"All the Crises Reached a Concerted Crescendo" - The Arab Oil Embargo and Why the United States Was Unprepared for It

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“ALL THE CRISES REACHED A CONCERTED CRESCENDO”
-THE 1973 ARAB OIL EMBARGO AND WHY THE UNITED STATES WAS
UNPREPARED FOR IT

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"ALL THE CRISIS REACHED A CONCERTED CRESCENDI"
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Table of Contents

Chapter 1: “American oil companies are, for all practical purposes, instruments of our foreign policy.” .................................................................................................................................................. 3

Chapter 2: “We attached little importance to [OPEC] because we believed it would not work.” .................................................................................................................................................. 16

Chapter 3: “Preservation of stability and status quo” ................................................................................................................................. 29

Chapter 4: “General atmosphere was attentiveness and acknowledgment…but a large degree of disbelief that any drastic action was imminent.” ........................................................................................................ 41

Chapter 5: “To seek a direct confrontation with OPEC may have a damaging effect upon the world economy.” .......................................................................................................................... 58

Chapter 6: October 1973- “We knew everything but understood too little.” ................................................................................................. 67

Conclusion: “We had to stop depending on crude oil for economic growth. We had to wean ourselves away.” .................................................................................................................................................. 92

Bibliography ........................................................................................................................................................................................................ 99
During the 2008 spike in oil prices, oil companies and government officials were brought under close scrutiny as many Americans began to question why prices were able to rise so quickly. Americans had become accustomed to living in an economy where cheap oil was the norm, and demanded answers when that situation changed. What most of them did not know is that they were repeating history and mimicking the response to the 1973 oil embargo. Just as in 2008, the United States faced a crisis in 1973 with which it was unprepared to effectively cope. This thesis analyzes the reasons for and consequences of this lack of preparation in 1973 drawing on the writings of major policy makers and leaders of the time, most notably Henry Kissinger, Anwar el-Sadat, and Richard Nixon, Senate hearings testimony, recently declassified government documents detailing plans for U.S. invasion, and contemporary newspapers which recorded public perception. I argue that decades of living with cheaply priced oil, an over reliance on multinational corporations and a lack of understanding of Middle Eastern resentment toward these oil companies, combined with a fundamental misunderstanding of how oil and politics could be linked brought the United States to the ultimate near-decision of invading the Middle East.

The 1973 oil embargo brought the United States face-to-face with the consequences of reliance on foreign oil and with the hardships that resulted from it. The United States had relied on oil companies to manage their interests in the Middle East for decades but in 1973 the situation changed forever. I close by considering the ongoing deep ties between the United States and the Middle East that are present still. The same problems that existed in 1973 exist today, and until those are corrected the United States and its economy will be deeply tied to the Middle East and to events in the region.
Introduction: “To the detriment of both our economy and our security”\(^1\)

**Crisis On The Doorstep**

On October 17, 1973, President Richard Nixon and his Secretary of State, Henry Kissinger, met with the foreign ministers of four Arab countries. Led by the Saudi Foreign Minister, Omar Saqqaf, the Arab statesmen discussed their concerns about the ongoing war between Israel and several Arab states. Both parties discussed common ground and President Nixon pledged that he would work and exert his influence in order to carry out United Nations Resolution 242, a resolution passed following the Six Day War in 1967 after Israel defeated its Arab neighbors that called for Israel to return to its pre-1967 war borders. They also discussed the U.S. airlift of supplies to Israel during the current Yom Kippur War between Israel and several Arab nations led by Egypt and Syria, which Nixon stressed was not anti-Arab in nature. Finally, Nixon offered Kissinger to act as lead negotiator between Israel and the Arabs in order to reach a ceasefire. After the meeting, which was deemed cordial and productive by the Americans, Kissinger remarked to his staff that he did not think that the Arab countries would use their valuable resource, oil, as leverage against the United States.\(^2\)

Halfway around the world, another meeting took place at the same time. The members of OAPEC, the Arab countries of the Organization of Petroleum Exporting Countries (OPEC) plus Egypt and Syria, had assembled to discuss strategy. Gathered in Kuwait City, the Arab oil ministers were contemplating using their oil as a weapon in

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their war. However, this weapon would not be used against their adversary Israel, but against those countries that supported Israel, particularly the United States. A plan was proposed by Iraq, one of the most radical Arab nations in that they were critical of the economic ties between other Arab nations and the West, which would declare all-out economic warfare on the United States. This proposal included nationalizing all American-owned businesses in the Arab world, withdrawing all Arab deposits from American banks, and cutting off all oil shipments to the United States and any other country that supported Israel. The other Arab nations resisted this plan, believing it was too extreme and would severely jeopardize their economies, and instead settled on a modified embargo under which they would cut production five percent from the level produced in September. Following that cut, supplies would be reduced an additional five percent every month until Israel returned to its pre-1967 war borders. All of the parties present adopted a secret resolution that declared that the United States should be subjected to the most drastic cuts with the end result being the total stoppage of oil shipments to the U.S. by all of the nations present. The embargo was officially announced by OAPEC on October 17, 1973.3

The embargo was a very shrewd plan. If one country in particular had been embargoed and its oil supplies cut off, oil from non-OPEC countries could be diverted to make up for the shortages, exactly as had been done when oil embargoes had been implemented by Arab nations in 1956 and by OPEC in 1967. However, if the total supply of oil on the market was reduced, and then different amounts were sold to different nations, prices would rise and uncertainty would prevail around the world. If the prospect of continued cutbacks loomed and shortages persisted, rivalries would

3 Yergin, Prize, 607-08.
develop between countries as they sought to secure oil for themselves, even if it meant forsaking their allies. From the beginning, therefore, OAPEC sought to divide the industrialized nations and turn them against one another. With the cutbacks in place and the commitments of the oil-producing nations to maintain the embargo, the oil crisis had begun.\(^4\)

The story of how the United States found itself in this predicament in 1973 began over one hundred years before. From the humble beginnings of the oil industry in the United States in the 1870s through its expansion to a multibillion-dollar industry by the middle of the 20\(^{th}\) century, oil had become one of the most prized resources on the planet. It became the fuel of choice for the world’s industries as well as the reason so much attention was focused on the Middle East, where oil reserves abounded. By 1973, the United States had become reliant on cheap imported oil from the Middle East for the continuation of its economic growth, and when the supplies were cut off with the embargo, the United States was left unprepared to deal with the crisis that it left in its wake. They were now faced with an embargo that could severely jeopardize its interests both domestically and internationally, and, as oil officials claimed, act, “to the detriment of both our economy and our security.”\(^5\) The United States scrambled to change the situation that years of complacency towards the Middle East had created. No option was off the table for dealing with embargo, even armed invasion at a time when confidence in the military was badly shaken due to the Vietnam War. The range of options considered reveals just how completely the United States was caught off guard by the embargo, and how mightily they had to struggle to cope with it.

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\(^4\) Ibid., 608.
\(^5\) Sampson, *Sisters*, 300.
Why was the United States so unprepared to deal with an oil shutoff? It certainly should not have been, as it was no secret that the U.S. was meeting its energy needs by depending on ever-increasing amounts of imported oil, oil that was controlled largely by OPEC. OPEC, which had been dismissed by U.S. policymakers at its inception because they believed the oil-exporters could never organize or survive without western markets, had steadily grown in power and confidence since the mid-1960s as they took greater control of the oil supply. Even with the emergence of OPEC as a force capable of blocking oil shipments, the United States largely ignored the problem. They believed the Middle East and the Arab countries could be controlled as they always had been by a combination of the business dealings by the major oil companies such as Exxon and Shell, and U.S. pressure, economic, diplomatic, and if necessary, military.

However well U.S. policy had succeeded in maintaining the oil supply before 1973, it failed when the Yom Kippur War erupted. It failed due to many reasons, including the heavy-handed practices of large oil companies and the backlash it caused, an over dependence in the U.S. economy on imported oil, the refusal by the government to take OPEC seriously or act as a check to its growing power, the lack of a cohesive and comprehensive energy plan, faulty intelligence leading up to the war, the lack of foresight by U.S. policymakers as to the way in which politics and oil could be effectively linked, and the belief that the United States could always enforce its will in the Middle East. These mistakes caused great confusion and hardship for the American people, and forced them to deal with the reality that even as a superpower, the United States was tied to developments in a region halfway around the world, and that the cheap oil that they had grown accustomed to was controlled by Arabs, thousands of miles away.
Chapter 1: “American oil companies are, for all practical purposes, instruments of our foreign policy.”

Keepers of the Oil

The intersection of the energy needs of the United States and politics in the Middle East had its beginning in the late 19th century as oil came into prominence and the public mindset when it was found to be useful as both a lubricant and as a source of light. As time passed and its advantages over coal as a brighter and cleaner illuminant became more widely known, oil wells were dug in Pennsylvania and Ohio. Oil, and particularly kerosene, became a cheap and easily transported source of illumination for the country. In the 1870s, the Standard Oil Company under John D. Rockefeller grew into the powerful entity that effectively controlled all aspects of the oil business in the United States. Standard Oil devoured its rivals and soon came to be synonymous with the exploration, drilling, refinement, transportation, and sale of oil to the American public.

Across the ocean, two major companies came to dominate the oil business in Europe; the Royal Dutch Petroleum Company and the Shell Transport and Trading Company both out of the Netherlands.

Standard Oil operated without government restrictions until 1890 when the United States government passed the Sherman Antitrust Act, which struck at the heart of Standard Oil’s monopoly of the oil business. After years of litigation, the U.S. Supreme Court broke up the company in 1911 into thirty-four independent companies, several of which merged and became heavyweights in the industry. The most powerful of the spin-offs, Standard Oil of New Jersey, Standard Oil of New York, Standard Oil of California,

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1 Ibid., 148.
2 Ibid., 28-29.
3 Ibid., 56.
4 Ibid., 33.
Gulf Oil, and Texaco, along with the British Anglo-Persian Oil Company and Royal Dutch Shell (after the two independent companies merged), became known as the Seven Sisters. Collectively, the Sisters controlled the vast majority of the oil business worldwide and became the intermediaries between the producing nations and the consuming nations throughout the twentieth century. They wielded enormous power on the prices and availability of oil globally, and became some of the wealthiest companies in the world.⁵ These companies effectively controlled the Middle East and the oil business with the approval of Western democracies, until their heavy-handed tactics led the region to rebel by forming its own cartel.⁶

**Oil and the Military**

The true importance of oil became more apparent to world policymakers near the turn of the twentieth century as oil emerged as a more mainstream source of fuel for naval vessels. Some men in Britain, most notably Sir Marcus Samuel the founder of Shell, began agitating for the British Navy to switch from coal-burning ships to oil-burners. Many naval officers were skeptical of Samuel, who they suspected of being more interested in profit than in the improvement of the navy, and were especially concerned because, as of 1900, no oil had been discovered within the British Empire. They feared a switch to oil, without a secure source of it, would put the British Navy at the mercy of its suppliers. This was in stark contrast to the plentiful coal reserves that were found in the British Isles. However, as the advantages of oil over coal became more

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⁵ Ibid., 50-51.
⁶ Ibid., 147.
pronounced as a naval fuel, and oil reserves were discovered in the British territory of Burma, the navy converted its fleet to oil in 1910.\textsuperscript{7}

Winston Churchill was one of the first politicians who saw the vital importance of oil, and he set about attempting to secure a supply of it when he was appointed First Lord of the Admiralty in 1911. Shell tried to win over his favor, but failed when the British public grew outraged over the rising price of gasoline, now in greater demand with the arrival of automobiles. Samuel and the Shell leaders tried to explain the increases as the product of market forces, but Churchill became suspicious and blamed the oil monopolies as secretly rigging prices.\textsuperscript{8} This incident proved to be one of the first cases in the world where the securing of adequate oil reserves and the availability of it at a reasonable price became a political issue, a trend that would continue indefinitely.

Churchill became enamored with a burgeoning company, the Anglo-Persian oil company, which would later become known as British Petroleum. The company had vast oilfields in the Middle East, and Churchill immediately recognized the value of a company with large resources that could be influenced by the British government. He pushed through an agreement in the spring of 1914 where the British government would buy a 51% stake in Anglo-Persian. Churchill appeared before Parliament in June 1914 to justify his decision. He stated in his jingoistic speech that the world’s oil supplies were dominated by two powers, Standard Oil and Shell (despite the fact that Standard Oil had been broken up three years prior) and that those monopolies threatened the supply of oil available to the British people. The only way still available was to invest in a company

\textsuperscript{7} Oil-burning ships offered a higher rate of speed, greater steaming radius, easier refueling, reduced boiler room manpower, and greater battle efficiency than coal-burning ships did. See: John A. DeNovo, “Petroleum and the United States Navy before World War I,” \textit{Mississippi Valley Historical Review} Vol. 41, No. 4 (1955): 645.

\textsuperscript{8} Ibid., 61.
that could protect the interests of the British, and the best viable option was to have the British government control an organization that had large reserves, which could insulate the British Empire against unfair pricing by other oil sellers, such as Shell.\textsuperscript{9} Churchill characterized the conversion to oil-burning vessels and therefore the need for an uninterrupted oil supply, as involving Britain’s “national safety as much as battle at sea. It was as anxious and harassing as any hazard in war.”\textsuperscript{10} Oil had become a full-fledged political issue with the introduction of a world power having a controlling interest in an oil company.

The British thus acted quickly to solve their oil supply problem. Other countries, including the United States, did not act with the same impetus. Many of the larger navies had followed Britain’s lead and converted their fleets, but few had addressed the question of fuel supply. When war broke out in the summer of 1914, revolutionary weapons such as the tank, truck, and airplane played decidedly larger roles than had been anticipated. This, along with the use of naval vessels, sparked the world’s interest in petroleum, its uses and its supply, in a world that was increasingly based on the oil-combustion engine. The attainment of oil became a focal problem for the world’s industrialized nations.\textsuperscript{11}

As the Great War dragged on, all of the Western governments were hit by the fact that oil was a necessity for survival. As Georges Clemenceau, the Prime Minister of France for the latter part of the war, put it, “Oil is as necessary as blood.”\textsuperscript{12} Ferdinand Foch, the French military leader, echoed his sentiment, “We must have oil or we shall

\begin{flushleft}
\textsuperscript{9} Ibid., 61-62.
\textsuperscript{11} Ibid., 655-56.
\textsuperscript{12} Sampson, Sisters, 72.
\end{flushleft}
lose the war.\textsuperscript{13} Britain’s Foreign Secretary after the war, Lord George Curzon, summed up the Allied triumph, “The Allies floated to victory on a wave of oil.”\textsuperscript{14} This was entirely true. Germany was desperately short of oil throughout the war, but the Allies never faced that burden. Britain had access to oil from BP in Persia and Shell from wells in Mexico and the East Indies. America, however, was the greatest oil supplier. Some 80 percent of the Allied oil supplies came from the U.S., and a quarter of all Allied oil came from one company, Exxon.\textsuperscript{15}

**Eyes on the Middle East**

After the war, new problems arose. There was a new rush of oil consumption, especially in the United States, where automobiles were becoming more abundant and construction was engineered on the foundation of cheap oil. Travel was cheap, electricity was inexpensive, and the cost of heating one’s home fell, and this trend came to be regarded as essential for what came to be widely thought of “the American lifestyle.” This boom in consumption led to fears of a worldwide oil shortage, and both Americans and Europeans scrambled to secure new sources of it. There was competition and bitterness between the former Allies, as Britain and France were determined to keep the United States out of the Middle East’s supplies. The United States, though, believed that their assistance in winning the war entitled them to some of the spoils, and the State Department backed the claims and stakes of the U.S. oil companies abroad. This close association led many critics to believe that the oil companies were operating on their own with the support of the government and that the State Department had washed its hands.
of oil diplomacy and left it all to the corporations.\textsuperscript{16} This was true in a sense. The U.S. government did not want to intrude on the business interests of oil companies and set up their own organizations. They preferred to use the companies at a safe distance, and as a State Department report wrote, “American oil operations are, for all practical purposes, instruments of our foreign policy toward these countries.”\textsuperscript{17} This allowed the United States government to have continued access to the oil but also to keep their hands clean of any problems the oil companies might involve themselves in. Although the British government had ostensibly closer ties to their oil companies, they too steered as clear as they could from controversies arising from oil supplies. This led the heads of British oil companies, as well as American companies, to have a greater, and freer hand in setting foreign policy.\textsuperscript{18}

Over the next four decades, the Seven Sisters and their supporting governments focused much of their attention on controlling the vast oil reserves in the Middle East. The former Ottoman Empire was the first to be divided up, and the British and BP moved quickly to secure a lucrative concession in the newly formed country of Iran. In addition, the new government in Iraq reluctantly signed an agreement granting oil rights to the Iraq Petroleum Company, a conglomerate of both British and American companies.\textsuperscript{19} The biggest prize, though, was in the remote deserts of Arabia, a place few Westerners had ever visited. In Saudi Arabia, King Ibn Saud was in desperate need of money. He approached several of the Sisters looking to sell concessions in his kingdom, but all displayed little interest because of a world oil glut on the market. Standard Oil of

\textsuperscript{16} Ibid., 72-73.
\textsuperscript{17} Ibid., 148.
\textsuperscript{18} Ibid., 74.
\textsuperscript{19} Ibid., 78.
California, or Socal, however, leapt at the opportunity. Socal had not joined into the conglomerates that were drilling in Iran and Iraq, and they teamed with Texaco to create an all-American operation that was to dominate the reserves of Saudi Arabia. They received lucrative concessions in exchange for close dealings with the King, ensuring wealth for all of the parties. Over time this shifted the balance of power in the Middle East and the two companies acted, without the appearance of U.S. government officials, as a type of quasi-government that dealt directly with a foreign sovereign government.20

When the Sisters and their supporting governments moved into the Middle East, they acted with little regard for the sovereign governments or the people they dealt with. The companies’ extracted lucrative concessions by threatening to have their supporting Western governments impose economic or political sanctions against them. The governments in the Middle East were generally weak and disorganized because of their newfound independence, and the companies used that to their utmost advantage. In return for a pittance of the extracted wealth, the ruling governments were maintained as long as they cooperated with the oil companies, and when they did not they were undermined and replaced. Such was the case of Iran in 1951 when the nationalistic leader Dr. Mohammed Mossadeq overthrew the Western-friendly Shah Mohammed Rezi Pahlavi. When Mossadeq inhibited the access of the oil companies to petroleum, the companies turned to the American and British governments for help. Conscious of the problems that an interrupted oil flow might cause, the Americans and British supported and sanctioned a coup to overthrow Mossadeq and replace him with the Shah in August 1953.21 The oil companies benefited greatly by arrangements such as this, and their

20 Ibid., 106-09.
21 Ibid., 151.
backing governments were paid in the security that came with uninterrupted oil reserves, something that would prove invaluable to industrialized nations as they attempted to grow economically.

The Middle Eastern countries, and especially the citizens who were not receiving any of the wealth that was being pumped out of their nations, were less enthusiastic. They viewed the oil companies and the governments with contempt and bitterness, a fact that would have grave consequences in the following decades. Daniel Yergin summarizes the feeling that was prevalent in Iran,

> Only one thing really united the country- hatred of foreigners and, in particular, the British. Never had so much malevolence been attributed to a so rapidly declining power. The English were regarded as almost supernatural devils, controlling and manipulating the entire nation...the detestation centered, in particular, on the largest industrial employer in Iran, the major source of the nation's foreign earnings, and the all-too-tangible symbol of the intrusion of the modern foreign world- the Anglo-Iranian Oil Company.\(^{22}\)

Anger at the exploitation and lack of authority over their natural resource led to Iranians supporting Mossadeq’s nationalization and the Libyans to support Qaddafi’s nationalization in 1969.\(^{23}\) The anger boiled over across the Middle East in 1973 when the Arab members of OPEC decided that they would no longer be beholden in any way to the oil companies who had robbed them for so long.

The Western governments who supported the Sisters in their domination of the Middle East, especially the United States, set a dangerous precedent by giving the oil companies almost complete authority to deal with the region. By handing over responsibility, the countries hoped to avoid any of the negative consequences that may come with unpopular foreign policy decisions. The most important aspect to the

\(^{22}\) Yergin, *Prize*, 451.

\(^{23}\) Ibid., 139, 252.
governments, though, was the continued supply of oil originating in the Middle East and flowing to the West. The oil companies seemed to provide the perfect solution- an uninterrupted oil flow without the political fallout and companies who would act as proxies for the governments. In return, all the oil companies asked for was a show of force, political, military, or economic, from time to time. The governments believed that the oil companies could deal with any difficulties in the region, something at which they were very effective until the 1960s, when their power and control ebbed. However, by separating themselves from events in the region, the Western governments lost the ability to immediately assess and deal with potential dangerous situations to Western interests. When the oil companies’ authority waned and OPEC took over in 1973, the Western governments stubbornly insisted on believing that the oil companies were still in control, which left them unprepared for the oil embargo in October 1973. 

Chapter 2: “We attached little importance to [OPEC] because we believed it would not work.”

Organized Opposition: OPEC

Middle Eastern countries, on occasion, did try to alter the system that took the majority of their wealth outside their borders. In 1951, Iran was the world’s largest exporter of oil, producing nearly 700,000 barrels per day. Caught up in a wave of nationalism, Dr. Mossadeq declared, “The source of all the misfortunes of this tortured nation is the oil company.” Iran's parliament voted to nationalize its oil supplies, based on the belief that the world could not operate without its oil, and that it could obtain a larger share of the Anglo-Iranian Oil Company (AIOC) than the fifty percent it currently controlled. They were caught up in the delusion that they could set the terms of the nationalization because theycontrolled the coveted oil. However, there were more than adequate amounts of oil for sale on the open market to meet world demand, and Iran found itself excluded from oil sales. As a result of their dispute with the AIOC over compensation issues, Iran was forced to halt all production until they settled with the AIOC for a forty percent stake, far less than the Iranians had hoped.

In the years following World War II, new discoveries in South America and the Soviet Union created a glut on the oil market that lasted through the 1960s. The Sisters, though, were able to maintain the price of oil, and their profits, through collusion in regulating production rates. A soft market continued, and it became evident that the companies would have to cut production in order to stop the price of oil from bottoming

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1 Yergin, Prize, 523.
2 Ibid., 455.
3 Ibid., 453-456.
4 Ibid., 464.
5 Ibid., 477.
out. When this occurred, the revenues of the oil-producing nations were severely reduced. It was in this climate in 1960 that Venezuela, which had been hit twice by production cuts levied by the oil companies, tried to organize the oil producers so that they could collectively stand against those oil company practices that they deemed unfair. In September 1960, OPEC was born and a new entity entered the oil business.

At first, OPEC members did not have much influence over prices because the continuing glut produced a buyer’s market. The glut would remain for several more years, during which it seemed as if the oil companies retained all of the control over oil and the markets. However, the idea behind OPEC, that oil-producers should have control over their own resource, would remain powerful.

One of the major failings of the U.S. government’s Middle East policy was in their dismissive attitude towards OPEC at its beginning. Frankly put, the U.S. lacked concern about OPEC and did not recognize the power it could possess. The organization was seen as inherently weak because of the perceived competition among its members. Eisenhower, President during OPEC’s formation, was clear in his belief that the Organization could easily be broken. In a National Security Council meeting, he was reported to have stated that, “As far as the Middle Eastern countries in the new Organization were concerned, anyone could break up the Organization by offering five cents more per barrel for the oil of one of the countries.”

The government afforded little respect to the unity and resolve of OPEC, an attitude that would continue throughout the 1960s.

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6 Ibid., 519, 522-525.
Conversely, the oil companies were quick in their expression of concern about OPEC. OPEC posed a threat to their dominance and profits, and high-ranking oil company officials were asking the U.S. government to intervene within a month of OPEC’s emergence. Leo Welch, chairman of the board for Standard Oil of New Jersey, went to the State Department on October 19, 1960, to convince the U.S. to act on the oil companies’ behalf. Welch tried to convince the U.S. government that it was in their own best interest to urge OPEC nations to slow down the process of completing the organization and implementation of production cuts, because it would weaken Western security by limiting strategic access to oil. His plan was to attempt to convince the Arab countries that oil company price cuts had not lowered their revenues, that future increases in world demand would blunt any decrease in revenues, and that if organization was pursued further, consuming countries might begin cooperating to block OPEC’s power.

It is clear, however, that Welch had more on his mind that the interests of the United States. He recognized that if OPEC could determine prices, amounts of oil produced, and where oil was shipped it would severely hinder the oil companies’ operations. In addition, it had the potential to take away their control over the petroleum business, as well as possibly forcing them into a position where they could be caught between oil producer controls and the demands of the consuming countries. Welch recognized that OPEC had the potential to drastically change the oil business landscape, and correctly predicted that oil companies would be caught between producers and consumers in a crisis, which occurred in 1973. Despite his warnings, the U.S. government did not attempt to slow the formation of OPEC when it was still in its
infancy, choosing instead to attempt to preserve the status quo. The U.S. could have persuaded the oil companies to refuse to deal with the OPEC members until they dissolved the Organization or used some other means to pressure the breakup of the Organization, but they did not do it while OPEC was disorganized and still vulnerable. This cartel had the ability to gain power and momentum as it owned the majority of the world's reserves for a resource that had no viable alternatives, but the United States did not recognize OPEC's potential. As Howard Page of Standard Oil said of the new organization, “We attached little importance to it because we believed it would not work.”

Rise of OPEC: The Six Day War and Libyan Revolution

Significant changes in the world economy during the 1960s strengthened OPEC. Oil demand worldwide rose faster than expected as Europe converted its industries from coal to oil at a quicker rate than predicted. Also, the world’s leading consumer, the United States, increased demand for energy, particularly petroleum, buoyed by cheap oil prices. Third World countries were increasing consumption as well. These factors led to the end of the oil glut by 1970. The market had now transitioned to one where the sellers had more authority, and it enabled the producers to seize more control in setting prices from the oil companies.

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9 Yergin, Prize, 523.
The Six Day War- The First Embargo

Although OPEC gained strength with the rise in prices, there were two events that made it fully realize the power it possessed. The Six Day War in June 1967 between the Arabs and Israelis set off a chain of events that would have far reaching repercussions. During the first three days of the conflict, Israel pre-emptively attacked Egypt and Jordan, fearing the mass mobilization of their military forces around Israel's border. They succeeded in destroying much of the military capabilities of Egypt and Jordan, and conquered vast stretches of territory in the Sinai Peninsula. Arab oil ministers, wishing to help their Arab neighbors and also quell rising nationalistic sentiments in their own countries (some nationalists sabotaged oil facilities as a way of striking back at the West), imposed an oil embargo on the United States, Germany, and the United Kingdom, threatening the oil companies if their Arab oil reached Western lands. Their threats were not specifically spelled out, but they implied nationalization of petroleum installations, or total embargoes.\(^\text{10}\)

When the first major Arab embargo hit the West, the United States’ attention was focused elsewhere. Due to the deteriorating situation in Vietnam, American policymaking in the Middle East took on an ad hoc quality. The solution conjured by the Department of the Interior, which had jurisdiction over most federal oil issues, was to activate the Foreign Petroleum Supply Committee. This was the same committee that had been convened during the Iranian nationalization crisis in the early 1950s and again during the Suez Crisis in 1956-57. The committee was constituted of representatives of two dozen oil companies, who issued a request to have antitrust laws suspended so that they could jointly manage logistics and oil shipments. The U.S. Justice Department

\(^{10}\) Yergin, \textit{Prize}, 554-55.
capitulated, giving the oil companies’ free reign to deal with Middle East problems in their own way. Yet again, the U.S. government’s response to Arab oil problems was to allow the oil companies to operate independently of the government.

The embargo was over mere weeks after it was imposed, due to several factors. First, oil companies had successfully diverted oil from non-Arab sources, weakening the impact on the embargo targets. Second, as tensions calmed in the Middle East and full production resumed, it became clear that oil reserves in the United States and Venezuela could, at least temporarily, make up the shortfall of Arab oil. Finally, the biggest losers in the embargo seemed to be the ones who had instituted it. Saudi Arabia, Kuwait, Libya, and Iraq, leaders of the embargo, gave up large amounts of potential revenues in return for nothing, as neither Israel nor the West bowed to their wishes. Even though the embargo was a complete failure in 1967, as it did not result in the desired objective of helping Egypt and Jordan win the Six Day War, it nonetheless proved that collective action using the weapon of oil could be achieved.

The U.S. government continued its trend of failing to recognize potential problems by learning too much from the 1967 embargo. The over reliance on oil companies to solve Middle East oil problems worked in this case, and the U.S. kept believing that oil companies could act as effective proxies in the region. Since the embargo was quickly resolved, there was no public outcry and no lasting bitterness that might force preparations for a greater embargo in the future. Also, the Arab countries ended up being hurt the most by the embargo, further reinforcing the belief that the oil producers were needier of the consuming nations than they were of the Arabs. This was

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11 Ibid., 556.
12 Ibid., 556-58.
most clearly demonstrated in August 1967, when the Arab countries increased oil production in a desperate attempt to make up lost revenues and retain market share. This produced a glut in the market, lowering prices. A *Wall Street Journal* headline in October summed up, to Americans, what happened when embargoes were imposed, reading, “Shortage Fears Raised by Mideast War Yield to Threat of New Glut.”13 All of this led to the idea that Arab oil embargoes were not significant threats and could be easily overcome in the future, a belief that caused the U.S. to be unprepared for the 1973 embargo. As Frank Zarb, the future energy czar and the Assistant Director of the Office of Management and Budget during the 1973 oil embargo phrased it; “The impact of the earlier disruptions was negligible, leaving the United States with a residue of overconfidence and absolutely no experience to deal with the events of 1973.”14

**Radical Takeover- The Libyan Revolution**

Another great awakening for OPEC came as a result of the Six Day War. When the war began and the Egyptians closed the Suez Canal, there was a tanker shortage. This shortage brought increased demand for Libya’s oil, because their ships did not have to pass through the canal. In addition, Libya’s oil was highly valued for its low sulfur content, making it easier to refine. Because of this, Libya demanded more money for its oil. The negotiations between Libya and the oil companies began in September 1969, but very shortly after, a group of military officers under Colonel Muammar Qaddafi seized power.15

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Most oil-producing nations were run by conservative governments whose desire for increased oil revenues were balanced by their dependence on democracies for protection from internal and external threats. This was not the case with Qaddafi. He dreamed of being the leader of the Arab world, and modeled his life after his hero, Egyptian president Gamal Abdel Nasser, who preached Arab unity under the banner of Islam. Since the oil companies and the Western interests in Libya were not Muslim, he set out to get the most he could from the West. To accomplish this, Qaddafi and the Libyans targeted Occidental Petroleum, a smaller company that was not part of the Sisters. Occidental also had few sources of oil outside of Libya, so they were particularly vulnerable to changes in supply initiated by Libya. Libya threatened to nationalize Occidental’s operations and cutback production unless they received higher revenues. Occidental, for its part, did what it could to resist this dilemma by seeking other sources of crude from the major suppliers. However, the majors refused, a decision that would haunt them in the years ahead. Left without alternatives, Occidental agreed in August 1970 to give Libya a 20 percent increase in profits. In addition, Libya succeeded in receiving annual price increases for their oil.\(^\text{16}\) In its negotiations with the Sisters, Libya pushed the envelope and demanded far-reaching control of the oil companies operating inside the country. While the majors were able to resist, it foreshadowed the increasing demands that all the OPEC nations, not only Libya, would raise in the future.\(^\text{17}\) By December, all of the other oil companies, including the Sisters, agreed to terms with Libya.

\(^\text{16}\) Ibid., 67.
With Qaddafi’s takeover, new problems arose for the United States government. The U.S. had a sprawling military complex in Libya, the Wheelus Air Base. When Qaddafi came to power, he asked the U.S. to vacate the country. The U.S. government judged the air base to be of only marginal significance, not worth the risk of interrupting access to oil and jeopardizing the security of interests of American companies in Libya. The best course of action, the Washington Special Actions Group, an interagency government think tank, decided, was one of a conciliatory nature toward Qaddafi. They believed that the energy supplies would only be jeopardized if Qaddafi were antagonized by U.S. policies that ran contrary to his rule, such as resisting his takeover of the Wheelus base. The return to the nation’s balance of payments and the security of U.S. investments in oil were considered greater than the presence of the military base. While they wanted to keep the base, in the government’s opinion it was not worth the economic loss that would accompany a confrontation with the Libyan government, and therefore they vacated Wheelus and lost a key opportunity to separate issues of diplomacy and oil.¹⁸

The U.S. government was passive in its reaction towards Qaddafi’s coup choosing not to attempt to maintain its air base, but the Western European countries reacted differently. European nations were much more dependent on imported oil than the United States, as 60 percent of their energy was based on oil, and almost the entire amount imported. Fully 25 percent of Europe’s energy needs were met by one supplier—Libya. Western Europe quickly concluded the best course of action was to make peace with Qaddafi and deal with him. Within four months of Qaddafi taking command, France agreed to sell 100 advanced jet aircraft to Libya. Although Libya promised not to send the jets to the countries that surrounded Israel, the promise was transparently

unenforceable, as Libya had few pilots even capable of flying the planes. Other countries followed France’s lead, and the Federal Republic of Germany also developed close ties with Qaddafi.  

According to Henry Kissinger, the entire episode with Libya taught the leaders of oil-producing nations valuable lessons. They learned that industrialized democracies would not seek to protect Western-friendly governments when they were threatened from internal turmoil as long as their avowedly radical successors did not challenge their access to oil. In addition, they learned there was no point in currying favor by keeping prices low because the West would not protect them from insurrections and therefore they had the incentive to raise prices and increase their wealth while in power.

Host governments discovered that they had the power to control the destiny of their oil in the production process from start to finish, with the authority coming in three stages. First, they could increase prices slowly, but steadily. Second, they could initiate a de facto takeover of ownership and operational control from the oil companies without interference from the Western governments. Third, the producers had the ability to link the sale of their oil to political conditions, as they could demand political action in return for uninterrupted access to their oil.

**A Change in Priorities: Teheran and Participation**

Libya’s coup over the Western governments and the oil companies came at a time of increased demand for oil and further pushed prices upward. There were problems with the pipeline in Saudi Arabia, which put a premium on ‘short-haul’ crude, oil that originated or was easily transported to ports on the Mediterranean Sea. With the

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19 Ibid., 860-61.
20 Ibid., 861.
21 Ibid., 861.
increased demand, OPEC changed its tactics for dealing with pricing issues in their negotiations with oil companies. Up until this point, OPEC had acted only in the interests of maintaining prices, but now they changed to a more active role in determining price in conjunction with the oil companies. OPEC resolved to enter into collective negotiations with the companies so that the tax ratios could be amended upwards, posted prices could increase substantially in correlation with market forces, and the discounts and rebates enjoyed by the companies could be completely eliminated.²²

By negotiating jointly, OPEC was able to conclude the Tehran and Tripoli Agreements with the oil companies in February 1971. This was, in essence, a new pricing agreement that was to be effective until 1975, giving the producers a higher price for their oil, a greater percentage of the oil sales revenues returned to the producers, and a commitment to further price increases.²³ However, it represented much more than that. To OPEC members, it was the first step in turning the sovereignty of their natural resources back to the countries themselves. They had demanded that the oil companies deal with them collectively or face unified price increases, without the permission of the oil companies. Fadhil al-Chalabi, the Under-Secretary of Oil in Iraq, summed up what Tehran meant, “It was a real turning point for OPEC. After the Tehran Agreement, OPEC got muscles.”²⁴ The initiative had passed from the oil companies to the oil producers, and power shifted toward the OPEC members. OPEC further backed its newfound power with the threat that a far-reaching embargo could be ordered if the oil companies failed to live up to their agreement. This was the first widespread and

²³Ibid., 73-75.
collective threat of using oil as a weapon, as opposed to the poorly organized embargo of 1967, although at this point it was meant as a deterrent to economic actions, not political ones.\footnote{al-Chalabi, \textit{OPEC}, 73-75.}

At this same time, some of the oil-producers were moving toward ownership of their reserves. Previously, the companies had owned the resources through the concession agreements. Now, however, there was a greater push toward nationalization as the OPEC nations came to believe that they should receive more benefit from their resource and wanted greater authority over the companies within their borders. This push rightly frightened the oil companies, as they were faced with the total loss of control in the region and also their investment and access to the precious oil. Other countries, such as politically moderate Saudi Arabia, Qatar, and the United Arab Emirates, lessened the nationalistic rhetoric and proposed ‘participation’, a scheme developed by the Saudi petroleum minister Ahmad Zaki Yamani. In this plan, nations would distance themselves from the negative political connotations of nationalization and the prospect of oil-producers competing with each other by buying into the oil companies and maintaining equity in them. By doing this, the nations would not disrupt market stability but still have a pronounced effect on prices. Participation was abhorrent to the oil companies, but faced with the prospect of nationalization, they were forced to accept the plan.\footnote{“Report of Meeting Held in Geneva at Intercontinental Hotel,” Oil Box 1, Folder 46, John J. McCloy Papers, Amherst College Library, Amherst, Massachusetts.}

The rise of OPEC therefore marked a profound shift in the power structure in the Middle East. Instead of having oil companies, backed by the Western democracies, operating with a free hand and exploiting the suppliers who were dependent on them, the producers now would have a larger role in determining the prices received for their oil.
The United States missed vital opportunities to blunt OPEC’s power during its early years, as it chose instead to distance itself as a method of maintaining the status quo and keeping the oil flowing. The inaction by the United States and the cooperation of Western Europe toward Libya when Qaddafi gained power and used Libya’s oil reserves to his political and economic advantage further set the stage for other producers to clearly see the power that they possessed. By negotiating collectively and threatening to impose an embargo if their terms were not met, the producers were able to become a force to be reckoned with in both the political and economic arenas due to the West’s overriding fear that the oil spigot would be turned off.
Chapter 3: “Preservation of stability and status quo”

Economic Fuel

The threat of oil being used as a weapon was all the more real because the Western governments, especially the United States, had become dependent on cheap, abundant oil for their continued economic growth. The postwar period in the United States produced extensive economic and industrial growth, fueled by the lack of industrial competition in war-ravaged Europe and an enlarged domestic industrial capacity that had been used in war production. There were unprecedented levels of construction and expansion as business ventures and infrastructure expanded. All of the new industrial and commercial demands required massive amounts of energy to maintain, something that the United States had easy access to. The two main sources of this cheap electric energy were coal and oil and the demands for both of these resources, especially oil, were incredible. By 1955, the United States was consuming 37 percent of the world’s energy production, and 58.4 percent of its petroleum production. Despite the large quantities, industries were able to keep their production costs low in large part because of the very low cost of oil. In 1955, for example, the value of primary energy materials consumed in the U.S. constituted only about 3 percent of the total value of goods and

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services. These low energy costs also allowed for lowered costs of production and transportation.\(^3\)

Cheap oil, and therefore cheap energy, not only lowered the cost of production but also made industries more efficient. The low costs of energy allowed for more investment in capital, which in turn made labor more efficient. This propelled enormous growth in the U.S. economy.\(^4\) The sheer size of the economic growth in the United States after World War II was staggering, with the Gross National Product (GNP) expanding from $1.511 trillion in 1946 to $4.161 trillion by 1973.\(^5\)

While it is impossible to quantify the exact role cheap oil and energy played in the economic boom, there is strong empirical evidence showing that higher energy prices had a substantial negative effect on the economy. During the postwar period and through 1973, there were eight periods of recession in the United States. All but one of these recessions was preceded by an increase in the price of oil. These price increases tended to be followed by reductions in real GNP growth that would not have been anticipated on the basis of previous behavior of other factors like output, prices, or money supply. This significant correlation between oil price increases and real output cannot be explained as a mere coincidence. Conversely, there is strong evidence that the timing, magnitude, and duration of at least some of the recessions prior to 1973 would have been different had the oil price increase or accompanying energy shortages not occurred.\(^6\)

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\(^3\) Ibid., 155.
\(^4\) Ibid., 179-189.
Note: Values adjusted to 1996 dollar amounts for comparison purposes
Middle Eastern countries knew how much the industrialized countries, especially the United States, relied on their oil. They also knew that they could cause economic calamity if the oil spigots were suddenly turned off. Their oil could be used as a political, economic, and military weapon if they chose to cut back production or place a complete embargo on whatever nations they chose. The oil reserves that other countries so desperately needed could be utilized to accomplish whatever objective they desired, and as Western dependency on oil rose, so did the Arabs power.

Despite the growing dependence on imported oil, the U.S. did not have a cohesive energy plan to deal with an energy crisis. The idea of an energy plan, an organized strategy for the allocation, distribution and consumption of energy seemed to be of little importance to the United States government. In the years immediately following World War II, there seemed to be little need to prepare for a potential cutoff of energy resources. The major oil companies controlled the oil supply in the Middle East, which, coupled with the United States’ global military protection and sizable market power, should have assured the inward flow of natural resources at low prices. The United States, therefore, lacked compelling reasons to formulate an energy policy and one was not created, a move that would leave them vulnerable and unprepared for an energy crisis.7

Only A Commodity

From the proliferation of the usage of oil until the 1973 embargo, the United States government viewed oil as simply a commodity, subject to market forces and fluctuating in price as well as in supply and demand levels. The government believed

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that there would always be access to oil, even during turmoil in the Middle East, because producing nations would always want to sell it to the West.

Because of this belief, the U.S. government paid little attention as dependence on foreign oil reached new heights during the 1960s. Despite the demand, prices remained low and supply remained adequate. Even with the emergence of OPEC and with member nations exerting more control over their oil production, the United States believed that producers were always forced to sell their commodities at market determined prices, and as the largest consumer of oil, the United States believed it could heavily influence the price. Since the oil supply was basically secure because the oil producers were beholden to the U.S. for fair compensation, little attempt was made to conserve use or search for more reserves domestically. Some oil companies did frame the 1956 Suez Canal closure as a crisis of national security in regard to the oil supply in their push for import quotas, later passed by Congress, which spurred more investment and exploration in domestic reserves. However, this push was more to raise the domestic price of oil in a quest for greater profits by the oil companies than a genuine plea to protect the oil flow. The importance of oil and its supply was still far from the U.S. government’s mind.  

The low priority put on energy management and policy by the U.S. government is best illustrated by the confusion over who had authority in energy matters. A survey of federal energy organization in the early 1970s showed that the responsibilities for decision making for federal programs directly related to energy were spread over eight departments. In addition, numerous offices, independent agencies, and commissions

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8 Ibid., 214, 218.
based in the executive branch had limited authority. As energy, and oil in particular, became a more pressing issue during the 1970s more attention was given to organization of decision makers, and authority was streamlined, culminating in the creation of the Department of Energy in 1977. Before the oil embargo of 1973, however, energy policy makers were scattered and unorganized; leading to the lack of an adequate and coherent energy policy when one was desperately needed during the oil crisis.

**Control and Maintain**

Whatever policies the U.S. government had toward energy were instituted more for general foreign policy purposes than for energy concerns. In the Middle East, the aim of U.S. policy was to protect strategic and economic interests, which centered on oil. The goal, therefore, was to avoid disruptions to the oil flow and allow the oil companies to keep the United States stocked with affordable petroleum. This, however, was not seen as a problematic issue. While it was true that social unrest in the Middle East during the 1960s shined a brighter spotlight on the region, the government did not believe they were directly threatened. The United States thought they could still greatly influence political, social, and economic matters, as the major oil companies had done in the previous decades.

Since the United States and the oil companies had invested hundreds of billions of dollars in the Middle East and depended on the unimpeded flow of oil, they had a discernable interest in keeping political and social upheaval to a minimum. The U.S. was

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faced with a perpetually difficult situation, however, with the hatred of the Arabs toward the Israelis. The U.S. had to appease both sides, but especially the Arabs, and was forced to craft a foreign policy that maintained traditional allies but also kept the oil flowing. To accomplish this, the U.S. sought to exert its influence in the area politically, supporting friendly regimes and working to prevent war or any major shift in the regional balance, political or military. As an ARAMCO executive later stated, the “basic foreign policy of the United States of America in the Middle East has been preservation of stability and status quo.”

With this maintenance strategy in place, during the 1960s the U.S. government viewed radical nationalism, not OPEC, as the main threat to strategic and economic interests in the Middle East. Those who espoused the doctrine of nationalism and pan-Arabism, especially Gamal Abdel Nasser in Egypt and the Baath party in Iraq, were seen as having the ability to disrupt the balance of the U.S. interests in the Middle East and therefore had to be countered. President Kennedy attempted to accomplish this goal by forging a personal relationship with Nasser and using a foreign aid program “to persuade Nasser to concentrate on making progress at home rather than trouble abroad.”

The economic incentive did not budge Nasser, however, and Kennedy again confronted him during the Yemen civil war in 1962, but this time militarily. The civil war had developed into a struggle between Egypt and Saudi Arabia, and the United States tried to pressure Nasser to withdraw his forces from the Arabian Peninsula by sending a squadron of U.S. Air Force jets to Saudi Arabia to prevent any incursions into Saudi

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11 Ibid., 37.
12 “ARAMCO Letter,” 534.
airspace. In addition, Kennedy sent more military aid to Saudi Arabia and planned joint military maneuvers with its army. Kennedy had more on his mind than just dissuading Nasser, however, as his aim was to prevent the conflict from spilling over into Saudi territory at a time when there was internal dissension with the ruling Saudi family and armed forces. Kennedy hoped to calm the situation and maintain the friendly elements of the Saudi government.\(^\text{14}\)

Kennedy’s attempts to influence Nasser and prevent him from spreading nationalism in the Middle East dissolved under the Johnson Administration. U.S. intervention in Vietnam, the Dominican Republic, and the Congo created hostile environments that dissuaded military pressure that may have been applied to Nasser.\(^\text{15}\) However, the U.S. government believed that even if Nasser did promote nationalism and incite a crisis, the U.S. would be well capable of dealing with it, because they always had before. The overriding principle of U.S. policy in the Middle East was to keep the oil flowing and U.S. interests protected, and crisis had been present in one form or another since the creation of the Israeli state, but the oil flow had never been seriously threatened. Therefore, the government believed that crisis would and could exist with the oil still flowing out of the region. This, in addition to the constant fear of provoking the Soviet Union, is the main reason why the U.S. did not seek to intervene more often in the area, and why the U.S. did not attempt to mediate the Arab-Israeli disputes, because they did not want to offend either party. Israel was a strong ally to the United States and the

\(^{15}\) Ibid., 9.
government wanted them to stay an ally, but the U.S. also did not want to upset the Arabs, who might impede the oil business.\textsuperscript{16}

During the 1960s the Middle East was seen by the United States as a region where the status quo must be maintained. The U.S. chose to tread lightly in the affairs of the area, however, so as not to incur the displeasure of any of the parties deemed important to the protection of U.S. interests. While the U.S. occasionally showed its military strength in the area, the weapons of choice for influencing the region were primarily economic and political, because it was believed that the U.S. could always control vital events and policymakers. This had been the case with Mossadeq’s nationalization in 1951 and the Suez Crisis in 1956 when crises were averted by U.S. intervention and pressure, and because of this belief, the need for an energy policy to deal with emergencies was not seen.

\textbf{Nixon’s First Years in Office}

The view that the oil supply and the Middle East were not substantial problems was still present when Richard Nixon ascended to the presidency in 1969. At the time he came into office, the world economy treated cheap oil as standard and excess production as the main economic problem. At approximately two dollars a barrel in 1969, the U.S. government was chiefly concerned with satisfying all of the oil-producing countries that competed with each other for U.S. favor and access to American markets. These countries offered generous foreign policy benefits in exchange for the right to sell their oil. The Shah of Iran, the staunchest U.S. ally in the Middle East, frequently lobbied for more U.S. oil sales. In 1969 he offered to help the U.S. create an emergency oil stockpile by filling salt domes with barrels of oil in the United States. He hoped this would protect

the U.S. oil supply in case of a war, and proposed selling one million of barrels of oil a day to the United States for a ten year period, at a bargain price of one dollar a barrel.\textsuperscript{17} However, the U.S. rejected this offer because the extra business with Iran would lessen purchases from other friendly Arab states, namely Saudi Arabia. Also, the U.S. government was not in the business of buying oil for anything other than military purposes, and the majority of that need was supplied by Saudi Arabia. Finally, there was fear that the excess sales would lower the price of oil, an outcome that seemed at the time to be worse to U.S. interests than high oil prices.\textsuperscript{18}

At the end of the 1960s the United States only imported 20 percent of its oil, and new discoveries on Alaska’s North Slope led Americans to believe that there were large untapped domestic reserves. The Texas Railroad Commission, the enforcement agency of U.S. government oil policy, specified that domestic production of oil be well below capacity in order to maintain a domestic price of $3.30 a barrel, more than a dollar above the world rate, to encourage domestic exploration and drilling. The concern that prevailed in the Railroad Commission’s mind was one of excess supply and keeping the domestic price of oil at a level that would allow for domestic production.\textsuperscript{19}

The United States was able to greatly influence the price of oil in the late 1960s, leading to the belief that OPEC’s power could be checked. By maintaining a steady supply of domestic oil and the threat of expanded drilling, the U.S. believed that OPEC nations would be dissuaded from raising prices. If the price of oil was raised beyond a level tolerated by the U.S. then domestic production would increase and imports restricted, forcing the oil producers to attempt to sell on the world markets. If the U.S.

\textsuperscript{17} World price for oil in 1969 was just over two dollars a barrel. See Kissinger, \textit{Years}, 855.
\textsuperscript{18} Kissinger, \textit{Years}, 855, 857.
\textsuperscript{19} Ibid., 855.
wanted to make a stronger point, it could sell U.S. oil on those same world markets, lowering prices and cutting revenues to OPEC nations. The oil imports to the United States were also strictly regulated through a system that had been established by President Eisenhower in 1959. Import controls would normally be believed to hurt exporting nations, but in the case of OPEC nations, ending the controls would actually force them to lower their oil prices. The producers, in the eyes of the U.S. government, had the incentive to keep prices low and to not anger their biggest customer who had the ability to hurt them financially.

Thus, during the first years of the Nixon Administration energy was considered a domestic, not a foreign, issue. The main focus was on keeping domestic production low enough to ensure a decent price for domestic producers, but still extracting enough oil to keep OPEC at bay and in the weak negotiating position that they had always been in. Oil producers seemed to be the supplicants, as OPEC countries jockeyed for position in U.S. markets. Because of this, OPEC was not taken seriously, or viewed as a formidable threat to U.S. interests. It was believed by U.S. officials that producers could not cut their production enough to drive up prices because the cutback would have to be so steep that it would lead them to bankruptcy before they could inflict significant damage to their industrialized customers.

This belief that OPEC could be checked faded as U.S. consumption rose and the U.S. began losing their surplus production capacity. This trend of increasing oil needs, which began in 1970, forced domestic oil installations to reach their maximum

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20 Ibid., 855.
22 Kissinger, Years, 855-56.
production levels by the early 1970s. Still, consumption required more oil than the U.S. could produce, forcing the nation to begin importing greater amounts of OPEC oil. The United States had been importing only 20 percent of its oil in the late 1960s, but by 1973 they were importing 36.1 percent. Imported oil became a necessity for American life, and without the threat of increased domestic production, the U.S. lost its ability to hamper world price increases or protect itself from an oil shutoff. U.S. leverage had been lost, giving power to OPEC nations, as the U.S. now became the supplicants.  

Up through the beginning of the Nixon Administration the U.S. government placed little concern or emphasis on energy management or energy policy. Oil was treated as only a commodity; a commodity that the United States believed it could effectively set the price for. This was true, as long as the United States retained the ability to produce more oil domestically as a method of checking the price and supply-setting powers of OPEC. In addition, the U.S. arrogantly believed that it could always influence Middle Eastern politics, and assert its will using political and economic aid, as well as the threat of military intervention. With this mindset in place, the U.S. government did not prepare for a time when the supply of imported oil would decrease, and never enacted an energy policy to deal with the issues an oil shutoff might bring. The U.S. believed that Middle Eastern affairs and the world oil business were static. This lack of foresight during the 1960s would cost the United States dearly when the U.S. lost the ability to produce enough oil to satisfy its needs in the early 1970s. Nixon later wrote, “This was not something that had happened overnight. The predicament of the 1970s was the result of shortsighted government policies compounded by decades of

23 Ibid., 858-59.
wasteful habits.” The lack of attention to oil and energy needs would force the United States to come face to face with the issues when the OPEC nations decided to flex their muscles in 1973.

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Chapter 4: “General atmosphere was attentiveness and acknowledgment…but a large degree of disbelief that any drastic action was imminent.”

Sadat’s Grand Plans

The march toward the 1973 Arab-Israeli War and the accompanying oil embargo was hastened, not by disputes in the oil industry, but by a transition of power in Egypt. In 1970, Gamal Nasser died while still president of Egypt, leaving his vice-president, Anwar Sadat, as his successor. Sadat picked up Nasser’s rhetoric of Arab unity and dignity, proclaiming that 1971 would be a “Year of Decision” that the world would be forced to respond to the Arab-Israeli conflict and the Palestinians as well as promising “total confrontation” with Israel. Such grand pronouncements were typical of Sadat, and many of his political opponents and foreign leaders looked on him with contempt. Many labeled him as a half-wit, but Sadat proved to be much more cunning.

Although there was little in Sadat’s background to have prepared him for the presidency, he did carry with him Nasser’s ideals and a distinct memory of his humble background. He had been grateful to the Soviet Union when they rushed to Egypt’s aid after the disastrous 1967 war, but he steadfastly refused to further disgrace his country by totally submitting to the will of the Soviet Union. He felt that Egypt’s “face” had been “blackened” by their defeat, and only an “honourable” fight might “whiten” it again. In addition, he spoke publicly about regaining the land lost in the war to Israel and removing

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1 “J.J. Johnston letter to ARAMCO executives, June 1 1973” contained in: Multinational Corporations and United States Foreign Policy, 509.

the shame on Egypt by, as he said, “putting an end to Israel’s arrogant boasting of the past twenty-three years.”

Sadat knew that the two main pillars of Nasserist policy, Arab socialism and dependence on the Soviet Union, were failing fast. As he searched for alternatives in the summer of 1972, U.S. Secretary of State William Rogers suggested to Sadat during a diplomatic meeting that President Nixon might be willing to help Egypt with aid and in their dealings with Israel if Sadat would lessen the large number of Soviet experts and technicians stationed in Egypt. American assistance, however, was contingent upon the U.S. filling the influence void vacated by the Russians once Sadat expelled them. This dangled carrot, coupled with Soviet insistence on seeking peaceful negotiations with Israel and their hesitation to supply Egypt with arms to wage a war, pushed Sadat in July 1972 to expel the Soviets, effective immediately. This seeming coup for the U.S., though, was Sadat’s masquerade. He used the expulsion to keep the United States interested in mediating Middle Eastern affairs. Sadat had already decided to go to war with Israel, and he feared that if he had non-Arab partners the credit for his potential victory would go to them, and he was unwilling to share the glory. The only way he knew to restore Egypt’s “face” was for Arab countries to conquer Israel and restore Arab dignity. The United States failed to look below the surface of Sadat’s actions, the beginning of a pattern that would persist in their dealings with him until he surprised them with his true intentions in 1973.

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6 Disraeli, *Defiance*, 70-73.
Public Deception

From that point forward, Sadat undertook a successful plan of distracting the United States with friendship overtures while preparing his military for a full-scale war with Israel. Egypt and the United States attempted to set up a preliminary meeting between Henry Kissinger and Sadat’s national security advisor, Hafiz Ismail, in the fall of 1972, but the United States postponed the meeting due to its preoccupation with the Vietnam peace talks. Vietnam was front and center in the minds of policymakers, the Middle East was relegated to the background. While waiting for the United States, Sadat fired his veteran War Minister and replaced him with an ally who was given the task of readying the military, as well as a much larger budget. Sadat then publicly announced that he was opening enrollment into Egypt’s commando units and declared that all volunteers would undergo arduous training and would then be sent to the front lines of Sinai, in just six months.

The United States, however, did not take Sadat’s threats seriously. Anti-Israeli bluster was common among Arab leaders, as it was often used to show support for radicals who clamored for war with Israel and as a unifying cry for Arabs throughout the Middle East. By repeatedly and loudly proclaiming his true intentions the outside world stopped believing Sadat was seriously preparing for war. In 1971, his “Year of Decision,” he had done nothing while the world expected that he would. The United States had been fooled by Sadat before and Kissinger summed up Sadat’s latest war talk, “In the light of previous Egyptian threats that had not been carried out, we did not take this too seriously, especially as our intelligence estimates agreed in being unable to define

7 Kissinger, Years, 205.
8 Disraeli, Defiance, 79.
a realistic Egyptian military option."\textsuperscript{9} U.S. policymakers commonly believed that Sadat had few military options and that Israel’s military superiority was so unquestionable that any attack by Sadat would inevitably lead to a quick Israeli victory or, at worst, a brief skirmish followed by diplomatic negotiating. According to Kissinger, “[An attack’s] sole function would be to heat up international concern and pressure for negotiation. Its failure would only deepen the diplomatic stalemate.”\textsuperscript{10}

The dismissive attitude of the U.S. government toward Sadat was intensified due to other, seemingly more important, issues occurring at the same time. The Watergate scandal came into the nation’s conscience in the summer of 1972 and as the story gained momentum, it forced the Nixon administration to spend ever-increasing amounts of time dealing with it. Nixon, whose greatest successes as president had come in the foreign policy arena, now was forced to turn his full attention to handling domestic turmoil. As Kissinger later wrote, “I found it difficult to get Nixon to focus on foreign policy…In the past, even in calm periods, he had immersed himself in foreign policy to enliven the job of managing the government, which ultimately bored him. Now it was difficult to get him to address memoranda.”\textsuperscript{11}

Kissinger, the man who Nixon was effectively relying on to address foreign policy concerns, also had his attention diverted from Sadat and the Middle East. Kissinger was working on negotiating the peace settlement in Vietnam, which culminated with the Paris Peace Accords, signed in January 1973. However, there were complications with several key issues that persisted into the summer. While Kissinger

\textsuperscript{9} Kissinger, \textit{Years}, 206.  
\textsuperscript{10} Ibid., 206.  
\textsuperscript{11} Ibid., 77-78.
did meet with Arab officials during the first half of 1973, Middle East peace was only one of the foreign policy fronts he was attempting to juggle simultaneously.\textsuperscript{12}

Watergate also served to weaken the Nixon administration’s ability to make credible commitments and statements about foreign affairs. With the withering political assaults in the U.S. from Democrats and calls for new investigations into the matter, the Administration had to tread lightly because of the underlying belief of the public and opposing political officials who accused Nixon and Kissinger of creating crises to divert attention away from the problems surrounding Watergate. Kissinger later recalled this burden on the presidency and foreign policy of the United States stating, “With every passing day Watergate was circumscribing our freedom of action. We were losing the ability to make credible commitments, for we could no longer guarantee Congressional approval.”\textsuperscript{13} That belief stretched to foreign leaders as well, who constantly questioned whether Nixon could back his promises in light of the perceived erosion of his authority. Kissinger was forced to “avoid confrontations for fear of being unable to sustain them in the miasma of domestic suspicion.”\textsuperscript{14} When the October War began, Kissinger immediately recognized that troubles in the United States had helped stoke Sadat’s willingness to launch an offensive. As he said in a conversation with White House Chief of Staff Alexander Haig, “I think our domestic situation has invited this.”\textsuperscript{15}

As 1973 arrived and the primary attention of the United States was fixated elsewhere, Sadat sent his security advisor Hafiz Ismail to meet with Kissinger in

\textsuperscript{13} Kissinger, \textit{Years}, 124.
\textsuperscript{14} Ibid., 124.
Washington in late February. Just prior to this, Sadat had received several secret messages from Nixon, drafted by Kissinger, pledging that the administration would focus on the Middle East as soon as the Vietnam negotiations were concluded. With this assurance, Ismail laid down the demands that Israel was to return to its pre-1967 War borders and withdraw from occupied territories. Kissinger, still under the assumption that this was just continuing bravado, agreed to discuss the subject at a later date. As he put it, the deal offered by Sadat “was so heavily qualified with unacceptable conditions that it was more compatible with a come-on to get us involved than with a serious effort to negotiate. We needed more time to determine what Sadat had in mind.”

Kissinger came away from the meeting with little optimism. He felt that the Egyptians were unwilling to negotiate a settlement that could be agreed upon by the Israelis. Ismail, however, seems to have taken a different view of the meeting and believed that the U.S. was ready to help mediate the conflict, news he passed to Sadat. However, as he was traveling back to Egypt, Ismail’s enthusiasm was somewhat diminished by a *New York Times* report that Nixon had decided to furnish Israel with 84 new attack aircraft. Because of the conflicting signals, Sadat also felt that tangible results were lacking, but he believed that Kissinger had tacitly encouraged a military confrontation with Israel. Sadat summed up this feeling in his memoirs. “It was impossible…for the United States…to make a move if we ourselves didn’t take military action to break the deadlock. The drift of what Kissinger said to Ismail was that the United States regrettably could do nothing to help so long as we were the defeated party

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17 Kissinger, *Years*, 216.
18 Ibid., 216.
and Israel maintained her superiority.”

Kissinger records nothing of this nature in his memoirs. While this statement may be nothing more that Sadat spreading blame, it is clear that Sadat was in no way discouraged from his war plan by Ismail’s meeting with Kissinger.

Unbeknownst to the Americans, Sadat was engaging in his plan that would allow him to solicit U.S. mediation and aid once his military plans were accomplished. To evoke such a response from the United States, Sadat reckoned that he needed to first prove that Israel was not invincible and that the Egyptian Army was a formidable force. He also believed he had to gain approval for his military plans by garnering the united support of the Arab world, including promises from Arab leaders for an oil embargo to help pressure Israel’s allies. While Kissinger and the government stalled under the belief that Middle Eastern problems could be controlled and postponed, Sadat set off around the region to gather support from his fellow Arab leaders.

**Arab Unity**

After securing an alliance and coordinating attack plans with Syria, Sadat went to the other Arab nations requesting their assistance and cooperation for his upcoming war. After receiving assurances of support from the major Arab nations, including the traditional ally of the United States, Saudi Arabia, Sadat credited his success on divine intervention. “Thus it was God’s will that I should have close personal relationships with the leaders of the Arab world. They all welcomed me as President and showed that they were willing to help.”

In every stop on his tour, Sadat preached Arab unity. “My clear and declared policy was that Egypt could not distinguish one Arab country from another
on the basis of so-called progressive and reactionary or republican and monarchial systems. We should be committed to one thing only- our Arab character, pure and simple.” With this in mind, Sadat reached out to all Arab nations, even those with whom he had ideological or political differences, and he found common ground with other nations by blaming Israel for Arab problems. As Sadat saw it, Israel was capitalizing on Arab disunity, and the only way to break the “all-pervading world Zionist movement” was to unify and create a situation where Arab nations came to the help of any other Arab nation targeted by Israel.

Along with gathering ideological support, Sadat looked to secure economic backing from the other Arab countries in the form of an oil embargo to press the West into mediating the conflict with Israel. To coincide with his military attack, Sadat wanted the assistance of an embargo to give his campaign a two-pronged front, both military and economic. An embargo had the ability to reach further and inflict more hardship than any action the Egyptians and Syrians could accomplish. Sadat realized that oil could potentially play a huge role in forcing the West into action, and the oil-producers knew that such an event, if well coordinated, could raise prices and give them greater leverage in the industry. The OAPEC nations were becoming dissatisfied with the current pricing agreement, and sought to strengthen their position. The desires and goals of both Sadat and OAPEC thus fit together perfectly.

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23 Ibid., 239.
24 Disraeli, Defiance, 85.
The Tehran pricing agreement, just two years into its five-year run, had become obsolete in the minds of OAPEC nations. Since the per-barrel price was fixed in U.S. dollars, OAPEC nations received a uniform price for their oil. However, in 1971 the United States took its currency off of the gold standard and allowed the market to set its value, which resulted in a devalued dollar. The OAPEC nations were now receiving a lesser amount than before for their oil, and attempted to reopen negotiations with the oil companies to fix this “loophole.” When the oil companies dragged their feet with further price negotiations in the spring of 1973, OAPEC nations saw Sadat and his military plans as their way to force the issue on oil companies. By allying with him and his cause, OAPEC nations could pressure the oil companies into a new and more profitable pricing agreement. Up until this time, the Arabs had usually attempted to keep politics and economics apart as much as possible, for fear of the economic loss that might come from retaliation by world powers. From this point on, however, politics and economics would be linked, causing problems for the United States and the West.

**Faisal’s Plight**

While the Arab nations responded positively to Sadat’s plan for a military assault on Israel and the threatening of an oil embargo, it put the more conservative Arab governments into a difficult situation. Traditional U.S. allies, such as Saudi Arabia and Jordan, were continually attempting to appease their more radical citizens and brethren while still maintaining good relations with the West, their financial lifeline. Often the radical elements would attempt to pressure conservative governments into taking harsher

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27 Ibid., 131.
stances against the West in order to hurt Israel. When these demands were not met, sabotage often resulted. Such was the case in 1973 when radical Arabs sabotaged two oil pipelines in Saudi Arabia and threatened more disruption.\textsuperscript{30}

Sadat correctly recognized that Egypt’s army would be beaten in their fight against the Israelis if the U.S. was able to re-supply Israel, and asked that Saudi Arabia keep the United States in check by using its oil as a weapon of deterrence. This put King Faisal of Saudi Arabia in a politically untenable position.\textsuperscript{31} Faisal was used to dealing with internal Arab dissent, but his staunch support of the United States caused him to lose face with Sadat and the rest of the Arab world when Nixon decided to sell the new aircraft to Israel, a direct threat to Sadat’s plans. With the risk of being alienated by the other Arab leaders, as well as the threat of more disruptions to Saudi Arabia’s one profitable resource, Faisal sent his oil minister, Sheikh Yamani, to Washington to appeal to the U.S. government. During meetings with U.S. officials in April 1973, Yamani linked oil and politics for the first time. He told the Americans that it was impossible for Saudi Arabia to work against the interests of its Arab brethren. U.S. officials, however, failed to take Yamani seriously, and believed he was speaking for himself and not Faisal. To help quell this misgiving, Faisal told ARAMCO’s president that he was “not able to stand alone much longer”\textsuperscript{32} in an Arab world where pressure was building for the use of oil as a weapon.\textsuperscript{33}

\textsuperscript{30} Bundy, \textit{Tangled Web}, 429.
\textsuperscript{31} Ibid., 429.
\textsuperscript{33} Ali, \textit{Saudi}, 107-08.
**Washington’s Reaction**

Despite reports that Arab arms were being moved about the Middle East and Sadat’s claims that he wanted “total confrontation” and was thinking about “warming up” the Sinai peninsula, Kissinger and other U.S. policymakers refused to take him seriously. In an April 1973 assessment of Sadat, the CIA concluded that although he may have begun to take his talk more seriously, he was most likely not yet at the point of decision and that there were no indications of planning for any specific military operation at a specific time. They still clung to the idea that Sadat was bluffing.

American policymakers refused to believe that Sadat was serious despite repeated warnings from other sources. In May 1973 several high-ranking foreign diplomats and officials attempted to convey the seriousness of Sadat’s intentions. Soviet premier Leonid Brezhnev and his foreign minister Andrei Gromyko, both of whom were still very connected with Sadat, warned Kissinger of the growing danger in the Middle East during his trip to Russia and again at a summit with Nixon in June. However, Kissinger dismissed these warnings as “psychological warfare because [American officials] did not see any rational military option that would not worsen the Soviet and Arab position.”

King Hussein of Jordan also sent warning to the United States in May, stating that Syrian and Egyptian military preparations were too realistic to be considered maneuvers. Again, Kissinger ignored the threat, telling Hussein dismissively that the United States was “watching the situation very carefully.” At nearly the same time, *Newsweek*’s senior diplomatic correspondent, Arnaud de Borchgrave, told Kissinger over lunch that the fever

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34 Kissinger, *Years*, 225.
35 Ibid., 226.
36 Ibid., 460.
37 Ibid., 461.
38 Ibid., 461.
for war was growing all over the Middle East, especially in Egypt. Israel, in contrast, took the threats very seriously. In May, they ordered a partial mobilization of their forces.\textsuperscript{39}

Even with all of these warnings, the United States still did not grasp the gravity of the situation. The failure occurred on several levels of the government. Kissinger and his advisory group, the Washington Special Actions Group (WSAG), stuck to the assumption that Sadat would not want to go to war because he was aware of the potential severe consequences.\textsuperscript{40} James Schlesinger, then director of the CIA, weighed in with his department’s report stating that Egypt lacked the military capabilities to fight Israel, as well as believing that if an attack would occur, it would come after more diplomatic attempts were made.\textsuperscript{41}

One of the major components that U.S. policymakers missed was of the role of the oil in the Arab plans. While Sadat was gathering the support of the major oil producers for a possible embargo to further his military options, OAPEC was seeking to seize greater dominance in the oil business, and both parties recognized the potential opportunities that the other could provide. King Faisal, who recognized the severity of the situation, used a meeting with ARAMCO officials on May 3 to convey the gravity of the predicament. Faisal told the oil company representatives that it was mandatory that the United States government do something to change the direction of events in the Middle East, and that while he realized the situation in the United States, he could not stand the pressure from the radicals or other Arab leaders much longer. He told the representatives that it was up to those Americans and American enterprises that were

\textsuperscript{39} Ibid., 461.
\textsuperscript{40} Ibid., 461.
\textsuperscript{41} Ibid., 461.
friends of the Arabs and had interests in the region to change the posture of the U.S. government. Faisal claimed “a simple government disavowal of Israeli policies and actions” would “go a long way toward overcoming the current anti-American feeling.” He went on to comment that he was amazed at the failure of the U.S. government to recognize where its true interests were. Repeatedly, Faisal emphasized to the oilmen that it was up to U.S. businesses to make the government act quickly. Although the king never brought up the specific subject of oil and energy, the oil representatives believed that Faisal intended to impress the seriousness of the situation on them, so that ARAMCO and the oil industry could pressure the U.S. government to act.

When U.S. policy remained unchanged, Faisal desperately tried once again three weeks later to warn the United States of the impending disaster, using the oilmen as intermediaries. Faisal, who had just returned from a diplomatic trip to Cairo where Sadat had pushed for more political support, repeatedly said that he felt a need for increasing friendship with the United States and that time was running out as to U.S. interests in the Middle East. Saudi Arabia, according to Faisal, was in danger of being isolated in the Arab world for its continuing support of the United States and he would not allow that to happen. Faisal told the representatives very clearly, “You will lose everything” and that they needed to pass this message on to the U.S. government.

The oil representatives did not mistake the underlying theme of Faisal’s warning. “Concession is clearly at risk,” one of the oil executives said later of Faisal’s meaning. These men recognized that Faisal was threatening them with the loss of their ability to

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41 Ibid., 506.
44 Senate testimony in: Multinational Corporations and United States Foreign Policy, 504.
45 Ibid., 504.
receive oil, not just from Saudi Arabia but from the whole region. The process in which control of oil extrapolation gradually shifted to the oil producers would be complete if the individual countries took control, seizing the oil companies’ investments and potentially shutting them out of any future ability to have access to the oil reserves. This was the worst-case scenario for the oil companies; to lose all of their investments and be at the complete mercy of the oil producers.46

Determined not to allow this to happen, the ARAMCO executives met with key U.S. officials, including White House advisor Brent Scowcroft, acting Secretary of Defense Bill Clements, and State Department officials. Their purpose was to convey to the government the stakes at risk, and to convince them of the severity of the situation. The oil executives passed along Faisal’s points, stressing that if policies of the United States remain unchanged, then the traditional friendship toward American businesses in Saudi Arabia would not be preserved. Also, it was not only in the United States or Saudi Arabia’s interest that friendly relations be preserved, but also to stem the tide of isolation that Saudi Arabia might face from the Arab world, further hurting U.S. interests. The unequivocal support of the United States toward Israel was causing Arabs to be swayed by Communist and radical elements, causing ordinary Arabs to become anti-American. The oil executives summed up Faisal’s argument; if the present circumstances remain unchanged then all American interests will suffer, as Saudi Arabia will remove U.S. interests if it becomes isolated due to the United States’ unwavering support for Israel. The executives told the government officials plainly that, “Action must come urgently or everything will be lost.”47

46 Yergin, Prize, 596.
47 “J.J. Johnston, June 1 1973,” 509.
In what turned out to be a colossal failure of foresight, the government officials once again brushed off the warning. After relaying Faisal’s points and the gravity of the predicament, the oilmen noted the reaction of the officials. The “general atmosphere was attentiveness and acknowledgment that a problem existed but a large degree of disbelief that any drastic action was imminent or that any action other than those already underway should happen.”\textsuperscript{48} The government officials believed that the pressure placed upon Saudi Arabia and Faisal to enter into a joint action against Israel and the West, both militarily and with an oil embargo, was inflated. They pointed out that Saudi Arabia had resisted what they considered to be greater pressure from Nasser, and Saudi Arabia would resist again, because of its reliance on the West for income. The officials believed that Faisal was “calling wolf” when the situation was in his head, and that the region was still under control.\textsuperscript{49}

Part of the blame for the officials’ dismissal of the warnings laid with the U.S. intelligence agencies. Intelligence reports concerning the Middle East relied overwhelmingly on Mossad, the Israeli intelligence agency, reports. Evaluations of the Middle East that were not supported by Mossad intelligence received little attention, and Israel did not believe that war was imminent. Israel’s assessment of the situation agreed with American intelligence that stated an Egyptian attack would be disastrous, and since the preeminent source of reliable information on the Middle East matched up with the accepted view on Sadat and the likelihood of war, the United States dismissed Faisal’s warnings.\textsuperscript{50}

\textsuperscript{48} Ibid., 509.
\textsuperscript{49} Ibid., 509.
\textsuperscript{50} Bundy, \textit{Tangled Web}, 434.
These officials, and the majority of policymakers in the U.S. government, did not recognize the power that Arab countries could wield if they flexed their economic muscles for political purposes. They did not foresee any situations where the Arabs could unite their military and economic abilities to effectively hurt the United States. However, with OAPEC striving to gain more power of oil pricing, Sadat rallying support across the Middle East for his campaign against Israel, Watergate and other political scandals erupting in the United States, the United States’ unwillingness to attempt to defuse the situation between the Arabs and Israel, and its growing reliance on the region to meet its energy needs, the perfect storm was created.

When these forces came together in the October War and oil embargo later in 1973, U.S. officials were surprised and unprepared, although they should not have been. This storm had actually been predicted and espoused a month before Faisal’s meeting with the ARAMCO executives by a high-ranking U.S. official. James Akins, the State Department’s senior oil analyst, published a piece in *Foreign Affairs* magazine calling attention to this exact occurrence. Entitled “The Oil Crisis: This Time the Wolf is Here” Akins argued that Arab threats of oil supply reductions and embargoes were shifting from being economically based to politically based, and that the threats were increasing in number and regularity. If the Arabs exerted enough power of the oil business, as was quickly becoming the case, the Arabs would be in a position to make political demands upon the West using their oil as a weapon. While embargoes had failed in the past, the lack of Arab unity and the availability of spare oil production capacity in the United States were their undoing, but if those counter-measures were absent, an embargo would be damaging to the United States. At the end of his article, Akins states, “the threat to
use oil as a political weapon must be taken seriously. The vulnerability of the advanced countries is too great and too plainly evident- and is about to extend to the United States.\textsuperscript{51} Akins further suggested that action be taken immediately to correct the problem, adding, “it is abundantly clear that we must move on a variety of fronts if we are to avoid a situation which could lead to or even force us into highly dangerous action.”\textsuperscript{52}

\textsuperscript{51} James Akins, “The Oil Crisis: This Time the Wolf is Here,” \textit{Foreign Affairs}, 51 (April 1973): 462-90.
\textsuperscript{52} Ibid., 490.
**Chapter 5: “To seek a direct confrontation with OPEC may have a damaging effect upon the world economy.”**

**Subtle Warning**

In June 1973 Soviet president Leonid Brezhnev came to America for a summit with Nixon in which an explicit warning about Sadat was passed between the leaders. The majority of topics discussed during the week involved agreements that exemplified the new “détente”, or peace between the two nations. However, meetings between Kissinger, Soviet Foreign Minister Andrei Gromyko, and Soviet ambassador Anatoly Dobrynin, failed to produce an agreement on what to do about the situation in the Middle East. On the last evening of the conference after President Nixon had retired, Kissinger received an urgent phone call asking him to wake Nixon for an unscheduled meeting with Brezhnev. For the next three hours, Brezhnev attempted to push Nixon into an agreement on the Middle East, stating that he feared Sadat would go to war without a serious indication that negotiations were a real possibility. Brezhnev hoped to avoid war in the Middle East because it held the possibility of dragging the Soviet Union and U.S. into conflict with each other through support for their respective allies, something the United States wished to avoid as well. The only way to avoid war, according to Brezhnev, was to launch a new diplomatic initiative. In a subtle way, Brezhnev was communicating to Nixon that he knew Sadat’s proclamation were more than just idle talk, as the Soviet Union was still quietly supplying the weapons for Egypt’s military buildup.

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Although he offered no specifics, Brezhnev was implying that coming events might threaten the new détente. However, Nixon refused to be bullied into signing off on a new initiative without first consulting Kissinger or the Israeli government. Brezhnev departed the next day without an agreement in place. Kissinger later wrote “we dismissed this as psychological warfare.” Both Nixon and Kissinger passed off Brezhnev’s warnings as a heavy-handed ploy to force a Mideast settlement on terms favorable to the Soviets, which they partly were, but they were also a direct warning about what Sadat had in store.

**Sadat’s Final Push**

With his armed forces quietly preparing for war, Sadat set out in August to meet with the leaders of Saudi Arabia, Syria, and Qatar. The trip was his attempt to unify the factions in the Arab world, namely those on the “Right and Left” and the “Progressives and Reactionaries.” Sadat began his tour in Saudi Arabia, where, on August 23, he explicitly told King Faisal that he was going to war soon. While the “D-Day” was already scheduled, Sadat stopped short of telling Faisal the exact date. Faisal, in Sadat’s view, supported the idea, and asked what assistance Saudi Arabia could provide. Sadat replied, “Nothing in particular, just take note that I am about to start a war. You will make your decisions in due course, for each of us knows his own domestic affairs best.” Faisal had one request, “I would ask only one thing of you: if you start a war, do not stop it after an hour or a day. Go on, so that we can take a united Arab position at your side.”

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3 Kissinger, *Years*, 461.
4 Yergin, *Prize*, 597.
6 Israeli, *Defiance*, 91.
7 Ibid., 92.
8 Ibid., 92.
Sadat knew he would need the financial assistance of his Arab neighbors, particularly that of Saudi Arabia. However, his pride prevented him from being upfront about his needs with the Arab leaders, choosing rather to say simply, “Just fulfill your duty as you see fit.” The Arab leaders knew what Sadat wanted; the use of Arab oil and financial power as a weapon in his war. While some of the Arab countries, particularly Syria and Libya, enthusiastically supported the idea of an embargo, others such as Saudi Arabia and most of the other oil-producers rejected it. Sadat still felt confident though, because he believed that even without an embargo, a sophisticated use of Arab monetary reserves and economic pressure, if well coordinated, could accomplish the same goal of pushing the West to intervene against Israel.

To his surprise the meeting with King Faisal produced a pledge beyond Sadat’s wildest dreams. Fed up by increasing pressure and isolation in the Arab world and the lack of movement by the U.S. government to help him, the King promised half a billion dollars to the war effort, but more importantly, to use his oil as a weapon. As recently as a few months prior, Faisal has adamantly opposed the idea, telling American television viewers during an interview with Alfred DeCrane Jr., the chairman of Texaco, that “We have no wish to restrict our oil exports to the United States in any way,” but “America’s complete support for Zionism and against the Arabs makes it extremely difficult for us to continue to supply the United States with oil, or even to remain friends with the United States.” However, things had changed dramatically for the King. He was angry that the U.S. government had ignored most of his warnings and pleas as to the severity of the situation, and decided it was time to act, using his oil if necessary.

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9 Ibid., 92.
10 Ibid., 92.
11 Yergin, Prize, 596.
The Last Missed Warnings

Faisal’s promise to Sadat quickly proved to be more than empty words. Less than a week later on August 27, Faisal’s oil minister Yamani told an ARAMCO executive that Faisal had suddenly begun requesting detailed reports on ARAMCO’s production, its plans for expansion, and for the consequences of curtailment in its production on consuming countries, particularly the United States. Yamani told the executive, “This is a completely new phenomenon. The King never bothered with such details.” However, Yamani went further with his warnings. He said that there were elements in the U.S. government, led by Kissinger, that “are misleading Nixon as to the seriousness” of the King’s intention. Because of this dismissive attitude, “the King has been giving interviews and making public statements designed to eliminate any doubt that might exist.” The decision to limit oil production in Saudi Arabia rested with one man, Faisal, who could act as sole authority if he chooses. With that authority, continued Yamani, the King is “one hundred percent determined to effect a change in U.S. policy and to use oil for that purpose. The King feels a personal obligation to do something and knows that oil is now an effective weapon. He is additionally under constant pressure from Arab public opinion and Arab leaders, particularly Sadat. He is losing patience.”

The Nixon Administration again failed, or at least refused to believe, that the situation facing the United States was dire. In the year leading up to October 1973, and especially in the last few months, there were a large number of visits by Yamani and other high-ranking Saudi officials, as well as ARAMCO executives, to Washington to

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12 Ibid., 597.
13 Ibid., 597.
14 Ibid., 597.
15 Ibid., 598.
discuss what was going on in the Middle East. While this should have suggested that there was truth behind what the Saudis were telling the U.S. officials, they seemed to pass off the warnings without recognizing that something monumental was occurring. This mindset was also present in the press, where one writer characterized the frequent visits as “an elaborate cosmetic operation on the part of Faisal and the oil companies to improve their images in the Arab world without having to mount a real pressure campaign against Middle East policy.”

**OPEC’s Opportunity**

By September, international concerns with the growing demand and limited supply of oil, as well as the security of the oil supply, led nations to grudgingly prepare for an energy crisis. The West German government implemented an energy plan that gave some importance to the security of supply. In Japan, more drastic measures were being taken. With very little domestic supplies, Japan depended entirely on imported oil. Their rapid growth had left them vulnerable to shortages, and they saw that the major oil companies who managed their supplies were quickly being overshadowed by the emerging power of the oil producers. This led to a change in their foreign policy not seen since before the Second World War, a shift away from the United States. Called “resource diplomacy,” the plan aimed to protect Japan’s oil supplies at all costs, even if it meant turning their backs on the U.S. The main proponent of the plan, Ministry of International Trade and Industry Minister Yashiro Nakasone said, “It is inevitable that Japan will competitively follow her own independent direction. The era of blindly following has come to an end.”

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17 Yergin, *Prize*, 599.
demonstrate that Japan was “standing on the side of the oil producing countries.”

Nakasone hoped that by siding with the oil producers, Japan would be insulated from any future supply disruptions. Japan knew energy problems were looming. On September 26, Prime Minister Kakuei Tanaka said in a television interview, “Regarding the energy crisis, an oil crisis ten years from now is clearly seen.”

In the United States, some policy makers were beginning to realize the severity of the situation. The Nixon Administration met with the oil majors to discuss the fear that Libya would shut out the companies from production, and after the meeting, decided to impose mandatory allocations for some oil products that were in a tight supply domestically. In 1971 Nixon had imposed price controls and quotas on oil, in order to fight inflation and encourage domestic oil exploration. His plan backfired however, as with an artificially low price people used more oil and without an economic incentive, new domestic exploration was abandoned. Just two years later, the situation in the United States had changed dramatically as the problem was not that there was too much oil, but that there was not enough. In April 1973 Nixon made his first Presidential address on the energy crisis and abolished the quotas because domestic supply could no longer supply the nation’s oil demands. He also instituted a “voluntary allocation system” at that time, an attempt to assure supplies for the independent refiners.

However, these measures largely failed, leaving Nixon trying to coerce the market once again, rather than attempting to work out a long-term strategy.

With the end of U.S. importation quotas, the U.S. joined the world oil market unhindered. With demand swelling worldwide, companies bought up all they could.

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18 Ibid., 599.
19 Ibid., 599.
20 Ibid., 590.
fearing a global shortage. As demand surged the available supply of oil dwindled, creating a situation where independents and refiners bought oil from the companies above the price negotiated between the companies and the producers. OPEC members, and specifically OAPEC nations, decided that they wanted more money for their oil, despite the fact that the Tehran and Tripoli agreements were still binding. OPEC resolved to use the world situation to its advantage, declaring after their July 1973 conference,

noting that under the present and expected conditions of the world energy market, Member Countries should not only strive to attain the appropriate value for their oil...taking into account that hydrocarbon resources have constituted an essential factor in the economic development of industrialized countries and that a regular and secure supply...is of paramount importance for the continuity of their economic welfare.\textsuperscript{21}

The same press release closed with a warning against any industrialized nation that sought to interfere with OPEC.

any concerted action undertaken by industrialized-importing countries aimed at undermining OPEC’s legitimate aspirations would only hamper the stable relations that have normally existed between these and OPEC Member Countries, and that to seek a direct confrontation with OPEC may have a damaging effect upon the world economy.\textsuperscript{22}

It did not take long for OAPEC nations to put their words into action in order to obtain a greater percentage of the increase in oil prices. On September 1, Libya nationalized 51 percent of the oil operations it had not already taken over. Although Nixon publicly warned the oil producers that Iran had tried similar tactics twenty years before and failed, his words had little effect. The global oil situation had changed drastically since Dr. Mossadeq pushed Iran toward nationalization, and now Libya had no problems selling its oil in a world that was thirsty for it. Iraq, Algeria, and Libya together pushed for revisions to the Tehran and Tripoli agreements. They felt that the oil

\textsuperscript{22} Ibid., 136.
companies were benefiting too much from the surge in oil prices, and sought to receive a larger share of the revenues. They wanted to scrap the agreements, and begin negotiations anew, now that they were increasing in bargaining power. The oil producers were no longer the supplicants, begging the oil companies for higher prices and a greater portion of the profits. They were rapidly gaining in power, and they knew it was time to squeeze the oil companies. After their meeting in Vienna on September 16, OPEC issued a press release clearly laying out its intentions.

…regarding…the Tehran, Tripoli…Agreements…decided that since the level of posted prices and the annual escalations provided for by those Agreements are no longer compatible with prevailing market conditions as well as the galloping world inflation, to negotiate…with the representatives of oil companies with a view to revising the terms of said Agreements. The member Countries…decided to negotiate collectively the revision of the terms of the Tehran Agreement with representatives of the oil companies on 8th October 1973, in Vienna.

The push for higher prices and the desired renegotiation of the oil agreements left the oil companies scrambling to avert a situation where they lost all power and leverage in the Middle East. To give themselves the most power, they asked for, and received, exemption from U.S. antitrust laws so they could bargain collectively. However, the government did not take this negotiation as seriously as the companies did, and they did not send any diplomats to the meeting. The oilmen were there alone, and the U.S. chose to receive reports from them rather than intervening or observing firsthand. This was a recurring theme and problem for the U.S. government, and the oil companies were free once again to deal as they desired in the Middle East, as they had for decades. The U.S. chose to employ a “hands off” attitude to the situation, an idea that would soon have to be

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23 Yergin, Prize, 592.
corrected. As the oil representatives packed and prepared to leave for their October 8 meeting, Sadat surprised the world and invaded Israel.\textsuperscript{25}

\textsuperscript{25} Sampson, \textit{Sisters}, 297.
Chapter 6: October 1973- “We knew everything but understood too little.”¹

Distraction

In early October 1973, the vast majority of attention in the United States of both the public and the government was focused on the scandal that was rapidly unraveling Nixon and his administration. The saga of Watergate dominated the headlines and nightly news reports and enveloped the nation. Entering into October, Nixon was chiefly concerned about the ruling on his appeal to prevent the release of seven Watergate-related tapes to Special Prosecutor Archibald Cox who was in charge of the Watergate investigation. Anticipating that he would receive an unfavorable ruling ordering their release, Nixon feared that their contents would lead to calls for him to step down from the presidency, or for formal articles of impeachment to be discussed. In an effort to calm his critics, he decided to release summaries of the tapes, which he prepared from his home in Florida.²

Thus when Sadat launched his invasion of Israel on October 6, Yom Kippur, Judaism’s holiest day, Nixon was preparing the summaries in Florida, not in Washington overseeing the response to the conflict. The attack took him completely by surprise. Despite the intelligence capabilities of the United States, no one had seen the attack coming, and therefore no one had warned the president about it. Nixon himself had become so preoccupied with his domestic turmoil involving Watergate and the

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¹ Kissinger, *Years*, 467.
developing scandal surrounding his vice president Spiro Agnew that it became impossible for him to fully concentrate on foreign affairs and diplomacy.

To add to the reasons for Nixon’s preoccupation during October 1973, three days after the war began Spiro Agnew met with Nixon to announce his resignation over an income tax violation. This only added to Nixon’s domestic attention, as he now had to find a replacement or face the prospect of the line of presidential succession going to the Speaker of the House, a Democrat. This situation, along with Watergate and the media firestorm surrounding it, prevented Nixon from giving his full weight and influence to the war in the Middle East. While he did meet with Kissinger on occasion, he in essence left complete control of the U.S. response to others. Nixon’s biggest presidential problem was dealing with the war, but his biggest personal problems were selecting a new vice president and avoiding the demands by the Special Prosecutor for the Watergate tapes.\textsuperscript{3} Nixon chose to focus the majority of his efforts on his personal problems, and not in doing his duty as president.

His newly appointed Secretary of State, Henry Kissinger, was more than willing to take command of the situation and operate and make decisions in the international arena while Nixon sat on the sidelines. After Kissinger received word of the attack, he waited two and a half hours to inform Nixon. In the intermediate time, he contacted the Israelis, Soviets, Syrians, the United Nations, Egyptians, and Jordanians. Kissinger acted as if consulting with the President of the United States was a low priority, as even when he called down to Florida, he did not ask to speak with Nixon but rather with Al Haig, Nixon’s chief of staff. This was part of a pattern that persisted throughout the crisis, a

\textsuperscript{3} Ambrose, \textit{Nixon}, 232.
dismissal of Nixon’s role in dealing with the Yom Kippur War. Kissinger justified his actions by later writing,

It was not clear that Nixon retained enough authority to manage the manifold pressures about to descend on him. But we could not sit on the sidelines if the Middle East should rage out of control; the world would view it as a collapse of American authority, whatever alibi we put forward. We had to protect our country’s ability to play its indispensable role as the guarantor of peace and the repository of the hopes of free peoples.4

Nixon’s lack of attention to the Middle East, caused by both his domestic turmoil and by his focus on other foreign affairs prior to October 1973 in the Soviet Union, China, and Vietnam, contributed to U.S.’s lack of preparation for the war. As the CIA and other intelligence agencies scrambled to figure out what was going on in the Middle East and why they had not predicted Sadat’s plans, Kissinger scrambled to initiate diplomacy without the President of the United States.

**Blind Intelligence**

The failure of the intelligence agencies to foresee the war continued up until the launching of the attack. From June through September 1973 both Egypt and Syria called up large numbers of reserves and engaged in major military exercises. However, both the Americans and Israelis saw “these activities as merely more realistic exercises.”5 On September 28, Soviet Foreign Minister Gromyko, who still had close ties to the Egyptians despite Sadat’s expulsion of the Soviet experts, warned Nixon at a White House meeting that, “We could all wake up one day and find there is a real conflagration in that area.”6 On September 30, Kissinger, alarmed by a report that Syrian tanks were massing near the Golan Heights, ordered a review of intelligence from the area. The

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4 Kissinger, *Years*, 468.
5 Kissinger, *Years*, 462.
6 Ibid., 463.
State Department’s intelligence agency, the Bureau of Intelligence and Research, provided Kissinger a briefing in the vein of all the others, reading “In our view, the political climate in the Arab states argues against a major Syrian military move against Israel at this time.”

Other intelligence agencies repeated the same message: that an Arab-launched attack against Israel was highly unlikely. The CIA issued a briefing on September 30 that Sadat’s activities since the spring “had been in the direction of bringing moral, political, and economic force to bear on Israel in tacit acknowledgement of Arab unreadiness to make war.” On October 3, an Israeli foreign ministry official concluded that Egyptian military maneuvers were “routine” and that the “voice of reason” would prevail in Damascus as well. The United States’ military intelligence arm, the Defense Intelligence Agency, also stated on October 3, “The movement of Syrian troops and Egyptian military readiness are considered to be coincidental and not designed to lead to major hostilities.”

On October 5, events in the Middle East took an ominous turn. The news reached Washington that the Soviet Union had been airlifting all of its dependents out of Egypt and Syria, everyone except technical and military advisers. This evacuation would only have been ordered if something major were about to occur. However, both the U.S. and Israeli intelligence agencies misinterpreted this too. The CIA stated, “Rumors and agent reports may be feeding the uneasiness that appears to be developing. The military preparations that have occurred do not indicate that any party intends to initiate

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7 Ibid., 464.
8 Ibid., 464.
9 Ibid., 464.
10 Ibid., 464.
The Israelis echoed this; “Our assessment is that the alert measures being taken by Egypt and Syria are in part connected with maneuvers (as regards Egypt) and in part due to fears of offensive actions by Israel. We consider the opening of military operations against Israel by the two armies as of low probability.”

All of the U.S. and Israeli intelligence agencies incorrectly judged the blossoming situation in the Middle East. There was a tremendous amount of groupthink among the agencies, where each blindly accepted the evaluations of the others and melded into their own assessments. No one agency could get past the idea that Egypt and Syria would launch an assault, and therefore they interpreted intelligence to prove it. Kissinger writes of the colossal failure, “What no one believed…was that the Arabs would act on it. Our definition of rationality did not take seriously the notion of starting an unwinnable war to restore self-respect. There was no defense of our own preconceptions or those of our allies.”

The failure is most clearly seen in the dismissal of the Soviet airlift of its dependents out of Egypt. This action was not typical, planned, or easily explained, and only would have come if there were a looming military crisis, and not solely a political one. Emergency airlifts are done to work against a deadline, and the only logical deadline would be the opening of hostilities involving the nation the people were airlifted from. Yet with all of this information, neither the Israelis nor Americans could pull themselves from their core belief that war in the Middle East was not imminent. This misjudgment was “inexplicable” according to Kissinger, and represented a “real failure

11 Ibid., 465.
12 Ibid., 466.
13 Ibid., 465.
on the eve of the Mideast war.” All the intelligence agencies and key policymakers were guilty of this mischaracterization and misinterpretation. Kissinger later summed up the situation; “We had become too complacent about our own assumptions. We knew everything but understood too little. And for that the highest officials- including me- must assume responsibility.”

One of the main reasons why the United States did not foresee the oil embargo was because they did not see a Middle East war coming. As Nixon said later, “The news of the…attack on Israel took us completely by surprise.” While they did not believe oil and politics could be effectively linked, they failed to even see a situation where they could be connected, such as with a war. Despite an incredible amount of information from a plethora of sources, all of the relative intelligence agencies and top policymakers refused to believe that war in the Middle East were imminent. Because of this failure, the United States did not have a plan to deal with an oil shortage that might come as a result of war, and were therefore unprepared to deal with an embargo.

**The Arab Advance and Failed Oil Negotiations**

As the intelligence agencies attempted to get a handle on the evolving situation in the Middle East, Sadat and the Arabs were advancing quickly into Israeli territory. They had caught Israel completely off guard, and in the first few days of the war scored significant victories. The Egyptians succeeded in knocking out key Israeli defenses, destroying command posts, aerial combat headquarters, air defense and jamming centers, missile batteries and gun emplacements in the first air strike alone. Sadat wrote about this in glowing terms. “With this admirable air strike, the Egyptian Air Force recovered

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14 Ibid., 465.
15 Ibid., 467.
all it had lost in the 1956 War and the 1967 defeat, and paved the way for our armed forces subsequently to achieve that victory which restored the self-confidence of our armed forces, our people, and our Arab nation.”

Massive amounts of Israeli munitions had been destroyed, and four days into the war the Soviets began to re-supply the Arabs with military equipment. With the prospect of a quick Israeli victory gone (as many policymakers had felt would occur), the U.S. decided to re-supply Israel with munitions, hoping to stem the Arabs’ ever-increasing chances of winning. The idea of sending U.S. supplies to Israel was dangerous to U.S. petroleum interests, as it risked provoking the Arabs to use their oil weapon. However, Nixon threw his entire weight behind the idea and pledged to take full responsibility for any retribution sent from the Arabs, stating, “I told Kissinger that I would take full responsibility for the politics.”

Kissinger felt that the U.S. should send only three planes, so as not to anger the Arabs as much, but Nixon refused, telling him, “Use every one we have. Tell them [Defense Department] to send everything that can fly.” When the Israelis were able to regroup from the initial Arab attacks and after receiving U.S. supplies, they began turning the tide and retaking key positions. This shift created the pretext for the imposition of the oil embargo.

During the early stages of the war while the Arabs were winning decisively, the members of OAPEC did not see the need to employ their oil weapon. However, when conditions for them deteriorated and a stalemate began to emerge, their position changed. The oil ministers of OAPEC had met with the representatives of the oil companies in

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17 Sadat, Identity, 249.  
19 Ibid., 336.  
20 Ambrose, Nixon, 240.
Vienna to discuss a price increase as the war was in its initial stages. The meeting had been scheduled before the commencement of hostilities, but the events in the Middle East strengthened OAPEC’s bargaining position. Also aiding their goal of a higher take for their oil was the overall oil shortage on the market and the quickly rising inflation that was present throughout the world. OAPEC demanded a doubling of the price, while the representatives countered with an offering of a fifteen percent hike. Unable to settle on a price, the talks broke down and at the same time, OAPEC called a meeting in Kuwait to discuss an oil embargo.21

Frustrated by both the breakdown in negotiations with the oil companies and the worsening situation of the Arab armies, OAPEC (with other members of OPEC) announced an immediate unilateral seventy percent hike in the price of oil.22 Also, on October 17, OAPEC issued a declaration aimed at stopping Israeli military success and punishing the United States, stating,

> each Arab oil exporting country [should] immediately cut its oil production by rate not less than 5% from the September production level, and further increase of 5% from each of the following months, until such a time as the international community compels Israel to relinquish occupied Arab lands, and to levels that will not undermine their economies or their Arab obligations.23

With the price hike and the oil production cut in place, King Faisal, the U.S. stalwart ally, shocked the West and imposed a ten percent cut of his own, followed quickly by a twenty percent cut and finally a complete embargo of oil to the United States by October 20.24 OAPEC’s message, and Saudi Arabia’s, was clear: those who are friendly to the Arabs would be supplied with oil; those who were not would be embargoed until they capitulated to Arab demands against Israel. Faisal publicly stated the extent that he was

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22 Ibid., 299.
24 Sampson, *Sisters*, 302-03.
willing to go to with the embargo; “Saudi Arabia will continue indefatigably placing all its resources at the service of higher Arab aims and of the protection and strengthening of this solidarity.”  

Countries that fell into the “friendly” category and would be supplied with oil at pre-embargo levels included Britain, France, Spain, and much of Europe except the Netherlands. As King Faisal put it, “When they have been served then whatever was left might be distributed to the rest of the world.” “Unfriendly” countries, those that would receive no oil, included the U.S., the Netherlands, Japan, and Canada. These were the countries who were the most supportive of Israel or those whom the Arabs believed could exert influence on the U.S. to in turn pressure Israel.

**The Nations Respond to the Embargo**

The countries deemed as “unfriendly” to Arab interests scrambled to cope with the immediate reduction in their energy supplies. Japan was heavily reliant on oil from the Middle East, and was shocked that they were included in the unfriendly list because they supported U.N. Resolution 242 that advocated the Israeli withdrawal from areas occupied after the 1967 war. To appease the Arabs, Japan called for Israel to withdraw from larger amounts of territory than the resolution called for, advocated Palestinian self-determination, and threatened to reconsider its relationship with Israel if Israel did not agree to the terms. In addition, Japan announced the first of several diplomatic missions to the Middle East by high-ranking government officials, where large amounts of aid

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27 Ibid., 111.
were promised, estimated at up to $3.3 billion. Because of the dramatic shift in their foreign policy position, Japan was granted “friendly” status late in 1973.\(^{29}\)

Even those so-called “friendly” states were pushed to action by the embargo. The United Kingdom, frightened that an embargo on other countries might have a ripple effect in the global market and cause a supply disruption, moved to ensure their favored status. They immediately imposed an arms embargo on both sides of the conflict, a critical move against Israel because roughly half of Israel’s tanks were British-made. They also refused to allow U.S. planes to use British airbases during their re-supply of Israel. Finally, the British declared that they would not sell any oil to the Netherlands, who was an outspoken critic of the Arab invasion, and halted all joint European efforts aimed at efficient oil sharing.\(^{30}\) These actions, meant to ensure supply, were widely seen as bowing to Arab pressure. The British foreign secretary responded to this claim with a disavowal. “There has been a great deal of talk recently about submission to Arab blackmail...The Arabs have made no demand on us and we have offered no price.”\(^{31}\

While officials disregarded the public skepticism, it was clear that by adopting a more balanced stance on the war, Britain’s oil supplies were steadily becoming more assured.\(^{32}\) As the *Sunday Times* in London observed, “Britain’s oil is safe- if we behave ourselves.”\(^{33}\)

This uncoordinated approach by individual nations to secure their own oil supply by bowing to Arab threats made it difficult for the U.S. to put diplomatic pressure on the Arabs at the beginning of the embargo. By offering to trade weapons, technology, and

\(^{29}\) Ibid., 214.
\(^{30}\) Ibid., 212.
\(^{32}\) Ali, *Saudi*, 111.
aid for access to oil, European nations and Japan threatened to weaken alliances with the U.S. and hampered efforts by the U.S. to stabilize the situation in the Middle East.\textsuperscript{34}

However, the United States did not have a plan in place to deal with a direct oil embargo or with a global oil market where prices were skyrocketing due to other countries’ frantic efforts to secure supply. As U.S. citizens became aware of OPEC’s production cuts, questions began to be asked of the White House on the matter. Without a cohesive plan for coping with the cuts, Kissinger told Press Secretary Ron Ziegler that the U.S. could “handle it.”\textsuperscript{35} He went on to explain to Ziegler, “I know that is a token thing but if you say it’s a token thing that will force [OPEC] to escalate it. Let’s say you’re aware of it. Isn’t it possible for us in effect to say in this delicate phase we don’t think any useful purpose is served by it?”\textsuperscript{36} Instead, the government publicly focused on diplomatic initiatives that they hoped would avert any real supply problems or disruptions for domestic consumers.\textsuperscript{37} Kissinger, in particular, wanted to get through peace negotiations with the Arabs and Soviets before dealing with the oil embargo.\textsuperscript{38}

\textbf{America Meets the Embargo}

In late October a United Nations-backed ceasefire was agreed to in the Middle East and Kissinger was employing shuttle diplomacy to attempt to reach a disengagement of troops, but the embargo still remained in place. Petroleum prices in the United States had stayed relatively level because of existing supply lines and although prices had yet to increase, Americans became much more informed of world events and the possible

\textsuperscript{35} Kissinger, \textit{Crisis}, 283
\textsuperscript{36} Ibid., 284.
\textsuperscript{37} Sheehan, \textit{Step by Step}, 16.
\textsuperscript{38} Kissinger, \textit{Crisis}, 283-84.
consequences.\textsuperscript{39} A \textit{Time} magazine article on the subject warned the embargo could “easily lead to cold homes, hospitals and schools, shuttered factories, slower travel, brownouts, consumer rationing, aggravated inflation and even worsened air pollution in the U.S.”\textsuperscript{40} When the embargo was imposed in the middle of October, Iran raised the price of its oil to $5.40 a barrel. By November, Nigerian oil was being sold for more than $16 a barrel.\textsuperscript{41}

Even though the pain of shortages had not yet been felt by U.S. consumers many Americans began to grasp the reality that things would get worse very quickly.\textsuperscript{42} By late October, it became clear to policymakers that the U.S. would fall as much as ten percent behind its energy needs, and could be lacking as much as seventeen percent by winter depending on the weather.\textsuperscript{43} Nixon addressed these concerns in a national televised speech on November 7 in which he tried to convey the seriousness of the oil shortage but also to reassure the nation that it could be overcome. “The fuel crisis need not mean genuine suffering for any American, but it will require sacrifice by all Americans.”\textsuperscript{44} He went on to outline a plan for coping with the supply problems, proposing more coal mining, fewer commercial airline flights, a 50-mile-per-hour national speed limit, the Alaska pipeline, more nuclear plants, car pooling, relaxed environmental restrictions, and for thermostats to be lowered to less than seventy degrees. “We have an energy crisis, but there is no crisis of American spirit.”\textsuperscript{45}

\textsuperscript{39} Zarb, \textit{Arab Oil}, 7.
\textsuperscript{40} “Unsheathing the Political Weapon,” \textit{Time}, Oct. 29, 1973, 50.
\textsuperscript{41} Yergin, \textit{Prize}, 615.
\textsuperscript{42} Zarb, \textit{Arab Oil}, 6.
\textsuperscript{43} Nixon, \textit{Memoirs}, 984.
\textsuperscript{44} Ambrose, \textit{Nixon}, 266
\textsuperscript{45} Ibid., 266.
Americans were not used to being short of anything after World War II, but Nixon’s remarks at first did generate a united spirit of patriotism and sacrifice in the populace. As newspaper headlines declared the worst, such as “Fuel Rationing” and “U.S. Controls by Spring,” many Americans seemed unfazed, or at least ready to accept the temporary hardship.46 In letters to the editor of the Los Angeles Times, some people saw the positive side of the embargo. “So we live with an energy shortage. Is there any real harm in being deprived of, say, half of our present energy consumption? Better half now than a total failure 10 years hence.”47 In another a writer thanked the Arabs for their role in the embargo, claiming that “the Arab countries should be congratulated for contributing to the clean-air program in the world.”48 Nixon was also lauded by some for his efforts to combat the problem. “President Nixon’s appeal for voluntary efforts to reduce national energy consumption has resulted in some encouraging initial responses…these prompt moves reflect a realistic understanding of the seriousness of the problem.”49

The acceptance of the embargo by the American people, however, was not shared by all of the populace. The continuing presence of the Watergate scandal led to many Americans feeling confused, not believing that such a thing could happen in the United States and wondering if perhaps the problem was engineered to distract the nation from Nixon’s dwindling support.50 Critics doubted that Nixon possessed the power to deal with the embargo, “The President’s response to the crisis demonstrates one of the problems he confronts if he is to recover from the Watergate scandals…critics are

47 Los Angeles Times, Nov. 11, 1973, 2.
48 Ibid., 2.
50 Zarb, Arab Oil, 7.
charging that the President was slow to move on the energy question, that the
Administration failed to do its homework on the problem soon enough.”
In a report prepared for the Senate, the blame for the initial problem was put on the President for
“eliminating oil import quotas too late” and the oil industry for “refusing to recognize for
the last three years that a fuel shortage existed.”

The nation realized by the end of November that the crisis had the power to affect
their lives. Newspapers warned of the widespread power of an energy embargo would
have a variety of businesses. People, fearing they would not be able to refuel their cars,
began panic buying at the pumps, leading to spot shortages around the country. Motorists
waited in long lines for access to service stations, burning fuel in the process, and began
topping off their tanks constantly. Gas prices soon doubled, but customers still backed
up the entrances to stations, with some lines stretching four miles in New Jersey.

To deal with the constant demand, some stations began rationing their gas, but
even with the limitations on buying, they ran out of product faster than refineries could
ship them more gasoline. Anger among motorists soon became commonplace, and
drivers frustrated by the lack of fuel and long lines vented on station attendants and each
other, leading to fighting, stealing, even killing. To attempt to discourage unnecessary
driving, Nixon ordered service stations to close on Sundays and states began

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54 Edward D. Berkowitz, Something Happened: A Political and Cultural Overview of the Seventies (New
York: Columbia University Press, 2006), 64.
55 Peter N. Carroll, It Seemed Like Nothing Happened: The Tragedy and Promise of America in the 1970’s
56 Berkowitz, Something Happened, 64.
implementing rationing programs. The *New York Times* recorded the result, “Millions of drivers, facing padlocked gas pumps and warnings of an energy crisis, kept their cars at home…many of the country’s major superhighways and parkways were barren. There were cases, too, of those stranded without gas, of others siphoning fuel out of parked cars.”

Across the country citizens were forced to come face-to-face with the reality that the embargo brought, and with the fact that their behavior had to change. Local governments ordered drivers of official cars to slow down while on the roads and provided bicycles as an alternative. The speed limits on major turnpikes were reduced and states mandated lower speed limits on roads under their control. Field trips for public schools students were cancelled and public buses cut back on routes and schedules. Holiday light displays were trimmed back or cut out, and the governor of Oregon threatened to cut the electric service of anyone who defied his ban on outdoor lighting. Offices and factories changed their hours to use less artificial lighting, and some towns switched completely back to daylight savings time. Thermostats were turned down, heating oil shipments were slowed and people were constantly barraged with the message that conservation was now essential.

Public anger soon grew from the newfound hardships caused by the embargo. Adding to the discontent, the major oil companies, buoyed by the rising price of oil, posted fourth-quarter profits that were 57 percent higher than just the previous year.

Widespread fury against the oil companies became common, and attacks against oil

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60 Carroll, *Nothing Happened*, 118.
delivery drivers and their trucks were reported throughout the country.\textsuperscript{61} Letters soon appeared in newspapers demonstrating the rising frustration toward Nixon and the oil companies. “President Nixon’s immediate solution to the energy crisis is no solution at all...he has come up with nothing that an 8-year old school child couldn’t have come up with. They aren’t even half-measures.”\textsuperscript{62} One called for the nationalization of the oil industry since, “such a course could hardly be worse than the impasse into which the oil companies and the Administration have led us.”\textsuperscript{63} Another wrote, “it is indeed too bad that this ‘energy crisis’ could not be used to achieve the real goal of energy conservation rather than merely accommodating the major oil companies and other giant corporate interests.”\textsuperscript{64} The top energy official in New York City called Nixon’s plan “short-sighted and inadequate. It’s a disaster.”\textsuperscript{65} Truck drivers further escalated public frustration by blockading highways across the nation to protest increasing fuel costs and their decreasing profits. One driver, who parked his truck on the Delaware Memorial Bridge to halt traffic, summed up his demands, “We want Nixon and his people, when they turn on their television sets, to hear us.”\textsuperscript{66} Another said, “The Great White Fathers back in Washington don’t [care] about truck drivers. We’ve got to shut down this country to show ‘em what this is doing to us.”\textsuperscript{67}

\textsuperscript{62} \textit{Los Angeles Times}, Nov. 18, 1973, 2.
\textsuperscript{63} Ibid., 2.
\textsuperscript{64} Ibid., 2.
Some congressional representatives, spurred on by their constituents, called for hearings to determine if the oil companies were illegally manipulating the market.\(^68\) A newspaper editorial characterized the public perception,

> The result of all this is that the average American quite obviously is not persuaded that the “crisis” is for real. The widespread supposition that the whole thing is a giant conspiracy by the big oil producers to push up prices and force out independent competition is no doubt a gross oversimplification, nurtured in part by the fact that Nixon scandals have made us all overly susceptible to conspiracy theories. But certainly the inability of government to define the problem in specific terms has done nothing to allay these dark suspicions.\(^69\)

A Gallup poll taken during the embargo defined the differing opinions on whom the American public thought was to blame. One quarter blamed the oil companies, another quarter blamed Nixon, and the rest blamed OPEC for beginning the crisis.\(^70\)

**“Not Empty Threats”**\(^71\)

As the groundswell of anger and discontent grew among American citizens, there was no end in sight for the embargo. While hostilities in the Middle East had subsided after a few weeks, the disengagement of troops on both sides was being feverishly negotiated by Kissinger and was not yet complete. Stung by their losses and the accompanying stalemate, OPEC and its allies continued the embargo. When interviewed about the embargo, the erstwhile U.S. ally the Shah of Iran spoke plainly about where he expected the price of oil to go. “Of course, it is going to rise! Certainly! And how!…I tell you, the price of oil must rise. There’s no other solution…You make us pay more, scandalously more, for everything, and it’s only fair that, from now on, you should pay more for oil. Let’s say…10 times more.”\(^72\)

\(^68\) Zarb, *Arab Oil*, 7.
\(^70\) Carroll, *Nothing Happened*, 118.
\(^71\) Kissinger, *Years*, 880.
Without any clear timetable as to the conclusion of the embargo and without an adequate plan to deal with it for the foreseeable future, key policymakers in the U.S. Government began contemplating a plan that only months before would have seemed like a worst possible scenario; they seriously considered invading the Middle East to ensure that oil would be available to the United States. Caught completely off guard by the war and the ensuing embargo, the idea of a Mideast invasion of the region around Saudi Arabia gained traction as the negotiations for withdrawal dragged on.

From the early days of the Yom Kippur War, Defense Secretary James Schlesinger led the push for invasion. Just four days into the war on October 10, Schlesinger approached Kissinger with the idea. Schlesinger told Kissinger, “So I think we are going to get into a position in which all of our interests in Saudi Arabia are at risk and it might be desirable to examine the fundamentals of our position.” When asked what the fundamentals were, Schlesinger responded, “Well, the fundamentals are that we may be faced with the choice that lies, cruelly, between support of Israel and loss of Saudi Arabia, and if interests in the Middle East are at risk, the choice between occupation or watching them go down the drain.” When Kissinger asked what countries would be occupied Schlesinger told him, “That would remain to be seen- it can be partial.”

Shortly after that conversation and with a permanent ceasefire still in doubt, Schlesinger began canvassing the idea to other officials because he wanted to ensure that oil kept flowing from the region if an oil shutdown occurred. Kissinger bluntly told him that diplomacy and negotiations would continue, and that, “I don’t think there is any need

73 Kissinger, Crisis, 169.
74 Ibid., 169.
75 Ibid., 169.
to consider occupation of anything at this time.”

Despite Kissinger’s refusal to discuss an invasion, the idea made it into print in October in an article written by a well-known Pentagon defense adviser. In the article Edward Luttwak argued for an immediate buildup of Western military forces in the Middle East to safeguard the oil supplies. “A western military presence will be more effective in securing the flow of oil than political measures, which are unlikely to affect the internal situation in the oil-producing countries.”

With both Schlesinger and Kissinger posturing for control of the situation—Kissinger preferred diplomacy because he was in command of the State Department and Schlesinger wanted a military solution because he headed the Defense Department—Kissinger asked for the help of one of Nixon’s top advisors, Chief of Staff Alexander Haig, to help keep Schlesinger from getting what he wanted. Haig told Kissinger that Schlesinger had already approached him with the idea of sending troops to the Trucial States to get access to oil wells. Kissinger told Haig, “He [Schlesinger] is insane. I do not think we can survive with these fellows in there at Defense— they are crazy…Will you please help me with him?”

Without a diplomatic solution to the embargo, the idea of sending U.S. forces into the Middle East began to be floated in more direct ways. On November 21 Kissinger at a press conference spoke of “Arab pressure” and an “Arab shutdown of oil” and said the U.S. would not change its policies due to the embargo and went so far as to warn of

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76 Kissinger, Years, 500.
78 Schlesinger was using an older name for the region, a collection of emirates. It was known as the Trucial States until 1971 when it reformed as the United Arab Emirates.
79 Kissinger, Crisis, 406.
80 Dallek, Partners, 535.
“counter-measures” against oil producers. He ended his remarks by stating, “We would do this with enormous reluctance, and we are still hopeful that matters will not reach this point.” Only a week later Schlesinger announced that the United States would maintain a strategic naval presence in the Indian Ocean that was aimed at protecting American interests in the Gulf amid fears brought on by the October War and the embargo.

The Arabs stepped up their rhetoric against the thinly veiled threats in the days after these public statements. Saudi Arabia’s oil minister, Sheikh Yamani said that the Arab states “could cut production by 80 percent” if the United States attacked and suggested that Saudi Arabia might blow up its oil infrastructure if invaded. The Algerian president also warned against such provocation, “if the West tries to act with arrogance or to use force, it would suffer a catastrophe. All of the wells will be set on fire, all the pipelines will be destroyed and the West will pay the price.”

While such bluster from both sides could easily be dismissed as being made for domestic consumption only, the idea of the U.S. invading the Middle East was gaining legitimacy and proponents within the Nixon Administration. Kissinger turned away from his early repulsion to the idea, stating that his words on November 21 reflected a new reality. “These were not empty threats. I ordered a number of studies from the key departments on countermeasures against Arab members of OPEC if the embargo continued. By the end of the month, several contingency studies had been completed.”

Plans for an invasion gained such prominence that the U.S. even brought up the subject

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82 Kissinger, *Years*, 880.
86 Kissinger, *Years*, 880.
with its allies. On November 15 Schlesinger met with the British ambassador to the United States, Lord Cromer, and discussed the Middle East war and its aftermath, and told him “that it was no longer obvious to him that the United States could not use force.”

This statement was not made publicly but in confidence to a key U.S. ally, and was not meant to drum up public support. Although Schlesinger did not elaborate, the British took his remarks in step with Kissinger’s press conference on November 21 and reached the conclusion that there was a high probability that the United States was preparing for invasion. While specific military plans were not shared with the British, their Joint Intelligence Committee began to compile a report analyzing what they thought the United States might do. This lengthy and detailed process would not have been undertaken had the British Government not believed that there was a great possibility of American military action against the Middle East.

This classified report, entitled “Middle East- Possible Use of Force by the United States” was sent to the British Prime Minister Edward Heath on December 13, 1973. In it the Joint Intelligence Committee theorizes that the U.S. did not want to attack the Middle East, “But…the U.S. could be faced with a choice between coercion of Israel and the use of force against the Arabs.” The report stated that the U.S. would have three options for dealing with the embargo: pressuring Israel to withdraw from their presently occupied Palestinian lands that they had held since the 1967 Six Day War, attacking Egypt and possibly Syria, or seizing oil-producing areas. The first choice was unlikely because

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87 Draft of Memorandum, “Middle East- Possible Use of Force by the United States,” Assessment of Joint Intelligence Committee sent to Prime Minister Edward Heath, December 13, 1973, PREM 15/1769, file JIC (A) (73) 34, British National Archives.
88 Ibid., 1.
89 Ibid., 2.
Israel was a strategic U.S. ally in the region, and the second option was feared to spur a confrontation with the Soviet Union and “would lead at once to a total stoppage of Arab oil supplies to the West.” The third option, the seizing of oil-rich areas, seemed to be the most likely. The Joint Intelligence Committee noted that, “We regard this as the possibility uppermost in American thinking when they refer to the use of force; it has figured in U.S. thinking in the past, and has been reflected, we believe, in their contingency planning.”

If the United States were to launch an invasion of the Middle East, the “dark scenario,” according to the British, it would be because of “intensified and protracted oil restrictions.” Since the United States was not prepared for the embargo and lacked a plan for allocating tight oil supplies in an emergency, they would go to war in order to prevent the U.S. economy from being seriously crippled, as would already be happening in Europe and Japan if the embargo dragged on. “Although the U.S. economy would itself be less directly affected than other Western economies (the Arab embargo only affects 17% of U.S. oil imports) it would be suffering from the general effects of world recession and U.S. interests generally would be threatened.” The need of the economy to end the embargo “would be so serious that the U.S. Government would be prepared to face the consequences of military intervention against the Arabs.” These potential consequences included a military confrontation against the Soviet Union, the prospect of a long occupation of Arab territories and the alienation of all Arabs, the alienation of

90 Ibid., 3.
91 Ibid., 3.
92 Ibid., 3.
93 Ibid., 3.
94 Ibid., 3.
most Third World countries, dissension within the United States, and the risk of harm to U.S. citizens in the Middle East.\textsuperscript{95}

The British Joint Intelligence Committee agreed with Secretary Schlesinger in that an occupation of the Middle East need only be partial. “Since the United States would be intervening in defence of its wider rather than its purely domestic interests, it would be necessary to secure oilfields sufficient at least to meet the needs of the United States, Western Europe and Japan.”\textsuperscript{96} The British calculated this need to be 760 million tons in 1973. The Arab countries that could most easily meet this need and pose the least problems for shipment out the region were Saudi Arabia, Kuwait, and Abu Dhabi. “If the installations of these three countries were seized, the United States would then control proven oil reserves” of 28.4 thousand million tons.\textsuperscript{97}

The British report went so far as to examine the precise military plans that they theorized the Americans would use. “We believe that the American preference would be for a rapid operation conducted by themselves to seize oilfields” because this would reduce resistance offered by the Arabs, reduce probable casualties, and allow the U.S. to negotiate from a position of strength.\textsuperscript{98} The American presence in the region would not necessarily have to be overwhelming.

The initial force need not be large. The force used to seize airfields, other strategic points and the main oil installations could be reinforced rapidly by airlift from the United States. We estimate that the force required for the initial operation would be of the order of two brigades, one for the Saudi operation, one for Kuwait; and possibly a third for Abu Dhabi.\textsuperscript{99}

\textsuperscript{95} Ibid., 3-4.
\textsuperscript{96} Ibid., 6.
\textsuperscript{97} Ibid., 7.
\textsuperscript{98} Ibid., 12.
\textsuperscript{99} Ibid., 13.
Despite the relatively small force that could be used to seize the area, the Americans would be forced to commit themselves to the region long-term if they invaded.

Apart from the need to control oilfields producing a sufficient quantity, it would be essential to ensure their continued protection against counter-attack. The area would have to be securely held, probably for a period of some ten years to give time for the West to develop alternative energy supplies. Occupation forces would be needed.\(^{100}\)

The fact that the British judged the situation in the Middle East and the comments by American officials to be leading to a U.S. invasion underscores the dire situation the United States was in. They were completely unprepared for the oil embargo and its effects on the U.S. economy and when the Arabs imposed and stuck to it, they seriously considered drastic measures that would have dramatic international and long-term ramifications. Sadat and his scheming completely confused the Americans and because they did not see the war in the Middle East coming, they did not see the oil embargo either, despite constant warnings from numerous credible sources.

With Nixon preoccupied by Watergate and other officials effectively running U.S. foreign policy, the U.S. did not see the convergence of tensions in the Middle East and the breakdown of the negotiations between the oil producers and the oil companies, and what it all could lead to. Once the embargo was in place, Japan and Western European nations scrambled to curry favor with the Arabs and secure their own oil supplies. Without their own plan for strategically allocating oil during an emergency shutoff, the U.S. tried to unilaterally convince the Arabs to lift the embargo. When that proved difficult and when the American public was forced to change their daily lives because of the embargo, the U.S. government entertained prospects for an invasion that just months

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\(^{100}\) Ibid., 7.
before would have been deemed as ludicrous, all in an attempt to make up for their lack of preparation for dealing with an embargo.
Conclusion: “We had to stop depending on crude oil for economic growth. We had to wean ourselves away.”

The contemplated invasion of the Middle East by the United States never came to fruition because, by the end of March 1974, the embargo was officially lifted. After months of “shuttle diplomacy” between Israel and the Arab nations, Kissinger constructed an agreement that would bring about a peaceful separation of the respective militaries on the Israeli-Syrian front. This, in addition to the progress made toward disengagement on the Egyptian front, propelled moderate Arab leaders such as Faisal to agree to end the embargo. Coupled with the fact that oil from OPEC nations was sneaking on to the market in greater quantities, the embargo became less and less effective and the OPEC nations voted on March 18 to end the embargo, with only Syria and Libya dissenting.

The oil weapon had been sheathed, but the embargo left harsh effects on the American economy and mindset. Kissinger, in a speech in 1975, recalled the damage done by the embargo on both economic and political fronts,

The oil embargo, coupled with OPEC price increases, cost Americans half a million jobs and over $10 billion in national output. It added at least 5 percentage points to the price index, contributing to the worst inflation since World War II. Partly because of their greater dependence on Middle East oil, our principal allies in Western Europe and Japan separated from us over Middle East policy in the most serious strain in our alliances since they were founded.  

Despite the negative effects on the economy, the embargo had in some ways failed in its mission to deprive the U.S. of oil. Diversion of oil from other producers to the U.S. and black market leakage of OPEC oil led to only a loss of 450 thousand barrels daily in

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1 Yergin, *Prize*, 663.
December, a seven percent loss of imports and only 2.4 percent of total supply.\(^3\)

Nonetheless, even without the massive reduction in U.S. oil stockpiles, the embargo inflicted great hardship on many Americans, and the idea of the embargo was in many ways worse than the embargo itself. The idea of embargo shattered the American myth of imperviousness. No longer could Americans reasonably believe that they were insulated from problems in the Middle East, and they could no longer believe that the U.S. was completely in control of the region.

**The United States faced “a substantial long-run national problem”\(^4\)**

The dependence of the U.S. on the Middle East for oil created a great vulnerability, the Achilles’ heel of the U.S. economy. This vulnerability had been ignored for decades by U.S. officials who had blindly passed off influence in the region to oil companies, ignored the formation of a producers’ cartel in OPEC, refused to formulate a cohesive energy plan to deal with emergencies, failed to recognize how oil and politics could be linked, and misinterpreted or turned a blind eye toward clear signs that a Middle East war was coming and that oil could be used as a weapon. Things had changed dramatically in the region after the embargo, and the U.S. would no longer be allowed to set the terms of interactions, both diplomatic and economic.

The embargo was a wake up call in the mid-1970s for America. Some scholars immediately recognized that times had changed and America needed to change with it. As one economist pointed out,

> Along with the economic uncertainties of growing dependence means increased vulnerability in both dimensions, and the political may well be more significant than the economic. What might have been said about the political effect as late as


\(^4\) Yergin, *Prize*, 663.
September [1973] is no longer necessary: they are unrolling before our eyes. We will probably go to considerable lengths to prevent them from happening again.\(^5\)

With the embargo over some began openly advocating for the “dark scenario” contemplated by the U.S. during the embargo- an invasion and takeover of oil-producing regions- to become a reality. In the March 1975 issue of Harper’s, Miles Ignotus laid out the case for seizing Arab oil fields.\(^6\) After dismissing the nonviolent solutions to breaking OPEC’s market power, he said,

There remains only force. The only feasible countervailing power to OPEC’s control of oil is power itself- military power...The goal is not just to seize some oil but to break OPEC. Thus force must be used selectively to occupy large and concentrated oil reserves...If we will not do it, future generations will see through our protestations of moral restraint and recognize craven passivity.\(^7\)

While the idea of invasion was dismissed during the 1970s, the public outcry was such that explanations for the crisis were sought and changes enacted to attempt to prevent an embargo from ever happening again. As Jimmy Carter later wrote of the public mood, many Americans, “deeply resented that the greatest nation on earth was being jerked around by a few desert states.”\(^8\) Senate hearings were held and oil company executives subpoenaed to testify, and grilled publicly to the delight of many citizens.\(^9\)

Energy conservation programs were instituted within the United States to save fuel and find new sources of domestic energy production, including fuel efficiency standards for motor vehicles in 1975 and the production of the Alaskan pipeline. Jimmy Carter campaigned for the presidency with a national energy policy as one of his chief goals,

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\(^6\) “Miles Ignotus” was a pseudonym. The name meant “unknown soldier” in Latin, and the real writer was revealed to be Edward Luttwak, a Pentagon adviser, by Andrew Higgins in a *Wall Street Journal* article in February 2004.


\(^8\) Yergin, *Prize*, 662.

\(^9\) Ibid., 657.
and promised one within 90 days of taking office. The Department of Energy was formed in 1977 to seek that end, and James Schlesinger, formerly the Defense Secretary, was given the top post in the new department.\textsuperscript{10} Schlesinger stated plainly what he saw as a “substantial long-run national problem. We had to stop depending on crude oil for economic growth. We had to wean ourselves away.”\textsuperscript{11}

The calls for decreased dependence on foreign oil, brought on by high prices, began disappearing by the end of 1978. As new energy policies took hold in the United States and abroad, new supplies of oil began appearing on the market. The high prices, brought on by the energy crunch and the embargo, gave a powerful incentive to entrepreneurs to search for new petroleum reserves. Massive new oil fields were discovered in Alaska, Venezuela, and the North Sea. When these fields began producing, prices for crude oil fell and the public clamor for change fell. Americans again fell into the role of accepting cheap oil as a natural way of life.

\textbf{Legacy}

The legacy of the 1973 Arab oil embargo is one of mixed results. There was a definite lack of preparation within the United States to deal with such a crisis, brought on by a multitude of reasons and hubris, and the process of correcting those mistakes has yielded both positive and negative results. When the United States came face-to-face with its vulnerability brought about by its dependence on imported oil and encountered hardships for the first time because of it, a number of changes were enacted. Conservation and new exploration programs were initiated, some of which are presently still in use, public officials and oil companies were blamed for their lack of foresight and

\textsuperscript{10} Ibid., 660-61.
\textsuperscript{11} Ibid., 663.
manipulation, and the need for closer, direct connections with the Arab nations were recognized. This new relationship would be between governments, without the buffer of the oil companies that had previously been in place. Kissinger spoke of this new, dramatically different, relationship in a speech,

The United States cannot, and will not, entrust its political and economic destiny to decisions made elsewhere. At the same time we are ready to seek a new relationship with the oil-producing nations. We ought to be partners, not adversaries…We are ready to cooperate with the oil producers in linking our economies on equitable terms.\textsuperscript{12}

The embargo fundamentally changed the way the U.S. viewed the economic power of the Arabs. No longer were the Arabs the perpetual supplicants, but were now viewed on a more equitable basis. The oil companies that had controlled the region for so long with the consent of the U.S. would no longer have the influence they once did, and the U.S. would not allow itself to be as detached from the region as it was before 1973.

Since the embargo the U.S. has sought to maintain even closer watch on the Middle East and build tighter economic and political ties with Arab nations that are friendly to U.S. interests, such as Saudi Arabia and Kuwait. This has also led to intervention against regimes that were unfriendly to U.S. interests, as in the 1991 Gulf War against Iraq, and action against the U.S. such as the Iranian hostage crisis which began in 1979 with the overthrow of the U.S.-backed Shah. Since the 1973 embargo the U.S. has left open the possibility of military action against the Middle East, and acted to secure oil supplies and protect allies on several occasions. The idea of the U.S. intervening militarily in the affairs of the Middle East to protect the access to oil comes directly from the crisis when that access was blocked.

\textsuperscript{12} Kissinger, \textit{American}, 284.
Even with the realization by Americans that dependence on foreign oil brings with it economic vulnerability and an increased likelihood of military action, Americans have continually stopped short of taking the actions necessary to eliminate that dependence. With every sizable spike in oil prices there are new calls to conserve energy, new accusations against oil companies, renewed hostility toward oil producers, and new guarantees by officials that the present crisis will be the one to serve as the impetus to wean the United States off of foreign oil once and for all, but all such movements have ended without solving the problem. The U.S. has followed the same pattern time and again in dealing with rising oil prices, a pattern that originated in 1973 and that is based upon a lack of preparation that has been in the making for a much longer period of time.

Although the 1973 Arab oil embargo has been greatly overshadowed by other major events of the period such as the Vietnam War and the Watergate scandal, it played a pivotal role in history and fundamentally changed U.S. policy and the mindset of Americans. The U.S. has struggled with its dependence on oil, and therefore the Middle East, and has yet to come to a real solution for how to solve that dependency (or, at least one they were willing to implement). Up until 1973 the U.S. was “living in a sort of fool’s paradise” when it came to its view toward oil and the Middle East, a paradise that was shattered by the embargo and has never quite been rebuilt. Perhaps the real lesson of the oil embargo can be summed by the words of a 1975 Senate report on the event, “In a sense this is the overriding lesson of the petroleum crisis- in a democracy, important questions of policy with respect to a vital commodity like oil, the lifeblood of an

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13 *Multinational Corporations and United States Foreign Policy*, 15.
industrial society, cannot be left to private companies acting in accord with private
interests and a closed circle of government officials.\textsuperscript{14}
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