

Facing the Dangers of 21st Century Great Power War
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The Middle East and SW Asia: Resource Wars, Imperial Overstretch and Regional
Realignments
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What follows are reflections on the relationship between postwar US oil and defense policy and its impact on the Near and Middle East in the years following World War II. What emerges from such an exercise is not only evidence of the primacy of oil in postwar US Middle East policy, its influence on the expansion of US banking and financial power, but its impact on the development and maldevelopment of the Middle East.

In this context, it is not only the U.S. arms trade in weapons of mass destruction in the Middle East, that emerges as an evident contributor to the risk of major war, but the accompanying public ignorance and apparent indifference to its consequences. The dissemination of weapons of mass deception by a mostly compliant media, has been critical in assuring this, as it has directly contributed to muting a questioning of policies and their purpose, and thus undermining the risk that the ensuing indifference poses to those directly affected by US policies, as well as to those who endorse it. Magnifying a historical amnesia that is all too common, such ignorance often renders the course of social and political change across North Africa and the Middle East, as well as its upheavals, incomprehensible save in terms that reduce struggles for social justice and political participation to reductive narratives of sect and tribe.

For the student of U.S. foreign policy in the years following World War II, the importance of the Middle East was a function of its location in relation to its critical resource, namely, petroleum. The policy making establishment was as yet a small, highly personal affair, far from the vast bureaucratized entity it would later become. US officials assigned to the Middle East, were fully aware of the dominant role of the colonial powers, England and France, in manning protectorates and mandates, across North Africa and the Arab East. They recognized the political supremacy of Britain in Palestine and its parallel commercial dominance in Egypt, as well as its engagement in the petroleum sector of Iran and Iraq. The State Department was by no means eager to see the withdrawal of British power in Palestine or, for that

matter, French colonial control across North Africa, which the U.S. supported at this time.

In this context, U.S. officials were primarily focused on the importance of petroleum for war and economic growth, and its control by US and British companies.

Anglo-American petroleum interests emerged from the Second World War in a position of enormously increased power. In the final agreement for a postwar 'New World Order' in monetary and economic affairs, hammered out between British and American negotiators in 1944 at Bretton Woods, New Hampshire, Anglo-American hegemony over world petroleum played a central role in the thinking of Lord Keynes and his American counterpart, Harry Dexter White, assistant U.S. Treasury Secretary.¹

The bank mergers of the 1950s have been traced to these developments, with "enormous consequence for the following three decades of American financial history, overshadowing all other policy influences in US and international policy, with the possible exception of the Vietnam war deficit financing."²

Prior to this, in the immediate post-World War II period, the U.S. Senate undertook a general review of US petroleum interests, with US oil executives providing a wealth of information and analyses. These revealed the centrality of the Middle East as one of the principal centers of US and British oil company operations.

In one such set of hearings, Charles Rayner, Petroleum Adviser to the State Department in 1945 made the link between petroleum access and foreign policy, claiming that it was directly implicated in international conflicts. Rayner claimed that "World War !! has been and is a war based on oil,"³ and he offered examples that aimed to show that "military strategy and industrial output for continued military operations can be measured in terms of the availability of oil supplies."⁴

Rayner then went on to argue that in addition to the increased need for oil revealed by war, it was "important to examine the share that American nationals hold in the foreign oil resources of the world not only as a safeguard to our own national security and economic wellbeing but as a source from which to maintain and expand our international oil trade in the consuming markets of the world."⁵ As to the location of the oil reserves, Rayner distinguished between major and minor

¹ William Engdahl, A Century of War, Anglo-American Oil Politics and the New World Order, Pluto Press, London, 1992, p. 87. See also, Kai Bird, The Chairman, John J. McCloy, the Making of the American Establishment, Simon and Schuster, N.Y., 1992.

² Ibid., p.90.

³ Wednesday, June 27, 1945, Charles Rayner, Petroleum Adviser, Department of State, United States Senate, Special Committee investigating Petroleum Resources, American Petroleum Interests in Foreign Countries, p. 2.

⁴ Ibid., p.-3.

⁵ Ibid., p.5. As

geographical areas, including the Western Hemisphere and the Middle East in the first category. He described the Middle East as possessing “the greatest potentiality of any known area in the world, and the probabilities are that the total oil reserves are far in excess of the present proven reserves.”⁶

On the basis of his overall review, Rayner returned to his twin themes, the first of which was the affirmation of the importance of oil to the “safety and welfare of this country,” and its logical corollary, in the need for a foreign oil policy based on an assessment of the location and holdings of reserves across the globe.

Three years later, the Vice President of Aramco, J. Terry Duce, addressed Special Subcommittee on Petroleum of the House Committee on Armed Services; Duce’s testimony is of particular interest because of what he told the Subcommittee on the oil rich regions of the Middle East. In addition to testifying about his experience with Aramco in Saudi Arabia, he made it clear that Middle East oil was a regional affair insofar as it involved the extraction, refining and transport of petroleum that encompassed vast distances between Iran, Iraq, Saudi Arabia and the Mediterranean. As important, the advantage of operating in the Middle East was that the oil reserves were vast and production, meaning “drilling and development” represented no great problems. Duce did not explicitly admit as much on this occasion but in practice, those with experience agreed that the extraction and production of petroleum in the Middle East was comparatively cheap and the quality of the petroleum was superior.

On Feb.8, 1948, Duce reported that the principal increases in oil reserves were to be found in Venezuela and the Middle East, and he proceeded to identify the specific locations in the latter area. In addition to Iran, Duce pointed to “probably the largest field in the world,” that of Burgan in Kuwait, while the field of Dukan in Qatar promised to be “of major proportion.”⁷This was in addition to the expansion of the Saudi fields under Aramco’s control.

Then Duce turned to the military dimensions of petroleum, “a munition of war, probably one of the most important and that should always be remembered when talking about these fields in the Middle East.”⁸ Although Duce did not cite it on this occasion, it is useful to recall that “between 1945-1947 the U.S. Navy bought \$68 million worth of oil products from Aramco.”⁹And as the then Defense Secretary pointed out, it was “the cheapest oil, delivered, that the Navy ever bought.”¹⁰

⁶ Ibid.

⁷ Feb.2, 1948, Testimony by J. Terry Duce, House of Representatives, Committed on Armed Services, Special Subcommittee on Petroleum, Petroleum for National Defense, Washington, D.C., p.203.

⁸ Ibid., p.207.

⁹ Edward W. Chester, United States Oil Policy and Diplomacy: A Twentieth Century Overview, Greenwood Press, Westport, Ct., 1983, p. 240.

¹⁰ Ibid.

Returning to the testimony before the Chair of the Subcommittee discussed above, the Hon. Dewey Short, turned to a key issue, ownership of oil. Referring to the oil reserves, he asked, "suppose they fell in the hands of an unfriendly nation?"¹¹ Short understood that the oil supply would become inaccessible. Duce did not challenge this, but his description of the ownership of the oil fields in question, revealed a pattern of extensive imperial control, with the implication that it was to remain in western hands.

Consider the map of western imperial control that Duce offered his audience. Referring to his table, Duce proceeded with the following.

You will note first the Anglo-Iranian concession in Iran owned by the Anglo-Iranian Oil Co., a British corporation. Second, there is the Iraq petroleum Co. group of concessions which include all of Iraq, part of Syria, Lebanon, Palestine, Cyprus, Oman, Qatar, Trucial Coast, Trans-Jordan, and the Hadramount. There used to be a concession to an Iraq Petroleum Co. affiliate in Saudi Arabi, but this has been surrendered. The concession on the Sheikhdome of Kuwait is held jointly by the Anglo-Iranian and the Gulf, an American company. The Saudi Arabian concession is held by the Arabian-American Oil Co., whose stock is owned by the Texas Co. and the Standard Oil Co. of California, and will, as and when certain conditions are satisfied, also be owned by the Standard Oil Co. of New Jersey and the Socony Vacuum Oil Co. The division of ownership will then be 80 percent to the first three and 10 percent to the last. In the case of the Iraq Petroleum Co., this stock is owned 23 3/4 % percent by Shell, a British and Dutch corporation, 23 3/4% percent by the Anglo-Iranian Co., and English corporation, 23 3/4% percent by the Near East Development Co., which in turn is owned 50 percent by Standard Oil of New Jersey and 50 percent by the Socony-Vacuum Oil Co. In addition, a gentleman by the name of Gulbenkian, who I believe is a British citizen, owns a 5 percent interest in the corporation.¹²

. Duce did not elaborate on the means which the owners of the above companies would use to assure their control, but his testimony confirmed the connection between such policies and politico-military intervention.

According to the 1952 report of "The International Petroleum Cartel," which was submitted to the Federal Trade Commission, the so-called 'Seven Sisters,' which made up the cartel, consisted of the four U.S. companies in Aramco, in addition to Gulf; as well as Royal Dutch/Shell, and British Petroleum (the new name for the

¹¹ Feb.2, 1948, Testimony by J. Terry Duce, House of Representatives, Committed on Armed Services, Special Subcommittee on Petroleum, Petroleum for National Defense, p.207.

¹² Ibid., p.207-208.

Anglo-Iranian Oil Company adopted after 1954). The above report indicated that outside of the U.S., Mexico and Russia, in 1949 the 'Seven Sisters' "controlled about 92 percent of the estimated crude reserves."¹³

More than a decade earlier, the Arab Revolt of 1936-39, aimed to undermine British control in Palestine and in the process, to cut off the pipeline carrying oil from Iraq. Originally to have terminated in Palestine, it was reoriented to Syria due to strikes at the Haifa refinery. But it met an equally harsh fate there, after the US coup installed a military leader who had agreed to the presence of the pipeline (TAPLINE), and to the settlement of Palestinian refugees, but did not manage to survive in power. The story of the pipeline continued in Lebanon and was key to US military intervention in that country in 1958, under the Eisenhower administration.

It was, however, in the postwar years under President Truman that the Doctrine bearing his name, the passage of the Marshall Plan in the same year, 1947, and the critical guidelines defined in NSC 68 of 1950, confirmed the centrality of the Near and Middle East to US interests, with its related risks of intervention in a broad area undergoing major, if not radical change.

Initially targeted against the USSR and the feared risks of its expansion into the Middle East, as in the case of its policies in Northern Iran, postwar US policy was aimed no less at containing, repressing and/or intervening directly or indirectly in indigenous movements such as civil wars, or struggles over nationalization that took place in the Near East, as in Greece in 1946, where the US intervened in support of a military government.

In 1951 the Iranian Parliament elected the Premier, Mohammed Mossadeq, with the understanding that he would nationalize AIOC, the Anglo-Iranian Oil Company (AIOC). The response of Britain and the U.S. in 1953, was to carry out the covert coup against Mossadeq, replacing him with the pliable Shah, who was to remain in power until 1979 and the Iranian Revolution of that year.¹⁴

In the Middle East, the example of Mossadeq was followed by that of Egyptian President, Gamal Abdel Nasser, who in 1956 attempted to nationalize the Suez Canal. In that case, Eisenhower halted Israeli-British plans for a counterattack, which did not signify a major change of strategy. Two years later, Washington intervened in Lebanon as Iraq underwent a radical change of leadership, with the UK backed monarchy deposed in favor of the military.

In Lebanon in 1958 the US faced a different situation. It intervened to assure the continuity of Lebanon's confessional system whose leaders supported US policy in the Middle East, including its oil politics. From this perspective, the emergence of

¹³ Cited in I. Gendzier, Notes From the Minefield, Columbia University Press, N.Y. 2006, p.40.

¹⁴ See the work by Ervand Abrahamian, The Coup, 1953, the CIA, and the Roots of Modern U.S.-Iranian Relations, The New Press, New York, 2013.

the leftwing popular leader, Kamal Jumblatt, who had a vision of a deconfessionalized state designed to enable the emergence of a representative, government, was viewed in Washington as a threat to US interests,¹⁵

When we think of major realignment of power within the Middle East, it is usually the events of 2011, the Arab Spring, with its revolutions in Tunisia and Egypt, that come to mind. But in retrospect, the events of 1973 and 1979, may be considered as attempts at major realignments of power in the region. The first was the 1973 October War (also known as the Yom Kippur War), and the second was the Iranian Revolution of 1979, whose impact on the region and on US policy extends to the 2003 US invasion of Iraq and the 2011 Arab Spring.

Oil, politics and power were involved at every stage of these developments. The October War of 1973-4 was a predictable result of the failure to move towards the resolution of the Israeli-Palestinian conflict in the wake of the 1967 June war. As Amnon Kapeliuk, Israeli journalist and critic, wrote, it was imperative to return the territories occupied by Israel in the 1967 war and to move towards a peace agreement.¹⁶ In October 1973, Egypt and Syria attacked Israel, which some Arab commentators viewed as a turning point, “because it marked a significant change in the military balance of power between Israel and the Arab states, but also because it ushered in the employment of Arab oil, on a massive scale, as a bargaining counter in international relations.”¹⁷

Washington’s response was to increase its foreign assistance to Israel during the war itself. The mainstream Israeli newspaper, Ha’aretz reported that the CIA arranged for the resupply of Israel “with necessary equipment and assessing losses incurred by the parties and their plans to continue fighting.”¹⁸ According to the same source, “Israel possesses a nuclear arsenal that it may have ‘activated or protended to activate’ during the Yom Kippur War,” as the CIA study on the subject of US intelligence in October 1973 revealed.

The results of the 1973 war, however, did not permanently alter the balance of power in the region, but it was followed by an intense level of political turbulence in the region, including Lebanon’s civil war of 1975-6, and Israel’s invasion of Lebanon in 1982, with its devastating attempt to expel and eliminate the organized Palestinian resistance.

At a regional level, however, it was the 1979 Iranian Revolution, with its shattering of the long term US supported Iranian regime of the Shah, that marked an historic turning point. The regime’s repressive policies towards nationalist, secular and leftist movement backfired. The Shah’s decision to allow “American military

¹⁵ For more on US intervention in Lebanon, see I. L. Gendzier, Notes From the Minefield, Op. Cit.

¹⁶ See Noam Chomsky and Irene Gendzier, “Exposing Israel’s Foreign Policy Myths: the Work of Amnon Kapeliuk, Jerusalem Quarterly, 54, Summer 2013, Institute of Jerusalem Studies, Washington, D.C.

¹⁷ Fuad Itayim, “Arab Oil-The Political Dimension,” The Journal of Palestine Studies, Vol.III, no.2, Washington, D.C., Winter 1974, p.84.

¹⁸ Feb.03, 2013, Amir Oren, “CIA report on Yom Kippur War: Israel had nuclear arsenal,” Ha’aretz.com.

advisers immunity from Iranian law,” aroused widespread opposition, including by leaders of the Islamic movement who were to triumph in 1979.¹⁹

The results of the Islamic revolution led the U.S. to reassess its forces and allies in the region in order to contain the influence of the Iranian Revolution. Hence, its support for the authoritarian and repressive Iraqi regime of Saddam Hussein in the decade of the 1980s, until such time that the Iraqi leader overstepped his limits in trespassing on oil rich Kuwait. The Gulf War was to be but the prelude to the Iraqi invasion of 2003.

In November 2007, Alan Greenspan, who had been Chair of the Federal Reserve, was cited reporter, Bob Woodward, as claiming “that the removal of Saddam Hussein had been ‘essential’ to secure world oil supplies, a point he emphasized to the White House in private conversations before the 2003 invasion of Iraq.”²⁰ Greenspan had also expressed regret that it was politically incorrect to make such a linkage, which Defense Secretary Robert M. Gates, rejected. But Greenspan’s regret touched on a key issue, which was not only the official denial of the relationship between oil and war in US foreign policy, but the reluctance of the media and the public, to expose its significance and consequences.

On its front page coverage of the extraordinary events that occurred in Egypt on February 12, 2011, The New York Times reported that “an 18 –day-old revolt led by the young people of Egypt ousted President Hosni Mubarak on Friday, shattering three decades of political stasis here and overturning the established order in the Arab world.”²¹ It described the mood of the people as “ they chanted, ‘The people, at last, have brought down the regime.’ “ A former member of Parliament was quoted as saying, “We can breathe fresh air, we can feel our freedom,” adding that “After 30 years of absence from the world, Egypt is back.”

This was but the beginning of a process whose uneven and darkly uncertain course, marred by tragic outcomes as well as persistent hopes, and a level of popular mobilization seldom reported in the US media, is far from finished. In Washington as in North Africa and the Middle East, and in world capitals far removed from the Nile, the overturning of the regional order and with it the complex networks of relationships, protecting the connections between oil, politics and power, has generated overt and covert intervention. Those elements are familiar but the fate of the vast numbers of peoples affected by the resulting conflicts, remains to be determined. The only certainty is that their struggle goes on.

¹⁹ Abrahamian, Op. Cit., p.215.

²⁰ Sept.17, 2007, Bob Woodward, “Greenspan: Ouster of Hussein Crucial For Oil Security,” http://washingtonpost.com/wp-dyn/content/article/2007/09/16/AR2007091601287_pf.html

²¹ Feb. 12, 2011, David D. Kirpatrick, “Arab Order Upset- The Military Takes Over,” The New York Times, p. A1.

