but after 1933, following the takeover of the Nazi party in Germany and the policy of genocide that Hitler used against the European Jews,


²Quincy Wright, Middle East: Prospects for Peace, Background Papers (Bebbs Ferry, N.Y.:Oceana, 1969), p.4.
the numbers increased dramatically. By 1946, the Jewish population in Palestine grew from approximately 10 percent to about one third of the total population.

The Arab inhabitants were extremely alarmed by this wave of Jewish immigration. This led to unrest and to several riots by the Arab population. in 1939, the British government announced its intentions, in a White Paper, to restrict Jewish immigration to 75,000 over the next five years after which any further immigration would depend on Arab acquiescence. The White Paper also declared Britain's intention to grant Palestine its independence within a decade.¹ The Jewish community opposed this new policy and began a campaign of violence against the British mandate. By the end of World War II, the situation was deteriorating rapidly. On April 2nd, 1947, the British Mandatory government asked the United Nations to make recommendations concerning the future government of Palestine. In August 1947, the majority of the United Nations Special Commission on Palestine recommended the partition of Palestine and creation of an Arab state, a Jewish state and an international trusteeship under the supervision of the U.N, for the city of Jerusalem.

The Arabs were totally opposed to the partition plan, while the Zionist Jews rallied their forces to secure

a United Nations vote in its favor. The Zionists also stepped up their pressure on President Truman to support partition. They were successful in these efforts and the U.S. put all its weight behind the partition plan. On November 29, 1947, the United Nations General Assembly adopted a partition resolution by a vote of 33 to 13 with 10 abstentions and one absentee. In 1947, the Jews represented about one third of the total population, owning around 7 percent of the land, but the adopted partition plan gave them 56 percent of the Palestinian mandate. The Arabs totally rejected the partition resolution and considered it illegal on the basis that "the U.N. did not possess any sovereignty, dominion or power over the land of Palestine which would enable it to partition it or otherwise break up the territorial integrity of the country." Furthermore, the resolution was rejected because it denied the Palestinian Arabs majority their natural right of self-determination.

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5 Ibid.
The whole Arab world rose in protest following the adoption of the U.N. resolution. Violence and demonstrations erupted all over Palestine. Meanwhile the British Mandatory Government was beginning to withdraw from the area. The Palestinian Mandate was terminated by Britain on May 15, 1948. On the same day, the Jews proclaimed the State of Israel. Almost immediately it was recognized by the United States government and a few days later by another big power, the Soviet Union. As a reaction to the Israeli declaration the four neighboring Arab states: Egypt, Transjordan, Syria and Lebanon sent in armies totalling about 20,000 men to assist the Palestinian Arabs. The first Arab-Israeli war had begun. The war proved to be to the advantage of the Israelis as the Arab armies were totally uncoordinated and unprepared for fighting. The Israeli army on the other hand was totally modernized and thoroughly mobilized. The war ended in early 1949 with Israel in control of "a third more territory than the amount allocated to it by the U.N. partition resolution." The remaining part of Palestine passed under Jordanian rule (the Old City of Jerusalem and the West Bank), and Egyptian rule (the Gaza Strip).

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One of the tragic consequences of the events of 1948 was the displacement of 750,000 Palestinian Arabs, from their homes. They fled in panic to neighboring Arab countries where the majority of them have been living in refugee camps up to this date.

The first attempts to politicize Arab oil can be traced back to the events leading to the creation of the State of Israel. The Arab League, aware of the Western support for the Zionist cause and anticipating the outbreak of hostilities in Palestine, passed a resolution in its meeting in Bludan, Syria, in June 1946 which called on the Arab oil countries to deny their oil to the West. However, when the first Arab-Israeli war broke out in May 1948, following the establishment of the State of Israel, the Arab League's decision was not put into effect. The only country that followed through was Iraq. George Lenczowski explains the reason for not implementing the resolution was Saudi opposition. The leaders of Saudi Arabia believed "that a commercial oil operation should be divorced from political considerations." This position can be explained by the fact that the revenues that Saudi Arabia was getting from the

1The Arab League pact was signed on March 22, 1945 and was composed then of Iraq, Syria, Lebanon, Transjordan (later known as Jordan), Saudi Arabia and Egypt.

2George Lenczowski, *Oil and State in the Middle East* (Ithaca, New York: Cornell University Press, 1960), p. 188.

3Ibid.
oil companies were very small and they represented its major if not only source of income at that time.

Nevertheless, this early attempt at Arab oil diplomacy was somewhat successful as Lenczowski explains:

...the interests of the oil companies were affected, in three ways: a) in an outburst of resentment against the American policy (support for the establishment of Israel), Syria delayed ratification of the Tapline convention about twenty months; b) in a gesture of defiance toward Israel and out of solidarity with other Arab states, Iraq stopped the movement of oil by pipeline to the Israeli-held Haifa terminal and caused construction of the parallel line between Kirkuk and Haifa to cease; and c) boycott measures against Israel by the Arab League gradually affected the transactions of a number of oil companies with Israel.1

As a result of the boycott measures, Israel was compelled to build its own refineries and to get its oil from non-Arab countries like Iran and Venezuela.2 The closing of the pipeline by Iraq did not, however, affect Western countries seriously. Western Europe was still very dependent on coal for its energy; oil ranked insignificantly on its energy list.

In the fifties, the picture changed to a great extent. Western Europe was rapidly expanding its industries and oil was becoming more and more one of its major sources

1Ibid.

of energy. Japan had also entered the picture as a major consumer of Arab oil. When the second Arab-Israeli war broke out, following the nationalization of the Suez Canal, a second oil crisis began for Western Europe.

The 1956 Suez Crisis

The Suez Crisis of 1956 began with the nationalization of the Suez Canal by Gamal Abdul Nasser, the President of Egypt. Nasser had wanted to build the Aswan Dam, a project that was going to symbolize Egypt's new independence. It was also a project that was greatly popular for it was going to improve irrigation on the Nile Valley and also develop hydro-electricity as well as control floods. The governments of the United States and Britain had offered to finance the building of the dam partially. The bulk of the money for the project was to come from the World Bank; however, its offer was contingent on the British and the American contributions. Then the American offer, in retaliation of Nasser's recognition of China, was withdrawn abruptly, leading to an automatic cancellation of the World Bank commitment.

Nasser decided to nationalize the Suez Canal after this sudden change of events. Up to that point the Canal was run by an international company, the main interests of which were in British and French hands. By restoring
the Suez Canal to the Egyptian people, Nasser planned to use the revenues to help finance the Dam. On July 26, 1956, this decision was announced by Nasser. And all hell broke loose.

To the Western European countries, nationalization of the Canal seemed to pose an immediate threat. Their economies were becoming at that point very dependent on Middle Eastern oil. Much of the oil that the economies of Western Europe needed was coming from the Middle East and the Far East, through the Canal; a sizeable amount came from the Middle Eastern pipelines. Both these avenues met approximately two thirds of Western Europe's petroleum requirements.¹

Anthony Eden, the then British Prime Minister, describes the energy considerations following the nationalization of the Canal:

We estimated that the United Kingdom had reserves of oil which would last for six weeks, and that the other countries of Western Europe owned comparatively smaller stocks. The continuing supply of fuel, which was a vital source of power to the economy of Britain, was now subject to Colonel Nasser's whim. The oilfields of the Middle East were then producing about 145 million tons a year. Nearly 70 million tons of oil passed through the Suez Canal in 1955, almost all of it destined for Western Europe. Another 40 million tons

¹Harold Lubell, Middle East Oil Crisis and Western Europe Energy Supplies (Baltimore, Maryland: John Hopkins Press, 1962), p. 11.
of oil reached the ports of the Levant by pipelines running through the territories of Egypt's then allies, Syria and Saudi Arabia.¹

Eden and his colleagues, especially the French, feared that the nationalist fervor that Nasser seemed to stir in the Arab masses would spread to the Arab oil producing countries. If that happened, they believed, that the supply of Middle Eastern oil as well as Western influence in general would be in total jeopardy. President Nasser in his own book, The Philosophy of the Revolution, first published in 1954, had been calling to the attention of his Arab brothers the vitality of oil or what he termed "this element of strength" that the Arabs possessed. He wrote:

Oil— a sinew of material civilization without which all its machines would cease to function. The great factories, producing every kind of goods, all the instruments of land, sea and air communications; all the weapons of war... without oil, all would turn back to naked metal, covered with rust, incapable of motion or use.²

The British feared Nasser's popularity and wanted him out. Eden believed that now that the Canal is in Egyptian hands, they "might decide to interfere with its passage. They might also prompt their allies to cut the


pipelines. We had to gauge the implications of bringing oil from the Persian Gulf by the long haul around the Cape of Good Hope."¹ If Britain, according to Eden, were to have a future role in the Middle East region, Nasser had to be ousted.² The decision was made by Britain in collaboration with France to invade Egypt. Israel decided to join in this venture, for it too felt threatened by Nasser and by his advocation of Arab nationalism.

The plan called for an Israeli invasion of Egyptian territories as a convenient pretext for the stepping in of the British and the French.³ The plan went as agreed. On October 29, 1956, Israel invaded Egyptian territories occupying the greater part of the Sinai Peninsula and also the Gaza Strip. Twenty four hours later, Britain and France sent an ultimatum to the belligerents stating that if hostilities do not stop, they would have to step in to separate the two sides and protect the Suez Canal. On October 31, the Egyptians sank a number of vessels in the Canal. The drama on the oil scene had just begun.

The reaction of the Arab countries to the invasion of Egyptian territories ranged from total solidarity to

³Ibid., p. 50.
to cool-headedness. Oil, vital for the two Western European invaders and the most obvious target, immediately came into the picture. It was to be used for the second time as an instrument of diplomacy. Britain had the predominant influence in the Iraqi Petroleum Company, controlling over half of its shares. The French also had substantial holdings in this Company. Pipelines for the Iraqi Petroleum Company (IPC) extended from Iraq to Syria and Lebanon, to their final destinations on the Mediterranean Sea.

The Iraqi government, an ally of Britain and one of the star members of the Baghdad Pact, did not want to jeopardize its relations with Britain and the West. However, in order to quieten its masses who were asking for reprisals against Britain, it announced its refusal to attend the Baghdad Pact meetings until Britain withdrew from Egyptian territory. Syria, on the other hand, reacted with extreme sympathy to the Egyptian plight. Even though it was not an oil producing country, Syria was quite vital on the oil scene since the pipelines went through its territories. Three days following the invasion, the three IPC pumping stations on Syrian land were blown up. As a result, the flow of Iraqi oil to the Mediterranean ports of Banias and Tripoli was halted.

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2 Ibid., p. 325.
Saudi Arabian oil was not yet very vital for the British and the French invaders in 1956. Nonetheless, Saudi Arabia, showing its solidarity with Egypt, "proclaimed an embargo on the shipment of Saudi oil and oil products to Britain and France and a ban on the fueling of British and French ships and all ships carrying oil to these two countries." The United States was not a target of this first Saudi oil embargo, as the American government was playing an even-handed policy in this crisis. The ban of Saudi oil continued until the Israeli forces withdrew from Egyptian territories and from the Gaza Strip in March of 1957.

In another major Arab oil producing country, Kuwait, the government's reaction was rather mild. However, the nationalist elements in the country tried, weeks after the invasion took place, to sabotage oil installations. But the damage was slight and the Kuwaiti oil production was not seriously affected.

The shortage of the oil supplies during the 1956 oil crisis resulted from the blowing up of the IPC stations in Syria which reduced the Iraqi output by 73 percent. It was also due to the blocking of the Suez Canal and the Saudi embargo against Britain and France. These events could have had disastrous effects on the European economies.

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1Ibid., p. 335.

had it not been for the U.S. government. Shoshana Klebanoff
described the American efforts during the crisis:

...the United States assumed full respon-
sibilities for Europe's survival by struc-
turing one of the most extraordinary world-
wide organizations in all contemporary his-
tory. This effort, popularly known as the
"Emergency Oil Lift to Europe," was perhaps
second only to the Marshall plan in the
grandiose scale of its design and the magni-
tude of its operation.¹

Domestic oil production was increased dramatically to meet
European demands. Approximately 150,000 to 200,000 barrels
per day of this new stepped up production were sent to Eu-

²Furthermore, the United States recruited petroleum
and petroleum products from various oil producing countries
in the world for Western Europe's benefit. Tankers were
also recruited to carry petroleum around the Cape of Good
Hope. All these efforts were very successful in withering
away the oil crisis of 1956. Thus the Arab oil embargo
which went on for about six months did not have any serious
impact on Western Europe.

The unity that the Western world showed during this
oil crisis as evidenced by the radical increase in oil
shipment from the Western hemisphere to Western Europe and
by complete co-operation between the oil companies and the

¹Shoshana Klebanoff, Middle East Oil and U.S. For-
²Ibid., p. 130.
governmental agencies to increase oil supplies was contrasted by division and lack of co-operation in the Arab world.¹ Each Arab nation reacted to the crisis individually. There was no planning, unity or co-ordination among the various splits in its camps. Iraq and Syria were not on the best terms. Iraq was further suspicious of Nasser and his nationalistic ideas. Another reason for Arab disunity was the fear of Western retaliation if the supplies of oil were threatened over an extended period of time. The fact that the oil companies were in complete control over the production of oil in the whole Middle Eastern region was another undermining factor for any Arab cohesion in this second attempt of oil diplomacy.²

The 1967 Arab-Israeli War

On June 4, 1967, Israel invaded Egypt and the third round of the Arab-Israeli war unfolded. The foreign ministers of the Arab oil-producing and transporting countries met in Baghdad to discuss the strategy to be followed in this crisis. Nasser had announced to the world that Britain and the United States had joined the Israelis in their attack against the Arabs (Jordan and Syria were also

²Ibid.
drawn into the war). These were false accusations based on erroneous reports that Nasser had received. This belief though seemed to unify the Arabs into a plan to boycott their oil to the West. The decision was reached to "stop the flow of oil to world markets, and to prevent Arab oil from reaching, directly or indirectly, any country which supported or was obligated to support Israel." Following the Iraqi lead, Kuwait, Libya, Algeria, Saudi Arabia and Bahrain announced their oil embargo against Britain and the United States. This was the first time that Arab oil was denied to the U.S. West Germany was later included as it was selling gas masks to Israel during that time.

The subsequent closure of the Suez Canal, this time indefinitely, created another crisis in transportation. What used to be a four day trip for oil to and from Europe became a seventy day trip; oil coming from the Persian Gulf had to be re-routed along the Cape of Good Hope. The costs as a result skyrocketed. Before the June war, the transportation rate was 2.75 $ per ton of oil carried. At the height of the crisis it cost 18.00 $ per ton for the long trip around the Cape of Good Hope.2


At the time of the outbreak of hostilities in 1967, Western Europe's need for Arab oil had increased tremendously as it had almost totally by then replaced the use of coal as a primary source of energy. It looked in the beginning that a major crisis was in the making, but as days went by it became apparent that there was no need for any emergency measures at all. The 1967 oil crisis made only "a slight ripple" in comparison with that of 1956. This can be explained in the fact the Europeans learned a lesson from the shortages during the 1956 crisis. It had served for them as "warning that the disruption of oil supplies from the Middle East at some future date, perhaps over a longer period, could not be ruled out."\(^1\) To reduce their vulnerability a number of measures were taken. These included the stockpiling of large reserves, establishing an alternate source of energy (nuclear power) and the development of alternative routes for petroleum transportation.\(^2\) By the time that the Suez Canal was closed in 1967 the petroleum industry had lost its major interest in this route.\(^3\)


\(^{2}\) Ibid.

The Arab oil nations discovered a few days after the initiation of their oil boycott, that it was not working. In addition to the measures that the Europeans had undertaken to counter this crisis, two major oil producers, Iran and Venezuela, both non Arab countries, were benefitting from the shortages on the world market. Even though these two countries were members of OPEC, they had no intention of joining in the boycott. Instead they stepped up their production at a tremendous rate. The Arab oil states discovered further that they did not have the financial reserves to continue the boycott without oil revenues. According to Leonard Mosley: "Saudi Arabia was the first to feel the pinch acutely.... King Faisal was informed by his finance minister that there was no more money in the till...." and that something had to be done to salvage the situation.

Instead of being used as an instrument of pressure against Western countries, the Arab oil policies in June 1967, caused more damages to the Arab nations in the form of heavy financial losses. According to Sheikh Ahmad Zaki Yamani, the Saudi Oil Minister, the embargo, "hurt the Arabs themselves more than anyone else, and the only ones to gain

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2Ibid., p. 344.
any benefit from it were the non-Arab producers.\footnote{1} For the United States, Britain and West Germany, the embargo was more of an inconvenience than one that caused serious or lasting damages. The U.S. was almost still self sufficient in oil; its total import of Arab oil did not exceed 3 percent of its energy consumption.\footnote{2} The European nations suffered mostly from the increase in the shipping costs of oil along the route of the Cape of Good Hope.

The question of lifting the oil embargo was discussed in the Arabs Heads of State Summit Conference held in Khartoum in August 1967. Only Iraq and to some extent, Algeria, were pressing still for measures against the West. The Iraqis were insisting on a complete shutdown in oil production until Israel withdraws from the newly occupied Arab territories. Israel, as a result of the June 1967 war had occupied the Egyptian Sinai Peninsula, the Gaza Strip, the West Bank and the Old City of Jerusalem which was under Jordanian rule since 1949, as well as the Syrian Golan Heights. The rest of the Arab nations at the Khartoum Conference, realizing that the boycott had been an economic disaster for them, reached a decision to end the embargo. Thus, "Resolution No. 4 declared that pumping oil is an assertion of positive Arab energy, which can be used

\footnote{1}{Middle East Economic Survey, June 7, 1968.}
\footnote{2}{Klebanoff, \textit{Op. Cit.}, p. 219.}
to serve Arab objectives and that it should be resumed.\textsuperscript{1}

The embargo was formally lifted under the new slogan of using oil "positively" as a political weapon. The Arab oil nations agreed that it had been handled very poorly in the 1967 war. Sheikh Yamani talked about the importance of this weapon and the need to use it carefully for "if we do not use it properly, we are behaving like someone who fires a bullet into the air, missing the enemy and allowing it to rebound on himself."\textsuperscript{2} The three major oil producers: Libya, Saudi Arabia and Kuwait, agreed at the end of the Khartum summit to pay an annual sum of 378 million dollars to cover the war losses suffered by Jordan, Egypt and Syria.

Thus this new round of oil diplomacy against the Western countries who were supporters of Israel ended also in failure. Fuad Itayim, a noted Arab expert on oil, analyzes the reasons for this failure:

1. The U.S., the prime target of the Arab oil weapon was immune to the Arab embargo because it was at that time totally self-sufficient in terms of Western Hemisphere oil supplies.

2. The international oil companies did an outstanding job of making up the shortfall in Arab oil supplies to the embargoed countries from other sources.

\textsuperscript{1}\textit{Oil and Gas Journal}, September 11, 1967.

3. No quota ceilings were imposed on production, with the result that no actual physical shortage of oil was created.

4. There was no uniform interpretation of the coverage of the embargo. Some of the North African oil countries did not in fact withhold supplies from West Germany.  

One outcome of the June 1967 oil crisis was the establishment of OAPEC, the Organization of the Arab Petroleum Exporting Countries. In a meeting that took place in Beirut in January 1968, the three conservative Arab oil producers: Saudi Arabia, Libya and Kuwait decided that it was in their interest to form an Arab oil organization that could be used to influence the political behavior of the Western importing countries under the slogan "Oil as a Positive Weapon." Thus OAPEC was created; its Secretariat was set up in Kuwait.

This newly founded organization was not to conflict in any of its decisions or actions with OPEC policies, the founders stressed. There should be no rivalry between the two. Among OAPEC objectives also were the co-ordination of petroleum planning for its members and the promotion of joint economic projects.

The conservative nature of OAPEC did not last long.

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With Qaddafi's coup in Libya, in September 1969, revolutionary tides began to sweep OAPEC. By 1970, the doors were flung open for other revolutionary oil producing countries to join. Membership was expanded to include both oil producing and non-oil producing Arab countries. Today it includes, in addition to the founder members: Iraq, Egypt, Syria, Qatar, Dubai, Bahrain, Abu Dhabi and Algeria. In the 1973 October events was the vehicle behind the planning and implementation of the fourth Arab oil embargo.
We do not want to do anything that will hurt America. But if our new special relationship is to remain viable, the U.S. must not do anything that will hurt us and the Arab world.

King Faisal...
CHAPTER III

THE OIL WEAPON AND THE OCTOBER WAR

The fourth Arab-Israeli war of October 1973 marked a new era with the use of Arab oil as a diplomatic weapon. In the three instances when it was used before, in 1948, in 1956 and in 1967, Arab actions did not achieve notable results in influencing the West to change its pro-Israeli policies. In contrast to the previous instances, the 1973 embargo was launched on a massive scale, was well co-ordinated, decisive, with unified planning and purpose. Further, it was greatly successful in bringing international attention to focus on the issue of the Arab land occupied by Israel since 1967 and the question of the Palestinians.

The motivation behind the use of oil as a diplomatic weapon in the 1973 October war was a very simple one. It was intended "to draw the attention of the world to the Arab cause in order to create the suitable political climate for the implementation of Security Council Resolution 242...."\(^1\)

tories held by it under the armistice line of 1949. Israel was not willing to give up her control over the Syrian Golan Heights, the Old Arab City of Jerusalem, the Gaza Strip and the West Bank of the Jordan and the Egyptian Sinai Peninsula, all seized during the June 1967 war. In fact she seemed to be tightening her grip over them. Moreover, Israel continued to disregard the issue of the Palestinians. The world community seemed to be quite reluctant to apply pressure on the State of Israel for the implementation of the United Nations Security Council 242, passed on November 22, 1967, which stressed the inadmissibility of the acquisition of territory by war and called for the withdrawal of Israeli forces from Arab land occupied in the 1967 war as well as a just settlement of the Palestinian problem. The resolution also called for the respect and acknowledgement of the sovereignty and political independence of every state in the area and their rights to live in peace and security. Arabs felt that their rights were being violated time and again since the establishment of the State of Israel in Palestine in 1948, while the industrialized world looked the other way. In fact, many of the Western countries in general and the United States in particular, were

lending Israel a helping hand. While the Arabs received arms and weapons from the Soviet Union and the East Camp, the level of the sophisticated military aid and equipment given to Israel by Western powers was superior. To the Arabs, such assistance was encouraging Israel in its intransigent attitudes and policies regarding the territories and the Palestinian issues.

The Arabs had a devastating defeat in the 1967 June war. Since then they turned in desperation to King Faisal of Saudi Arabia for help in the hope of using Arab oil as a political lever for the achievement of a just solution for the Arab-Israeli problem. Saudi Arabia possessed the largest reserves of oil in the world and the industrialized Western world including the United States, were becoming increasingly dependent on her for their oil supplies. The Arabs wanted King Faisal to use this unique weapon against the United States which has been for a long time the only power with leverage on Israel. By applying pressure on the U.S., it was hoped the Americans would force Israel into giving up Arab land and into finding a just solution for the Palestinian people.

The Muslim world was also turning towards King Faisal for the liberation of the Arab City of Jerusalem captured by Israel during the 1967 war. For the 6,000,000 Muslims of the World, Jerusalem is considered the third holiest city in Islam after Mecca and Medina. In the early
years of the Prophet Muhammad's teaching, the direction of prayer in Islam (known as the Qiblah), was set towards Jerusalem. It was changed towards Mecca in 624 A.D.\(^1\) In the Islamic tradition it is believed that Muhammad ascended to Heaven from Jerusalem at the time of his "nocturnal journey". First the Angel Gabriel carried him from Mecca to Jerusalem where he prayed at the "Farthest Mosque", Known as the al-Aqsa Mosque. A shrine was built, in the last part of the Seventh Century by an Islamic Caliph, over the rock on which he stood before he was lifted by God to Heaven.\(^2\) This shrine is known today as the Mosque of Omar and also referred to as the Dome of the Rock because of its golden domed shape. In the Islamic tradition, Muhammad's journey to Heaven, known as "al-Israa wa al-Mi'raj" is, of particular importance for in addition to its being a miracle, it established one of the main principles of Islam: the obligation of every Muslim for prayers five times every day.\(^3\) Following his journey and his conversation with God, Muhammad, according to the tradition, returned to Mecca. The ascent of Muhammad to Heaven from Jerusalem is


\(^2\)Ibid.

\(^3\)Ibid., p. 246.
stated in the Koran. It reads:

In the name of God, Most Gracious, Most Merciful.

Glory to (God)  
Who did take His Servant  
For a Journey by night,  
From the Sacred Mosque  
To the Farthest Mosque  
Whose precincts We did  
Bless-in order that We  
 Might show him some  
 Of Our Signs: for He  
Is the One Who heareth  
And seeth (all things).

The resolution for the partition of Palestine passed on November 29, 1947, called for the creation of a Jewish State and an Arab State. As for the City of Jerusalem it recommended the following:

The City of Jerusalem shall be established as corpus separatum under a special international regime and shall be administered by the United Nations. The Trusteeship Council shall be designated to discharge the responsibilities of the Administering Authority on behalf of the United Nations.

However, within a few days following the passing of the partition plan violence erupted in the City of Jerusalem, between the Palestinian Arabs and the Jewish community. This fighting over the control of the city continued until the first Arab-Israeli war, which took place several

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1Refers to the Ka'aba in Mecca.
2Surrah XVII, Ayah 1.
months later, came to an end. When the cease-fire line was proclaimed in 1949, Jerusalem had been partitioned along the same lines of the communal division of the city. The Jewish community had captured the western sector of Jerusalem, while the rest, incorporating the Old City and the Islamic Holy Places, remained in the hands of the Palestinian Arabs. This de facto partition lasted for 19 years when in 1967 Israel captured forcefully the Arab sector of Jerusalem. Since 1967 Israel has "continued to implement its political, legal, economic and demographic plans to integrate this part of occupied Jordan with the State of Israel." 

Following the Israeli capture of East Jerusalem, they began a large scale expropriation campaign of Arab land. Since then they have established Jewish settlements and erected high rise buildings in the Old City. The U.N. has passed several resolutions asking the Israeli government to stop its actions towards changing the status of the city; however, Israel has not abided by them.

The issue of Arab Jerusalem is of extreme importance to the Arabs and to the Muslims all over the world. Even

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2 Ibid., p. 237.
4 See Resolutions 2253 and 2254.
its name in Arabic "al-Quds" reflects this special attachment. It translates into "the Sanctuary" or "the Holy". The Arabs insist on the return of the Old City of Jerusalem to them. Arab leaders have often called for a holy war in defense of the city. King Faisal spoke on numerous occasions as leader of the annual pilgrimage to Mecca and as protector of the Islamic holy places, asking Muslims to "rise to help their religion and defend the holy places" of the City of Jerusalem. The Saudi king reiterated often his wish to pray at the al-Aqsa Mosque before he dies.

Saudi Arabia was becoming increasingly aware of the formidable economic power it held in its hands. Having about 22 percent or 150 billion barrels of the world's known oil reserves, that kind of power translated easily into political power, specially with the world demand for petroleum continuing to climb sharply. Its surplus financial reserves were also climbing steadily, a factor that was absent up to the end of the sixties.

Meanwhile, King Faisal's disenchantment with the United States was continuing to grow. He had been receiving reassurances from the American government for a more even handed policy toward the Arabs. However, it was be-

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coming apparent that the U.S. was not intending to reconsider its special relationship with Israel. Faisal even went to the measure of applying pressure on President Sadat of Egypt to dissociate himself from the Russians in the hope that such a move would bring about American efforts for a solution of the Arab-Israeli conflict. This move was even done, according to an article in the *New York Times Magazine*, upon the suggestion of the U.S:

In the spring of 1972 Washington suggested to Faisal that if he would help persuade President Anwar Sadat to reduce the Russian presence in Egypt, America would press Israel to withdraw from conquered Arab territory. Faisal exorted Sadat accordingly, for this and other reasons Sadat expelled the Russians in July of that year.¹

However, "Nixon ignored this epochal event." And "Faisal felt betrayed."² By 1973, King Faisal was becoming more convinced that the U.S. stand was not about to change unless some kind of pressure was applied on it. The only weapon in the Arabs meager arsenal was their petroleum. Faisal was coming to the conclusion that indeed oil and politics do mix and perhaps very well for that matter.

The oil embargo that was enforced following the outbreak of the October 1973 Arab-Israeli war, should not have come as a surprise to the West for there were many earlier signs. The U.S. only chose to ignore them. On at least

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²Ibid.
three occasions between April and October of 1973, King Faisal revealed his intentions to the United States: The U.S. must pressure Israel or else the oil weapon would be used.

In April 1973, Faisal sent his Oil Minister Sheikh Yamani and his son Prince Saud al-Faisal, to Washington where they met with top officials at the State Department and the Treasury Department. The message they carried that it was impossible for the Saudi government to ignore the interests of its Arab neighbors, and that it would not expand its oil production (which the U.S. had been asking for) unless Washington created the "right political atmosphere" in the area. This meant that the U.S. must change its pro-Israeli stance in this conflict. Following an interview with Yamani, the Washington Post wrote an article titled: "Saudis Tie Oil to U.S. Policy on Israel." It noted:

The Saudis are known to feel under increasing pressure from the radical Arab states and the Palestinian guerrillas to use their oil as a political weapon for pressuring Washington into forcing Israel into a compromise settlement with the Arabs.

These meetings did not bring about any results whatsoever. Yamani later told friends: "It was a dialogue of the deaf." 3

The second time that Faisal linked oil and politics

2 Ibid.
3 Sheehan, Op. Cit., p. 52
was in May 1973 when he told the officials at the American
Arab Company (ARAMCO) that "time is running out" and that
the Americans "will lose everything" if there is no change
in their stand in the Middle East conflict. Further, he
emphasized to the oil executives that "he is not able to
stand alone much longer", as a friend of the U.S. in the
Middle East. "It would be more and more difficult to hold
off the tide of opinion that was now running so heavily a-
gainst America", the King stressed, and "it was up to those
Americans and American enterprises who were friends of the
Arabs and who had interests in the area to urgently do
something to change the posture of the U.S. Government".¹

Washington was informed of the King's remarks imme-
diately. Aware of the seriousness of the situation, the
oil officials asked for a change in the American policy.
Their cable emphasized that "Action must be taken urgently,
otherwise everything will be lost".² The response of the
U.S. government to the urgent cable of the oil executives
stated:

"H.M.(King Faisal) is calling wolf when
no wolf exists except in his imagination.
Also there is little or nothing that the
U.S. Government can do or will do on an
urgent basis to affect the Arab-Israeli
issue."³

¹ Church Committee Hearings, part 7, pp. 504-507.
² Ibid., p. 509.
³ Ibid.
King Faisal reiterated his position for the third time in an interview with Newsweek Magazine on September 10, 1973. In this interview, Faisal stated that it was the United States flow of aid and weapons to Israel that furthers its intransigent position on occupied Arab land and the Palestinian issue. It is therefore the duty of the American government to rectify the situation. "If no American response is forthcoming," King Faisal declared, "we shall view the matter exclusively from the viewpoint of our self interest".1

The United States wanted a significant increase in Saudi oil production from the level of 7.2 million barrels a day in 1973 to 20 millions a day by 1980.2 Saudi Arabia was willing to comply, provided the U.S. created "the right political atmosphere", which meant settling the Arab-Israeli conflict including the Palestinian issue in a "just, equitable way".3 Faisal's messages as well as those of his emissary, Sheikh Yamani, clearly indicated that the Saudis would lower their production level if their demands were not met. Already saturated with oil revenues, the Saudis could well afford to keep their oil in the ground

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where its value could only increase.\textsuperscript{1} The messages further implied that if the situation was allowed to go on much longer, Arab oil could be denied to those countries supporting Israel altogether.\textsuperscript{2}

A few figures on the American scene showed that they heard the Saudis. One such figure was Senator William Fullbright who said while being interviewed on the T.V. program "Face The Nation" that the U.S. should play a more even-handed role in the Middle East conflict.\textsuperscript{3} Otto Miller the chairman of the oil company Socal, was also very concerned. In a letter to stockholders, he stated, "There is now a growing feeling in much of the Arab world that the United States has turned its back on the Arab people".\textsuperscript{4} However, these were only a few scattered hardly heard voices.

The State Department did not take the Saudi threat seriously. Among the American officials, the common response was, "they need us as much as we need them", or "they can't drink the oil", or "Boycotts never work".\textsuperscript{5} Later,

\begin{itemize}
\item[\textsuperscript{1}] Ibid.
\item[\textsuperscript{2}] Ibid.
\item[\textsuperscript{4}] Ibid.
\item[\textsuperscript{5}] James E. Akins, "The Oil Crisis: This Time the Wolf is Here", \textit{Foreign Policy}, Vol. 51, No. 3, (April 1973), p. 467.
\end{itemize}
President Nixon warned that "the Arabs risked losing their oil market if they tried to act too tough".\textsuperscript{1}

Although Saudi Arabia acted as a pacesetter in the 1973 embargo, the pre-October war position of the other Arab nations regarding oil diplomacy, did not differ from the Saudis. In fact, some were even more radical. On May 15, 1973, the 25th anniversary of the establishment of the State of Israel, Algeria, Iraq and Kuwait stopped the flow of their oil production for one hour. Libya stopped it for twenty four hours.

In a meeting held in Kuwait on September 4, 1973, the Foreign Ministers of the OAPEC nations discussed in general the use of Arab oil in the service of the Arab cause. Some of the positions stated were quite extreme: "Iraq, Algeria, and to a certain extent Libya took the position that nationalization or partial nationalization of foreign assets was the best economic/political antidote to continuing U.S. support of Israel".\textsuperscript{2} The position of Saudi Arabia had already been known. It was ready to dissociate itself from the ties it had with the U.S. if the latter failed to create a political climate aimed at settling the Arab-Israeli conflict.

Hostilities erupted between Syria, Egypt and Israel

\textsuperscript{1}Time, January 6, 1975.
\textsuperscript{2}Itayim, Op. Cit., p. 89.
on October 6, 1973. Less than twenty four hours after the war began, Iraq announced the nationalization of American interests shared by Exxon and Mobil in the Basrah Petroleum Company calling its action a blow to "those who support Israel". It also called on other Arab oil-producing countries to nationalize American oil interests in the region in support of the Arab cause.

On October 9, Kuwait called for an emergency meeting of all the Oil Ministers, members of OAPEC, in order to discuss "what role oil might be able to play in the Arab-Israeli war." A conference was convened on October 17, 1973 in Kuwait and was attended by eleven Arab countries: Saudi Arabia, Egypt, Iraq, Libya, Algeria, Kuwait, Dubai, Abu Dhabi, Syria, Qatar and Bahrain. They decided "to make the United States aware of the exorbitant price the great industrial states are paying as a result of the blind and limitless support for Israel." The Communique passed at the end of the meeting stated that it was unanimously agreed to reduce oil production by not less than 5 percent of the September (1973) level, plus a 5 percent reduction per month until Arab occupied land was liberated and the problem of the Palestinian people was resolved.

2 Ibid.
The resolution passed at the meeting stated the following:

Considering that the direct goal of the current battle is the liberation of the Arab territories occupied in the June 1967 war and the recovery of the legitimate rights of the Palestinian people in accordance with the United Nations resolutions;

Considering that the United States is the principal and foremost source of the Israeli power which has resulted in the present Israeli arrogance and enabled the Israelis to continue to occupy our territories;

Recalling that the big industrial nations, help, in one way or another to perpetuate the status quo, though they bear a common responsibility for implementing the United Nations resolutions;

Considering that the economic situations of many Arab oil producing countries does not justify raising oil production, though they are ready to make such an increase in production to meet the requirements of major consumer industrial nations that commit themselves to cooperation with us for the purpose of liberating our territories;

Decided that each Arab oil exporting country immediately cuts its production by a recurrent monthly rate of no less than 5 percent to be initially counted on the virtual production of September, and thenceforth on the last production figure until such a time as the international community compels Israel to relinquish our occupied territories or until the production of every individual country reaches the point where its economy does not permit any further reduction without detriment to its national and Arab obligations.

Nevertheless, the countries that support the Arabs actively and effectively or that take important measures against Israel to compel its withdrawal shall not be preju-
diced by this production cut and shall continue to receive the same oil supplies that they used to receive prior to the reduction. Though the cut rate will be uniform in respect to every individual oil exporting country, the decrease in the supplies provided to the various consuming countries may well be aggravated proportionately with their support to and cooperation with the Israeli enemy.

The participants also recommend to the countries party to this resolution that the United States be subjected to the most severe cut proportionally with the quantities of crude oil, oil derivatives and hydrocarbons that it imports from every exporting country.

The participants also recommend that this progressive reduction lead to the total halt of oil supplies to the United States from every individual country party to the resolution.¹

The decision reached at the conference for an initial cut in production by a minimum of five percent with an additional cut of five percent each month, was moderate compared with the proposals that some of the Arab countries were suggesting. Iraq wanted the nationalization of all American interests in the region. Libya, Algeria and Syria wanted total embargo to the West. After a lengthy debate, however, the more conservative wing led by Saudi Arabia prevailed.² The meeting ended without a decision to impose an embargo against any country. Even though the clause at


² Oil and Gas Journal, October 22, 1973.
the end of the resolution stated that the United States must be subjected to the most severe cut in oil exports and that the progressive reduction in oil supplies should lead to a total halt in Arab oil supplies to the U.S., it was put more in the form of a recommendation than a decision.\(^1\) Saudi Arabia exercised a great deal of pressure on its fellow Arab countries during the conference to avoid declaring an embargo on the U.S. This was intended to give the U.S. time to re-evaluate its position and to react to the Arab demands.

Meanwhile the Foreign Ministers of Saudi Arabia, Kuwait, Algeria and Morocco came as envoys of the Arab world for a meeting with President Nixon and Secretary of State Henry Kissinger in Washington. They were carrying a message from King Faisal and other heads of Arab oil producing countries clearly stating that they "were under mounting pressure from Arab belligerents to use their oil as a lever against the U.S."\(^2\) in retaliation for its support of Israel. However, while the Arab envoys were still in Washington a State Department spokesman announced that the United States was going to continue its military relationship with Israel during this war.\(^3\) In fact a military airlift to Is-

\(^1\) Itayim, Op. Cit., p. 91.

\(^2\) Oil and Gas Journal, October 22, 1973.

rael was already in process, compensating it for losses in the first week and a half of the war.

On October 19, 1973, President Nixon announced that he had asked Congress for immediate military assistance of 2.2 billion dollars to Israel in order "to achieve stability" in the area. King Faisal, therefore, was left with only one option. On October 20, it was announced that "In view of the increase of military aid to Israel, the Kingdom of Saudi Arabia has decided to halt all oil exports to the United States of America."\(^1\)

The massive airlift of jets, tanks, arms and ammunition to Israel while the fighting was still going on shaped the outcome of the war to the advantage of the Israelis. It led President Sadat to say: "I fought Israel for eleven days, but I was not ready to fight the United States."\(^2\) The posture of the United States during the events of the fourth Arab-Israeli war was the main reason behind King Faisal's decision to join the more revolutionary Arab leaders in enforcing an embargo against it.

The enforcement of the cutback in oil production and later of the embargo of oil to the United States was followed unilaterally by all OAPEC nations with the excep-

\(^1\)Itayim, Op. Cit., p. 91.

tion of Iraq. During the Kuwait meeting on October 17, Iraq had opposed the policy of production cutbacks and insisted on punitive nationalization of the interests of those countries that were helping Israel. When the Iraqi delegate failed to get the support of the other Arab oil countries, he withdrew from the conference. From then on, Iraq did not attend any of the OAPEC meetings dealing with this crisis. Iraq followed its own course in using oil as a political lever. Following its nationalization of the American oil interests, it announced the nationalization of all Dutch holdings in the Basrah Petroleum Company, as a "punitive measure against the Netherlands for its hostile stand toward the Arab nation."\(^1\) It then followed the embargo against the countries that were listed in the meetings by the oil ministers, but rejected the policy of cutbacks and supplied the non-embargoed states as usual.\(^2\)

The Saudi government under the direction of King Faisal set a pattern for collective Arab action in the oil policy: first when it formally declared its production cutback measures and second when it announced its oil embargo against the United States. Other Arab oil countries fol-


allowed the Saudi example. Then on October 21, oil shipments to the Netherlands were banned for "its hostile attitude towards Arab rights and its pro-Israeli bias," including allowing its territory to be used for the massive airlift that was taking place from the U.S. to Israel.

Because no uniform method was adopted as to how to treat the deducted crude oil quantities of the embargoed countries, some producing countries found themselves at a big disadvantage. Saudi Arabia and Kuwait treated these quantities incrementally to the general cutbacks, which drove their cutback percentage to over 30 percent. In an attempt to clarify this ambiguity, a second meeting of Arab Oil Ministers was held in Kuwait on November 4-5, 1973. At this meeting it was decided that a common level of reduction for all Arab oil producing countries would be set at 25 percent from the September level. A further additional reduction of 5 percent would follow in December.

One important outcome of the November meeting was a decision to designate as emissaries, the Oil Ministers of Saudi Arabia and Algeria, Sheikh Yamani and Belaid Abdelsalam respectively, to tour major Western and industrialized countries explaining the cutback and the embargo measures to the consuming nations directly. It was hoped that such a move would change Western public opinion in

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2 Ibid.
favor of the Arab cause. The two Ministers had press conferences and meetings with influential groups in the West and in Japan where they explained in detail the motives behind Arab oil diplomacy and their desire for a just settlement for the conflict.¹ Their tour coincided with full page advertisements placed by OAPEC in major Western newspapers explaining Arab action. In the advertisement published in the British newspaper the Guardian, OAPEC states:

The Arabs wish to make it plainly and explicitly known...that this embargo is not intended in any way to castigate the peoples of the countries concerned, with whom the Arabs wish to maintain the closest and warmest friendly relations; but this embargo is indeed directed against the Governments, or those responsible in the Governments, for the anti-Arab policy....²

A similar advertisement was placed in the Washington Post under the headline "Letter To The American People" detailing the reasons behind the Arab policy.

The two meetings held in Kuwait in October and then early November, 1973, outlined the basic boycott policy. Then a series of meetings followed. The purpose of these sessions was to refine the boycott policy. Thus there was a meeting of Arab Oil Ministers in Vienna on November 18, in Kuwait on December 8–9 and again on December 24–25. Another "refining" of the boycott policy was accomplished at

the Arab Summit meeting which convened in Algeria on November 26-28. The decision reached at this meeting was to embargo oil to Portugal, South Africa and Rhodesia for their close collaboration with the Israelis.

By the end of 1973, the Saudis and the other members of OAPEC had divided the countries of the world into three major categories:

1. The most favored or the friendly countries.
2. The neutral countries.
3. The unfriendly countries.

The most favored list of friendly countries included all Arab countries, Islamic countries that import Arab oil, all the African nations that severed their relations with Israel, and also some Western countries like France, Spain, England and later Belgium. These countries were exempt from the cutbacks and the embargo, and oil shipments was to be continued to them as per September 1973 levels.

The unfriendly or hostile countries, who were aiding Israel militarily or otherwise, were embargoed. That meant they were to receive no oil at all. These countries included the U.S., the Netherlands, and later Portugal, South Africa, and Rhodesia. The neutral countries were to receive the oil available after the general cutbacks were applied.

To the Arab oil-producing nations, this categoriza-

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tion was imperative. First they wanted to show their appreciation to the countries sympathetic to their cause by keeping their oil shipments as usual. Further, they wanted to "reply in kind" towards countries that were supporting Israel by denying Arab oil to them. This was done in the hope that such an action would discourage these countries from pursuing pro-Israeli policies in the future. They could not have declared an embargo against the industrial countries since "an embargo to all Western countries would have alienated Western Europe and Japan from the Arab cause." Thus this categorization seemed a logical path to follow.

By December, 1973, the OAPEC nations with the Saudi government acting once more as a pacesetter, showed signs of relaxing their boycott policy. The meeting held in Kuwait on December 24-25 by the Arab Oil Ministers resulted in a decision to reduce the overall production cutback from 25 percent of the September level to 15 percent. Even though it was decided to keep the oil embargo against the U.S. and the Netherlands, the meeting "noted with satisfaction the gradual shift in U.S. public opinion, an appreciable section of which was beginning to understand the true nature of the Arab problem and Israel's expansionist policy." The efforts of the American Secretary of State Dr.

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Henry Kissinger in his "shuttle diplomacy" and his ability to reach an agreement on January 17, 1974 leading to the disengagement of Egyptian and Israeli troops, brought further hope for ending the oil boycott. For weeks, following the disengagement agreement, Saudi Arabia and Egypt began a series of intensive efforts to lift the embargo. They finally succeeded. Thus on March 18, 1974, at the Arab Oil Ministers meeting in Vienna, the decision was reached. Five months almost to the day since the oil embargo was imposed the OAPEC Ministers lifted the ban on oil sales to the U.S. The statement issued by the Ministers noted the change in "...the American official policy as evidenced lately by the recent political events" which "assumed a new dimension vis-a-vis the Arab-Israeli conflict." The statement noted further that:

Such a dimension, if maintained, will lead America to assume a position which is more compatible with the principle of what is right and just toward the Arab occupied territories and the legitimate rights of the Palestinian people.¹

In order to appease the Arab countries who were against lifting the embargo which were Algeria, Syria and Libya, it was agreed that the decision will be reviewed in two months. If meanwhile the U.S. does not put enough pressure on Israel to bring about the separation of the Syrian

and the Israeli forces in the Golan Heights area, then the embargo could be restored. On May 29, 1974, The Syrians and the Israelis reached a troop separation agreement, thereby eliminating the possibility of restoring the embargo.

The restrictions placed on exports of oil, in the form of cutbacks, were all ended beginning June 1974. On July 10, 1974, the ban on oil sales to the Netherlands was lifted. Thus the oil crisis came to an end.

The Arab Oil Weapon: Was It Legal?

The actions of the Arab oil producers in reducing their oil production, discriminating in oil exports and the withholding of oil from the United States and other consuming nations constituted economic measures aimed at restoring control over Arab land occupied by Israel as well as finding a solution for the Palestinian problem.

Questions have been raised concerning Arab actions. Was the Arab oil weapon a justifiable measure, taken in self-defense and therefore consistent with the requirements of international law?¹

Economic warfare is a game that all states can and do play from time to time. The Arab oil policy in the 1973

crisis was far from being a "weapon for blackmailing the West," or a "threat to international peace." Nor was it intended to threaten the "political independence" of the industrial world. Rather it was employed to achieve a solution for the Arab problem, a problem which the international community seemed reluctant to resolve.

It can be argued that the Arab oil embargo did not violate customary international law. The practice of states and no less the United States, reveals many instances where economic measures were used as an element of foreign policy:

The United States Government has used highly coercive economic measures against other states with little regard for the labels attached, ...in both World Wars, the United States participated in massive economic blockade measures which impacted severely upon the targeted populations.

Countries that were considered "adjacent neutrals" like Spain and Portugal were not allowed to receive oil from the U.S. or other major powers during World War II. Thus, economic coercion was used not only by belligerents against each other but also by or against neutrals.

Professor Richard Gardner criticizes the adoption of "an unduly self-righteous attitude" on the issue of oil

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embargo. He states that:

...the United States itself has been one of the worst offenders in using trade controls in ways which have adversely affected other countries. As a result of congressional pressures, the President was given the authority to cut off aid to countries trading with Cuba or North Vietnam.\(^1\)

Professor Gardner gives another example of American use of coercive economic measures by citing the amendments, adopted by the House of Representatives, to the trade bill, "denying Most Favored Nation treatment and trade credits to the Soviet Union and other 'non-market economy' countries until they grant free emigration to their citizens."\(^2\)

This action according to James Boorman "was taken principally on behalf of Soviet Jews who wished to emigrate to Israel."\(^3\)

The Arab oil embargo does not seem to be inconsistent with the Charter of the United Nations either. Article 2 (4) of the Charter states that member states "shall refrain in their international relations from the threat or use of force against the territorial integrity or political independence of any state...." This principle of the illegality of the threat or use of force does not touch


\(^2\)Ibid.

even remotely on the use of economic and political pressure. Taking the words in their common sense meaning, it is clear that the prohibition of the use or threat of force applies only to physical armed force.

The Arab oil embargo was not employed as a threat toward the territorial integrity or political independence of any nation. Its usage seems reasonable and even proper in the course of events during the October 1973 war. To the Arabs, the United States and the Netherlands violated the rules of neutrality and of international law. Neutral states (as the United States and the Netherlands were supposed to be during the October war) should remain impartial towards the belligerents. A neutral state must abstain from providing war materials or weaponry of any kind. Neither does a neutral power allow the transport of war supplies over its territory.¹ Such actions led only to the strengthening of the Israeli military position against the Arab countries during the war.

By declaring the oil embargo, the Arab countries felt they had used their right to employ economic sanctions against countries that violated their obligations of neutrality in the Arab-Israeli conflict. Further, they were exercising their "sovereign right" to use their natural resources in a way that was beneficial to them. This is

in accordance with many U.N. resolutions, the most pertinent of which is resolution 3175 passed just two months after the October 1973 war. This resolution reaffirmed the right of the Arab states to permanent sovereignty over their natural resources including those in lands held by Israel.

Voices were heard in the West, including that of the American Secretary of State Henry Kissinger, denouncing the Arab oil boycott and labelling it "blackmail." George Ball, who was Under Secretary of State in the Kennedy and Johnson Administrations observes the irony in the double standard:

Our outrage at the recent oil embargo, with even Secretary of State darkly muttering about blackmail, has the sour sound of sanctimony in the chancelleries of other nations.

We Americans, after all, have been leading practitioners of economic sanctions to advance our own political-and even moral-policies....

The question that the Arabs ask: Why is it blackmail when they use their oil power to further their own national interests and it is not blackmail when the West resorts to the same measures to achieve its own intended results? If anything, the Arabs have learnt the

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of important resources as instruments of political pressure by copying the example of the West.\footnote{Yusif A. Sayigh, "Oil in Arab Developmental and Political Strategy: An Arab View," in Arab Oil, \textit{Op. Cit.}, p. 258}

Up to the October war, the Arab states were pumping their oil at a much higher rate than their economies required, but it was done to satisfy the interests of the industrialized nations. While OAPEC oil was continuing to flow to the West and to add to its prosperity, Arab demands for a just settlement for their problem were ignored. Their use of the oil weapon represented the last straw after all else had failed. Studying it in the context in which it was used one can easily conclude that the Arab employment of the oil weapon is a proper and a lawful measure aimed at the protection of Arab interests.
Throughout its history, oil has been a political resource par excellence.

Enrico Mattei
CHAPTER IV

IMPACT OF THE ARAB OIL EMBARGO

The use of oil as a political weapon in the October 1973 events came as a blow to the United States, Western Europe and Japan. At the time of the enforcement of the Arab oil boycott, Europe was importing 65 percent of its oil requirement from the Arab world. Japan used 50 percent of its petroleum energy from Arab sources and the United States 10 percent.\(^1\) At the height of the crisis the total cutback in Arab oil production reached almost 4 million barrels a day.\(^2\) This amounted to approximately 20 percent of the September prewar level.

Japan During The Crisis:

Japan vulnerabilities were immediately apparent. In 1973, Japan was importing 99 percent of its crude oil, about half of that amount came from the OAPEC nations. During the crisis, the policy of production cutbacks was applied to the flow of Arab oil destined to Japan. The OAPEC nations decision to impose the gradual cutbacks

\(^{1}\text{Ali, Op. Cit., p. 112.}\)

\(^{2}\text{The New York Times, October 26, 1973.}\)
toward Japan was a result of its self-styled neutrality on the issue of occupied Arab land and the Palestinian problem. When the OAPEC decision was announced, a feeling of panic spread over the country. It was feared that the Japanese industries would be greatly jeopardized. According to one Japanese expert, OAPEC's declaration hit Japan as a "thunderbolt from the blue sky."\(^1\)

Japan looked to the United States for guidance as to the posture it should take, during this crisis. The American Secretary of State Henry Kissinger advised the Japanese government not to give in to OAPEC's pressure. However, rumors were spreading in the Japanese official circles of a Kissinger-Israel conspiracy. The proponents of this theory were convinced that the American leaders were glad to see "the foreign-exchange reserves of Japan and West Germany drained off to the United States via the OPEC nations."\(^2\) Coupled with this theory, was a suspicion growing in Japanese circles, that the American major oil companies were diverting oil destined for Japan to the U.S.\(^3\) Japanese officials began to re-evaluate the country's position independently of the U.S., and in the light of their national self interest.

\(^2\)Ibid., p. 124.
\(^3\)Ibid.
On November 22, 1973, the Chief Cabinet Secretary, Susumu Nikaido, on behalf of the Tanaka Cabinet, issued a statement to the press that meant tilting Japan's neutrality toward Arab demands. The statement called for Israel's withdrawal from all occupied Arab territories and that the "Just rights of the Palestinians, based on the UN Charter," should be recognized and respected. Furthermore, the statement noted that Japan was closely observing the situation, and that its policy toward Israel would be reconsidered in the light of future developments.

However, the Japanese statement did not result in an immediate lifting of the restrictions on Arab oil destined for Japan. The Japanese Deputy Prime Minister was sent on a good will mission aimed at removing the restrictions. This mission was very successful and Japan was put on the list of the "friendly countries" even while the emissary was still in the Middle East.

Japan since the 1973 October war has continued to show support for the Arab cause, and particularly on the Palestinian question. The Japanese permanent representative to the United Nations has often emphasized that "the Palestinian question was central to a resolution of Middle

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2Ibid.
East problems and that there could be no settlement until the Palestinian issue was resolved according to the principles of self-determination under the UN Charter.\textsuperscript{1}

The Arab oil boycott policy of 1973 had led Japan to assume a diplomatic position independent of that of the United States, a position that is more compatible with its national interests and its economic needs. Since the October war Japan has abandoned its previous neutral stand and is pursuing a more active role in trying to reach a just and permanent settlement for the Arab-Israeli conflict.

**The American Response:**

The Arabs directed the force of their embargo against the United States because they firmly believed that Israel's policies toward occupied Arab land and the Palestinian issue could not be maintained without the strong American support it has received over the years. Public opinion generally runs high in the United States in favor of Israel. This does not necessarily stem from the knowledge of the average American of the details surrounding the Arab-Israeli dispute. It is perhaps more of a reflection of the stand that the American government had been maintaining since President Truman put the full weight of

\textsuperscript{1}Ibid., p. 146.
the U.S. behind the establishment of the State of Israel in 1948. In the words of one analyst, "the foreign policy opinions of many Americans are responses to cues emanating from the President and other public officials."\(^1\) Even when the availability of Arab oil is directly coupled with the American support for Israel, the prevailing public opinion is still favorable to the Jewish state.\(^2\)

A lot of the Israeli support in the U.S. seems to be coming from the Congress which has been looked upon as "the bastion of pro-Israel sentiment." One of the most powerful influences on the Congress has been the Jewish or what is sometimes referred to as the "Israeli Lobby." During the October 1973 war and while the U.S. was searching for a solution for ending the war, Senator J.W. Fullbright, said that the U.S. should force Israel into a settlement that was in accordance with Security Council Resolution 242, only to add that because Israeli "influence is dominant" in the Congress, he does not believe it can be achieved.\(^3\) Senator James Abourezk, has also spoken of the dominance of the "Israeli Lobby." According to him, "The Israeli lobby is the most powerful and pervasive

\(^1\)David Garnham, "The Oil Crisis and U.S. Attitudes Toward Israel," in Arab Oil: Impact on the Arab Countries and Global Implications, pp. 297-299.

\(^2\)Ibid., p. 300.

\(^3\)Bryson Op. Cit., p. 263.
foreign influence that exists in American politics.\textsuperscript{1}

In the weeks following the Arab oil embargo, the United States had shown an interest in bringing the hostilities to an end and in pursuing a peaceful settlement in the region. In this policy, oil seemed to be a major constituent in the push for peace in the Middle East. The American Secretary of State, Henry Kissinger, took the initiative during the weeks following the end of the October 1973 war to conduct the disengagement talks between the warring parties. In his highly personalized efforts, or what came to be known as "Shuttle Diplomacy," Dr. Kissinger shuttled back and forth between the capitals of Syria, Egypt and Israel in order to reach troops disengagement agreements in the hope that the Arabs will put an end to their oil embargo against the United States. Since the October war, the U.S. has been trying to play a more even-handed role in the Arab-Israeli conflict. To the Arabs, the American efforts are still far from meeting Arab demands but they nonetheless appear to have "assumed a new dimension" and seem to be a step in the right direction.

On the domestic scene, the response of the American government to the oil embargo imposed by the Arabs, was an appeal by President Nixon to the people of the U.S. to rally

around a "major national endeavor" on the same levels as the projects that produced the atomic bomb and sent a man to the moon:

Let us set as our national goal, in the spirit of Apollo and with the determination of the Manhattan Project, that by the end of this decade, we will have developed the potential to meet our own energy needs without depending on any... foreign energy sources.¹

President Nixon went on to ask the nation to "face up to a very stark act. We are heading toward the most acute shortages of energy since World War II," and called on citizens to use "less heat, less electricity, less gasoline." He called this program "Project Independence" and called on the nation to devote its efforts "in this bi-centennial era" to it with the goal of achieving self-sufficiency in oil by 1980.²

On the international level, President Nixon was also calling for rallying of the forces of the consuming nations to deal with the energy shortage. On January 9, 1974, President Nixon asked the Foreign Ministers of the major oil-consuming nations to attend a meeting in Washington to discuss world energy problems. The purpose of the meeting according to the President, was to "establish a task force" to"formulate a consumer action program." This

²Ibid., p. 924.
program would "deal with the explosive growth of global energy demand" and would "accelerate the coordinated development of new energy sources."\(^1\)

Thirteen Foreign Ministers representing the European Economic Community\(^2\), as well as Japan, Norway, Canada and the United States gathered in Washington on February 11, 1974, in response to President Nixon's invitation. This consumer's conference which was an attempt to strengthen the Atlantic Alliance under American leadership, did not prove to be a success. There had been already a growing rift between the United States and Western European concerning the Arab-Israeli conflict and the conference seemed to intensify it.

At the height of the U.S. airlift of weapons and military assistance to Israel, Western Europe refused to allow the U.S. to lift arms and aid from American military bases on European territories. The only exception among the European nations was the Netherlands whose policy resulted in the embargo of Arab oil supplies destined to it. The European allies felt that the United States perhaps could maintain its pro-Israeli position because the American dependency on oil from Arab states was much less


\(^2\) The European Community (EEC) consists of nine members: Britain, France, Italy, West Germany, Belgium, Denmark, Ireland, Luxembourg and the Netherlands.
significant than theirs. They on the other hand, were highly dependent on Arab oil and had to worry about their oil supplies and the effect that a shortage or an embargo could play on their economies. This rift had even widened further, when President Nixon placed all American military forces on alert on October 25, 1973, in response to what was believed as the Soviet Union's interest in sending Russian troops to the Middle East. The U.S. it seemed, did not choose to consult its allies on this highly sensitive matter. The Western European nations were angered that this situation of a possible American-Russian confrontation was not relayed to them in time.¹ What also contributed to the breach in American-European relations was the fact that Dr. Kissinger's shuttle diplomacy between Washington, Moscow, the Arab and the Israeli capitals, was being conducted without the European allies' consultation.

This strain in the American-European relations was felt during the February 1974 consumers conference. Michel Jobert, the French Foreign Minister, criticized the conference and accused the U.S. of using energy matters only as "a pretext." The real purpose, Jobert stated, was "a political desire by the U.S. to dominate the relationships of Western Europe and Japan."² The French were suspicious

of the American intentions. They believed that "the Washington conference had been called to reassert U.S. leadership over disintegrating alliance affairs, and to create some new interlocking machinery to tie European energy plans and activities to American resources...."\(^1\)

Since the 1974 conference, France has pursued a policy of bilateral agreements with Arab oil-producing countries offering them weapons and technology in exchange for oil.\(^2\) Other European nations have followed the French example. On March 4, 1974, the Common Market countries agreed to:

\[\ldots\text{authorize economic and technical cooperation with 20 Arab states independently of the United States. This action was what prompted President Nixon's outburst in Chicago on March 15. He warned that economic 'hostility' in Europe would bolster arguments in Congress for withdrawing American troops from the continent.}\(^3\)\]

Ironically, the U.S. which seemed shocked at the European countries behavior since it was a sign of defection from the existing alliance, had itself concluded several bilateral agreements with Arab oil-producing countries dealing with trade, investment and technology.\(^4\)

\(^2\)Ibid., p. 70.
The initial reaction in Europe to the Arab oil boycott was one of panic. West European nations depended on Middle Eastern oil for over 65 percent of their total energy consumption. It was feared that European industries would slacken for lack of fuel and the consequences would be a deep recession. Europe was caught off guard and reacted with confusion and inconsistency.

The Dutch government accused Syria and Egypt of breaking the de facto truce in the October 1973 war, whereas the British placed a prohibition on arms sales to the countries involved in the war. When an embargo was declared by the OAPEC nations against the Netherlands, the other European countries refused to come to its assistance. The Dutch government had allowed the U.S. to use its bases in the arms lift to Israel, while the rest of the European countries declined to do so for fear of antagonizing the Arabs. The Netherlands asked its European brethren for help in the form of oil sharing but the British and the French stood firm against such assistance. The French gov-

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maintained that it was the oil producers prerogative to sell their oil to the countries of their choice, and since the French government was interested in maintaining with the oil countries "a confident, balanced and lasting relationship," it could not offer any help to the Dutch government. In England, the response was similar. Sir Alec Douglas-Home stated that it was in Europe's interest to bring pressure on Israel and that its efforts should be concentrated on this path rather than pursuing other channels that could be jeopardizing to European interest.

The German government refused to co-operate publicly with the American arms airlift to Israel, but it is believed that such co-operation was going on secretly. It was only after the Arab-Israeli hostilities ended, that the German authorities strongly protested the loading of American arms on an Israeli ship in the northern part of West Germany.

The Arab oil policy toward Western Europe during the crisis manifested itself in placing a total embargo of oil shipments to the Netherlands and a gradual cutback in oil production aimed at the "neutral countries." In November 1974, the production cutbacks reached 25 percent

2 Ibid., p. 244.
from their pre-war levels, with 5 percent further reduction designated for the month of December. France and Britain were placed on the list of the "friendly nations" and their oil shipments were flowing as usual. The OAPEC nations were hoping that their oil boycott would produce a shift in the European stand toward the Arab-Israeli conflict. This in turn would pressure the Israelis to change their stance.

The reduction of oil supplies to the "neutral" European states and the total embargo on oil shipments to the Netherlands led to a serious situation within the European Community. The Europeans soon became aware of the realities of the oil power and the vulnerability of their own energy supplies. Their reaction was quick. Less than three weeks following the enforcement of the oil boycott, a statement was approved by the Foreign Ministers of the Nine Members of the European Economic Community detailing their position on the conflict in the Middle East. Meeting in Brussels on November 5-6, 1973 (two days following the Arab Oil Ministers announcement in Kuwait of their decision for a production cutback of 25 percent with an additional five percent every month in the future), the European Ministers of the Nine specified their intention as to evaluate the economic and political implications of the October war. Their declaration, however, endorsing U.N. resolution 242 "as a point of departure", dealt solely with
the political implications of the war.\textsuperscript{1} It stated that the Nine Ministers consider that a settlement for the Arab-Israeli impasse should be based on the following:

1. The inadmissibility of the acquisition of territory by force.

2. The need for Israel to end the territorial occupation which it had maintained since the conflict of 1967.

3. Respect for the sovereignty and territorial integrity and independence of every state in the area and their right to live in peace within secure and recognized boundaries.

4. Recognition that in the establishment of a just and lasting peace, account must be taken of the legitimate rights of the Palestinians.\textsuperscript{2}

The resolution did represent a major change in the attitude of the European Community toward the Arab-Israeli issue. To call on Israel to withdraw to its June 4, 1967 borders and to recognize that the Palestinians must be included in the settlement, was a marked shift in the European policies toward the Arabs. The use of oil power definitely resulted in a sensitivity and a speedy reaction among the European countries.

Even though the decision reached was unanimous, it did not necessarily mean that it reflected the national

\textsuperscript{1}Romano Prodi and Alberto Clo, "Europe", \textit{Daedalus} Vol. 104, No. 4 (Fall, 1975), p. 106.

\textsuperscript{2}Quoted in full in Moore, \textit{Op. Cit.}, pp. 1192-1193.
policy of each and every member of the Nine toward the Arab-Israeli dispute.\footnote{Maull, Op. Cit., p. 119.} Some members of the European Community had tried to play a more even handed policy in the area even before the 1973 October war, but not all.

The French policy has been less pro-Israeli and more pro-Arab since the 1967 June war. This policy was originally formulated by Charles De Gaulle, but was maintained by his successors, George Pompidou and the present President Valery Giscard d'Estaing.\footnote{Ibid., p. 120.} Wanting to pursue their own national interest in addition to a desire to play a significant role in the solution to the Arab-Israeli conflict, the French had abandoned their previous pro-Israeli line and adopted a policy of co-operation with the Arabs.

Germany is another country, member of the Nine, that has moved closer to the Arabs. Since the forties, the Germans have displayed a moral commitment to the Jewish state due to the annihilation campaign that Hitler directed against the Jews. However, with the arrival of Willy Brandt to power in 1969, there began a push for good relations with both Arabs and Israelis. The Brandt government interpreted the Security Council Resolution 242 as meaning the total withdrawal of Israeli forces from all Arab territories occupied in the 1967 war, a position which the Arab nations
have always maintained. In the seventies, the German attitude seemed to move from the unconditional support it lent to Israel in virtually all its policies, to a firm support for its existence but not necessarily based on the extended boundaries that Israel now controls.¹

Britain has also shown a shift toward meeting Arab demands. During the American airlift to Israel at the height of the October war, Britain declined the use of its bases to the Americans in their airlift to Israel. It also declared an embargo on deliveries of arms and spares to all parties involved in the fighting. This shift toward a better understanding of the Arab position seems to continue with the present government of Mrs. Margaret Thatcher.

On the other hand, Holland has maintained its pro-Israeli policy over the years. During the 1973 October war events, the Dutch government followed a policy of high inconsistency. At first, it condemned the Syrians and Egyptians for violating the de facto truce following the outbreak of the hostilities. Later, it was among the members of the European Community that called upon the Israelis to withdraw from Arab land; it also sent Dutch envoys to the Arab oil-producing nations in the hope that

¹Ibid., p. 122.
the oil embargo enforced against it would be lifted. The ban on oil sales to the Netherlands lasted approximately nine months before it was lifted.

The reaction in the Arab oil-producing nations to the European Community statement was very favorable. The EEC new stance marked "a point scored by collective Arab oil diplomacy."¹ In response to the European gesture, the Arab Oil Ministers meeting in Vienna on November 18, suspended their decision (taken two weeks earlier) to cut back the supplies of oil destined to Europe by an additional 5 percent. Then in December, the total percentage cutback was reduced from 25 percent to 15 percent. Upon ending the embargo to the U.S., the OAPEC nations decided to resume meeting the petroleum needs of each of Italy, Belgium and West Germany, in full. This decision meant that they were reclassified among the "friendly countries" in appreciation for the position they took during the war.

The growing dependence on Arab oil has forced the European states since the 1973 crisis to become more involved in the Arab-Israeli dispute and to try to reach a solution that would lead to a lasting peace in the Middle East. During their June Summit this past summer in Venice, Italy, the Nine Members of the European Community initi-

ated an audacious Middle East proposal for a settlement of the Arab-Israeli conflict. The European declaration on the Middle East stated:

...the time has come to promote the recognition and implementation of the two principles universally accepted by the international community: the right to existence and to security of all the states in the region, including Israel, and justice for all the peoples, which implies the recognition of the legitimate rights of the Palestinian people.

Also:

A just solution must finally be found to the Palestinian problem, which is not simply one of refugees. The Palestinian people which is conscious of existing as such, must be placed in a position by an appropriate process defined within the framework of the comprehensive peace settlement, to exercise fully its right to self-determination.

Also:

The achievement of these objectives requires the involvement and support of all the parties concerned in the peace settlement which the Nine are endeavoring to promote in keeping with the principles formulated in the declaration referred to above. These principles apply to all the parties concerned, and thus the Palestinian people and to the Palestinian Liberation Organization, which will have to be associated with the negotiations.

In addition, the declaration noted:

The Nine recognize the special importance of the role played by the question of Jerusalem for all the parties concerned. The Nine stress that they will not accept any unilateral initiative designed to change the status of Jerusalem and that any agreement on the city's status should guarantee freedom of access of everyone to the holy places.
The Nine stressed further:

...the need for Israel to put an end to the territorial occupation which it has maintained since the conflict of 1967, as it has done for part of Sinai. They are deeply convinced that the Israeli settlements, as well as modifications in population and property in the occupied Arab territories, are illegal under international law.¹

This new EEC position signalled according to the *London Times*, "a historic shift" in European policy toward the conflict by bringing the Palestine Liberation Organization into the picture of a lasting peace in the region.²

This bold declaration was met with strong criticism from the United States. President Carter was unwilling in an election year to pressure the Israelis for concessions on Palestinian rights and on giving up the rest of occupied Arab land.³ He was still putting his full support behind the Camp David Accord signed between Israel and Egypt last year. To the Europeans, the Accord did not result in a significant break in the search for peace in the region. The new initiative independent of the American position, reaffirms the deep fissure between the U.S. and Europe brought about partly by the advent of Arab oil diplomacy.

¹ Text was printed in full in the *New York Times*, June 14, 1980.
We are capable of increasing oil production...but we have demands in return for that. First and foremost, we want the United States to throw all its weight into the process of reaching a just settlement of the Middle East crisis.

Crown Prince Fahd,
Saudi Arabia
CHAPTER V

CONCLUSION

The Arab oil embargo has been clearly successful in breaking the stalemate over occupied Arab land and the Palestinian problem. The question is often asked if there would be another oil embargo by the Arabs in the event of another war? All indications seem to show that this would be the case. It is doubtful that the European Community members would be subjected to such an embargo in the event of its happening. The target will be mainly the United States as many in the Arab circles feel that the U.S. has not put nearly enough pressure on Israel since 1973. Even if the conservative Arab leaders of some oil-producing countries are reluctant to declare another embargo, they might have to yield to the growing pressure of the masses inside their countries as well as to the pressures from the more revolutionary Arab oil-producing countries. Lately, voices are being heard in the Arab world raising the possibility of using Arab oil in the 1980s as a political lever to pressure the U.S. on Arab Jerusalem, the occupied territories and the Palestinian problem.¹ Such voices


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are often heard in such Arab oil countries as Libya and Iraq and must be reckoned with.

The possibility of another Middle East war is very real. In spite of the American role in the Camp David Agreement and its active participation in bringing the Egyptian and the Israelis together, Arab circles still feel that the United States is still maintaining its "special relationship" with Israel. The Camp David Accord has been rejected by all Arab countries with the exception of course, of Egypt, the only Arab country to enter into peace negotiations with Israel. To the Arabs any agreement for a permanent and lasting peace will have to include the very sensitive issue of the Old City of Jerusalem, the rest of occupied Arab land, and the Palestinians. The Camp David Agreement falls short of meeting these objectives. In fact this Agreement has so angered the Arabs that it has been termed another "Balfour Declaration."

In the case of a renewed round of Arab-Israeli war, The American government is likely to once more extend its support to the Israelis. This is in turn will most likely lead to another oil embargo against the U.S. With the surfacing of the oil weapon once more, the question is asked: Will the United States resort to force to ensure its accessibility of Arab oil for its fueling needs?

At the height of the October 1973 oil crisis, the American Secretary of State Henry Kissinger, affirmed on
November 21, 1973, that the United States would not submit to Arab pressure. Threats of a military takeover of the Arab oil fields were sent in a subtle but unmistakable language. Kissinger stated that if the Arabs "attempt to deal with us by making a series of specific demands, backed up by economic pressures," then the U.S. will resist. Furthermore, if the "pressures continue unreasonably and indefinitely," the U.S. will consider counter-measures, the Secretary of State stated.\(^1\) The reaction of Saudi Arabia was swift and firm. The Saudi Oil Minister, Sheikh Yamani threatened that if the U.S. takes any counter-measures, Saudi Arabia would escalate its production cutback from the 25 percent that was enforced at the end of November 1973 to 80 percent of its total oil production. He went further to say that if the U.S. resorts to a military invasion, then the Saudis would immediately blow up their oil fields.\(^2\)

Two years later, Kissinger reiterated his threat. In an interview with Business Week Magazine, he responded to a question on possible American intervention against the oil producers by saying: "This would be a very dangerous course." Then he added: "I am not saying there is no circumstance where we would not use force. But it is one

\(1\) The Economist, December 1, 1973.

\(2\) Ibid.
thing to use it in the case of a dispute over price and it's another where there is some form of strangulation of the industrial world."¹

The remarks of Dr. Kissinger were picked up by experts and analysts all over the country. Articles were written in Commentary and Harper Magazines, about seizing Arab oil, and the best way to do it. In his article in Commentary, Robert Tucker, a Professor of Political Science at John Hopkins University, stated that the question of the feasibility of military intervention should be considered by the U.S. and not ruled out automatically. He argues a case for the taking over the 400 mile strip that "extends from Kuwait down along the coastal region of Saudi Arabia to Qatar. It is this mostly shallow coastal strip...that provides 40 per cent of present OPEC production and that has by far the world's largest reserves."²

In answer to the possibility that the Arabs would blow up their oil fields, Professor Tucker stated that this is not a major deterrent since American technology could bring them to a working order in a few weeks.

This same argument representing the proponents for the use of military power to counter oil power, was reflect-

¹ Business Week, January 13, 1975.
ed in the Harper's Magazine article titled: "Seizing Arab Oil: A Blueprint for Fast and Effective Action."\(^1\) It is believed that the author of this article using an assumed name was actually detailing a plan prepared by none other than the Pentagon itself. The goal detailed in this article is not only to seize Arab oil but to also break OPEC.\(^2\) The area suggested for takeover is the Saudi oil fields since "fortunately, those fields are not only prolific but are also concentrated in a small area...."\(^3\) The author continues by giving a blueprint for the strategy and tactics that should be employed in this venture that in his words "must be done."

The reaction of the Arab world to these threats was one of anger and condemnation. Oil producers vowed not only to destroy their fields but to also fight back against any foreign invasion.

Rather than consider the possibility of another oil embargo and the possibility or the practicality of an American military intervention, perhaps the U.S. efforts should be directed toward putting forth intensified efforts in search for peace in the Middle East. There is no doubt

\(^{1}\text{Miles Ignotus, "Seizing Arab Oil: A Blueprint for Fast and Effective Action," Harper's, March, 1975.}\)

\(^{2}\text{Ibid., p. 50.}\)

\(^{3}\text{Ibid., p. 51.}\)
that the situation is highly explosive and hostilities could erupt at any time bringing with them another round of problems and hardship for every one in the region.

In political terms, Israel has become isolated even among its traditional allies. With the United States excluded, the Jewish state is running short of friends nowadays. The question that is asked in the Arab world as well as in many European countries: Is the Israeli government headed by Menahim Begin interested in reaching peace with its Arab neighbors or is it more working toward another round of hostilities in the region?

The Israeli actions as far as building more Jewish settlements on occupied Arab land and the recent annexation of Jerusalem, declaring it the "undivided capital of Israel," have led to sharp criticism from friends and foes alike. From December of last year, the Israeli intentions toward the "united Jerusalem" position became clearer; the Israelis began a move toward seizing 350 acres of Arab land in order to build a road in north Jerusalem. Then later in March 1980, with what the Christian Science Monitor called "a sense of timing that had American negotiators banging their heads against Washington walls," Israel announced its intention to take also about 1,000

1 The Christian Science Monitor, August 5, 1980.
2 Ibid.
acres of predominately Arab owned Jerusalem land in order to build a new settlement.\textsuperscript{1} The passing of the bill in the Israeli Knesset on July 30, 1980, declaring Jerusalem as "united" and the "eternal capital" of Israel has led to a further isolation of the Jewish state.

Israel's actions are also leading to a growing worldwide support for the Palestinians. On July 22, 1980, the U.N. General Assembly passed a resolution calling on Israel to begin an unconditional withdrawal from the occupied Arab territories by November 15, 1980 and for the formation of a Palestinian state. According to the Christian Science Monitor, Israel is making a grave mistake by following these policies. It noted: "The more stubborn Israel's policies become, the more certain it can be of its own growing isolation- and of mounting world support for the Palestinians."\textsuperscript{2}

The situation in the Middle East today is a highly dangerous and explosive one. If left unresolved it may push the region and perhaps the whole world into total destruction. In all probability, Arab oil will play a major role if another war erupts. Oil and politics have become inseparable and are likely to continue to be so. The Western dependence on Arab oil is at an all times high, especial-

\textsuperscript{1}Ibid.
\textsuperscript{2}The Christian Science Monitor, July 31, 1980.
ly following the Iranian revolution and the disruption of the Iranian oil exports. If enforced again, the oil weapon would still not be used as an instrument for blackmailing the U.S. but rather in the interest of solving the Arab-Israeli problem. When used in 1973, the Arab oil weapon was not aimed at the disruption or the causing of irreparable damage to the industries and the economies of the West. Rather, it was enforced somewhat in resignation and even perhaps in sorrow, after all efforts for drawing the world attention to the seriousness of the problem, had failed.

In assessing the effectiveness of the Arab oil embargo as it was employed in the October 1973 events, one can easily say that it was markedly successful. It has induced Western Europe and Japan to abandon their previous positions and to seek more active roles in the solution of the Arab-Israeli conflict. Even in the U.S., more and more voices are calling for a solution that would take into account all the parties involved, a solution that would be just and acceptable to everyone in the region.

The use of Arab oil as a political weapon was meant to draw the attention of the world to a threat as well as an opportunity. The opportunity to build a peace that is lasting and just, or the threat of leaving the situation as it is and perhaps engulfing the world, sooner or later in catastrophe.
The role of oil and politics to the Arab oil producers has become intertwined. Since by supplying their oil, at a rate much higher than their own interest dictates, they are enhancing the economic and political power of the West, the Arab oil nations expect some co-operation in return. The Arabs will continue using their oil power for political purposes until the Arab-Israeli problem is solved.
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