

1978

Petroleum as a Political Weapon in International Affairs: The Case of Saudi Arabia

Momodou Abdou Rahman Jallow

Eastern Illinois University

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Petroleum As A Political Weapon In International

Affairs: The Case of Saudi Arabia

(TITLE)

BY

Momodou Abdou Rahman Jallow

THESIS

SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR THE DEGREE OF

Master of Arts in Political Science

IN THE GRADUATE SCHOOL, EASTERN ILLINOIS UNIVERSITY
CHARLESTON, ILLINOIS

1978

YEAR

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PETROLEUM AS A POLITICAL WEAPON IN
INTERNATIONAL AFFAIRS: THE CASE
OF SAUDI ARABIA

BY

MOMODOU ABDOURAHMAN JALLOW
B.A., EASTERN ILLINOIS UNIVERSITY, 1976

ABSTRACT OF A THESIS

Submitted in partial fulfillment of the requirements for
the degree of Master of Arts at the Graduate School
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This study seeks to analyze the role of oil in Saudi Arabia's foreign policy. In 1973 Saudi Arabia and other Arab nations successfully used their oil resources to apply pressure on the United States of America to modify her strong support of the State of Israel. Saudi Arabia played a significant role in the 1973 oil embargo. This thesis will examine Saudi Arabia's role in the 1973-74 Arab oil embargo, and what prompted her participation, considering the fact that she is less radical than most of her Arab neighbors. The 1973 oil embargo was more successful than for example the 1967 embargo; Saudi Arabia's participation helped to create this difference. The oil weapon will definitely be effective whenever applied uniformly by the Arabs against the west, especially now, and possibly in the near future. However, it will be unwise for the Arabs to continuously depend on the oil weapon since their oil resources cannot last forever. As Dr. Sheikh Rustum Ali stated in his book entitled Saudi Arabia and Oil Diplomacy, alternative energy resources are still abundant. The western hemisphere or industrialized nations need only to apply their financial resources and technology to develop these resources. It obviously won't be an easy task for them to do so, now or in the near future, however it could be done. When this becomes a reality, the demand for oil will be sharply reduced, which will in turn deprive it of its present significance and of its role as a political weapon in international affairs.

This study will examine the alternative sources of energy being developed in the west, notably nuclear energy. Nuclear energy plants are rapidly being built in the western industrialized nations despite some oppositions by citizen groups within these various nations. There

is evidence that these projects are favourable to some oil producing nations, including Saudi Arabia. Efficient use of energy is currently an important issue among the industrialized as well as the non-industrialized nations. The interest for alternative sources of energy is growing, partially due to higher oil prices. The high price of oil is forcing the United States for example (a victim of the 1973 Arab oil embargo) to rapidly seek alternative as well as new sources of energy.

Solar energy is another alternative source of energy being developed. This along with nuclear energy could be significant alternatives to oil successfully developed.

The major propositions that will be supported in this thesis are: Saudi Arabia fully supported the 1973 oil embargo, (1) to show her support of the muslim Arab nations, thus promoting unity among them; (2) to show her fear of Israel's ideological stand, which she considers too extreme, and radical; (3) to have Israel withdraw from Arab lands occupied during the 1967 war; (4) to gain respect and recognition from the western industrialized nations; (5) to take up a leadership role among the Arab nations in the Middle East, since her participation was crucial to the success of the embargo. Saudi Arabia has the largest known oil reserves in the world.

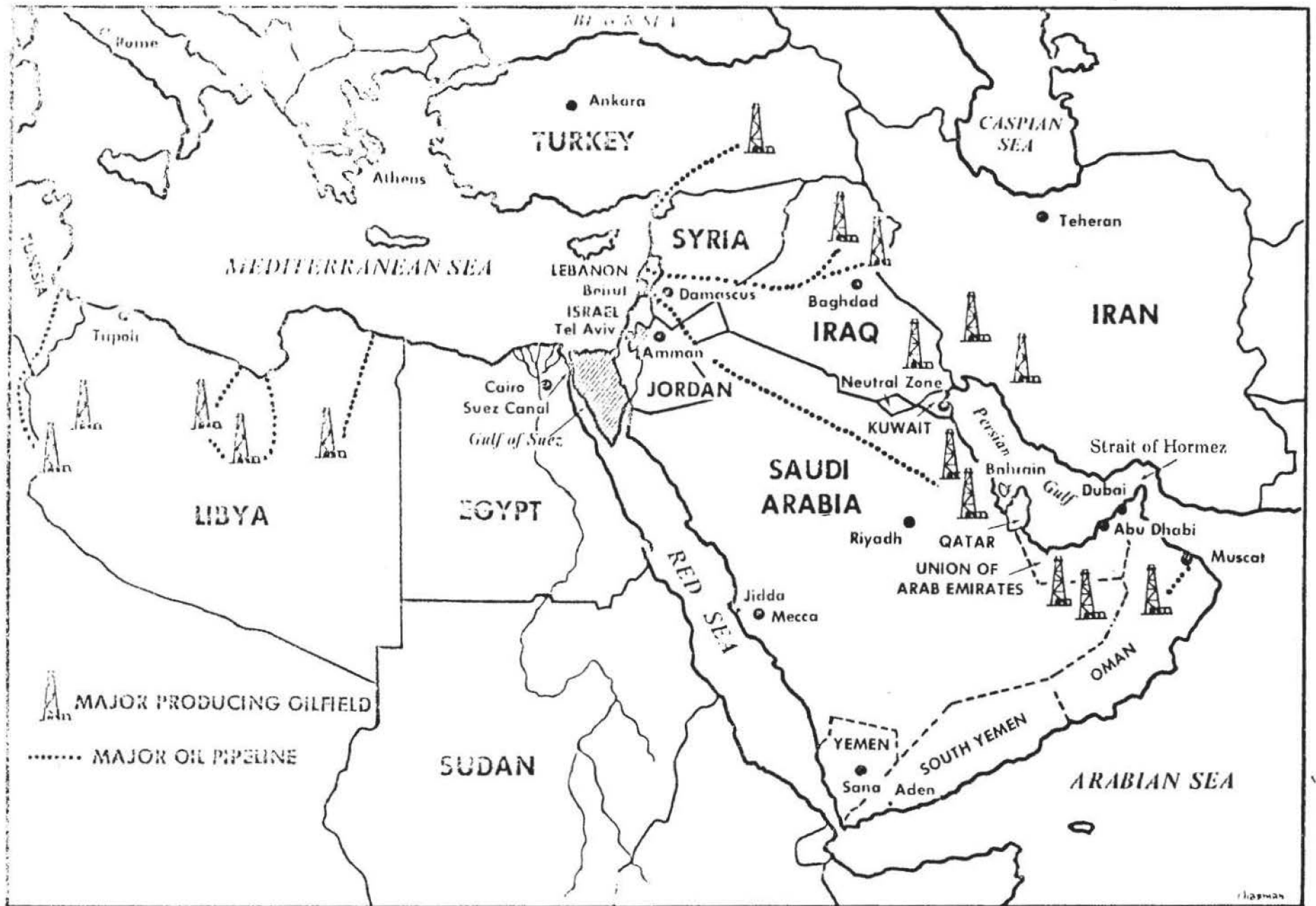


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Momodou A. R. Jallow

CHAPTER I

INTRODUCTION

CONTEMPORARY SAUDI ARABIA: A BRIEF OVERVIEW

A brief mention of the geography, history and government of Saudi Arabia will be included in the introduction of this thesis, in order to give the reader some background information regarding Saudi Arabia. Until recently, very little work has been done regarding this desert kingdom. It owes its sudden thrust into international politics to its vast oil wealth. It is the hope of the author that the brief overview given in this chapter will aid the reader in understanding the various topics that will be discussed in this thesis.

Geography

Saudi Arabia covers over four-fifths of the Arabian Peninsula, which is approximately three times the size of the state of Texas. Saudi Arabia is well known today because of its vast oil wealth. The world's largest known oil resources are found in this desert kingdom. Its vast oil resources and conservative political orientation makes her unique in the Middle East, and at the same time a friend to the West.

Saudi Arabia borders the Red Sea and shares borders with

Jordan, Iraq, Qatar, Kuwait, Bahrain, The United Arab Emirates, The Yemen Arab Republic, The People's Democratic Republic of Yemen and Oman. Across the Red Sea from Saudi Arabia are Egypt, The Sudan and Ethiopia. Most important of all, it faces the Israeli-occupied Sinai Peninsula, across the Gulf of Aqaba. Its only major source of water falls within the 1,560-mile coastline. Water from the coastline serves irrigation purposes for the limited arable land.

There are five major regions. Along the coast of the Red Sea are located the holy cities of Mecca and Medina, and also the diplomatic capital of Jeddah. These cities are located in the Hijaz region. The Asir region which is mountainous lies to the South along the Red Sea. Najd occupies the central part of the country where the capital, Riyadh is located. The Eastern region, also known as Al-Hasa, is the site of the country's rich oil fields. The Trans-Arabian pipeline crosses the fifth region which is the Northern region. This pipeline also crosses Jordan, Syria and Lebanon, leading to the Mediterranean Sea.¹

People

Saudis were predominately nomadic or semi-nomadic. However oil wealth has characteristically changed this pattern of lifestyle for most Saudis. The official language is Arabic, and the majority of Saudis are Muslims, who practice the puritanical Wahhābi interpretation of Sunni Islam. There are no Jews in Saudi Arabia, and Christians are not permitted in the holy cities. Americans, Europeans, and

Christians from other Arab countries are employed in the oil industry.

Government

Prior to the establishment of the kingdom of Saudi Arabia, there was constant struggle for political power between the Bedouin tribes. Their constant struggles to control the country continued to the detriment of the peninsula. Tribes alternately supported each other when a strong leadership emerged.²

During the early part of the eighteenth century, Sheikh Muhammad Ibn Abd Al-Wahhab, described as a religious Imam initiated a reform movement in Arabia. The Najd province became his home and consequently the home of Wahhabism (the puritanical interpretation of Sunni Islam). The ruler of Najd was later expelled by the rival clan of Rashids from Najd to Kuwait. The exiled ruler's son, Abdul Aziz Ibn Saud, known to the west as Ibn Saud, reconquered Riyadh, which was the capital of Najd in 1901. When Ibn Saud returned to Riyadh from exile in Kuwait, he brought along some followers who adhered to the Wahhabi sect of Islam. In 1924 Mecca was taken and the following year Medina was also taken. Ibn Saud was made king of Hejaz in 1926, and in 1932 the different portions of Arabia were joined into the Kingdom of Saudi Arabia. The present kingdom has been independent since it was founded in the early twentieth century.³

Since its establishment, Saudi Arabia's political structure changed from primitive tribal-religious patriarchy into an absolute

monarchy, with the king's power limited only by islamic law.

The laws of Islam provide the country with civic and penal codes and also regulate religious problems. Religious law is the source of all legislation. But the king has the power to issue a decree where religious law is not applicable. The Koran is the supreme law of the kingdom. The Shariah, which is the foundation of the judicial system, is based on the Koran and the Sunnah (custom, law, exemplary life) of the prophet Muhammad. The judiciary is an independent agency in the state. The quadis (judges) usually judge according to the Hanbalite version of the Shariah Law. Punishment for murder is decapitation by the sword. Justice, when not theoretically in conflict with the Shariah, can also be governed by tribal and customary laws.⁴

The Saudi Arabian government is based on a tribal system and the king is both the source of political power and head figure of the central government. The dual role of state and religious leader rests on the king, and he manages the administration through the royal court, tribal sheiks, the Council of Ministers and the regional and local emirs. However the final authority in all executive and legislative matters rests on the king though consultation on all levels of government occurs. Prior to 1932, King Abdul Aziz Ibn Saud conducted everything alone, but after the administration of the country went beyond the power of a single person, changes were made. The kingdom grew rapidly because new territories were added to it. Prince Saud became leader of the kingdom when his father Ibn Saud died in 1953. Issues such as taxation and border control particularly were introduced through government decrees by Prince Saud, and they fall within the framework of the Koran and the Shariah.

A Council of Ministers was added to the traditional structure of the Saudi Arabian central government. This Council is responsible for the budget and also supervises several government affairs. It is described as the "supreme authority" under the king. Regulations, treaties, international agreements and concessions are never decreed by the king unless they have been prepared by and meet the approval of the Council of Ministers.⁵

The history of the kingdom since 1953 to the present is characterized by several trends. In 1958 the kingdom was involved in a political crisis with Egypt. Issues like the Palestinian question and the settlement of several border disputes were notable events. Among these trends is Saudi Arabia's leading role in the formation of OPEC (Organization of Petroleum Exporting Countries) in 1960. On the domestic front, Saudi Arabia was mainly concerned with building a strong economy and the continued integration of the various functions within the population. In 1958, Crown Prince Faisal was appointed Prime Minister, thus taking charge of governmental affairs. Two years later, King Saud, Prince Faisal's brother reassumed full control of governmental affairs from Prince Faisal. This created a struggle within the royal family. On November 5, 1964, King Saud was forced to abdicate, left Faisal Ibn Abdul-Aziz Abdul-Rahman Al Faisal as king and ruler of Saudi Arabia.

Faisal was described from the beginning as a strong and able

administrator. Faisal followed King Abd al-Aziz's policies in respect to the Palestinian question. The old king, Abd Al-Aziz had argued that Palestine was an Arab state and that the Israelis had no right to take the land. He felt that the European Jews who had suffered so badly from Nazi extermination policies should return to their country of origin, because the Allied victory had removed the Nazi threat to their existence. From his point of view, the Jewish question was a European problem, and that the sins of the Europeans should not be expiated at the expense of the Arabs.⁷ Like his predecessor, King Faisal also viewed the Israelis as intruders. To force Israel to withdraw from all Arab occupied territories, Faisal was forced to support the 1973 Arab oil embargo. He did not feel that settlement of the Arab-Israeli-Palestinian question required the total elimination of the state of Israel compared to the views of the more radical Arab states like Libya. King Faisal's attempt to try and solve or settle a number of differences among the Arab states met with failure. He was more successful with his domestic reforms in Saudi Arabia. King Faisal was assassinated on March 25, 1975. Crown Prince Khalid became king, and has vowed to follow the policies that the late King Faisal pursued.

History of Oil in Saudi Arabia

There was no special interest in developing Saudi Arabia's oil potentialities during the early 1920's. However, when oil was being commercially produced in Bahrain around 1932, the various oil com-

panies began to show some interest in obtaining concessions in Saudi Arabia. Standard of California was the first oil company to obtain exploration rights, after agreeing to King Ibn Saud's terms. The terms dictated that oil companies must first agree on concessions before they could carry on any explorations. Standard of California's exploration was promising, so in 1936 it sold half an interest in its concessions to the Texas Oil Company for about \$21 million. The terms were \$3 million payable in cash and \$18 million to be paid back at the rate of twenty-five cents on each barrel of oil produced.⁸

In 1938, oil was discovered in commercial quantities in the Damman field. This brought concession seekers in large numbers to Saudi Arabia. The Italians, Germans, and Japanese joined the Americans. In May, 1939, King Ibn Saud granted concessions to Standard of California in the form of a supplemental agreement. The agreement dictated that a specified amount of money be charged for every metric ton of crude oil produced, plus some fixed rental charges until oil was produced in commercial quantities. The company was given exclusive rights to search, produce, refine and transport oil and oil products. There was no taxation or imposition; it was to supply free of charge limited quantities of gasoline and kerosene to the government for ordinary use, and this was not to be sold by the government, either to individuals in Saudi Arabia or abroad.

ARAMCO (Arabian-American Oil Company)

Aramco was the name given in 1944 to Standard of California. From its small beginning in 1933, Aramco developed into one of the greatest oil companies in the world. The first commercial oil field was discovered at Damman in March, 1938, and around the end of 1951, it was producing 90,000 barrels per day. The Abu Hadriya field was discovered in March, 1940. The Abqaiq field was discovered in November of 1940, and by the end of 1951, it was producing 590,000 barrels per day. The Qatif and Amin Dar fields were discovered in June, 1945, with a daily production of 20,000 and 150,000 barrels respectively. The off-shore well Safaniya was discovered in May, 1951. By the end of 1953, 137 wells were producing about 845,000 barrels per day. Table 1 shows the rate of production achieved within fifteen years. Pipelines and refineries (the most notable is Ras Tanura), as well as tanker loading stations were built.

After experiencing a slowdown in growth rates following the Arab-Israeli War of 1967, the production of oil in Saudi Arabia has been constantly increasing. It rose from 356.6 million barrels in 1955 to 1,704.8 million in 1971, and 2,201.8 million barrels in 1972⁹ (see Table 2). In 1972 for instance, Saudi Arabia was responsible for 60 percent of the total increase in oil production in the non-communist world. Similarly, after concluding the profit-sharing agreement between Saudi Arabia and Aramco, the country's oil revenues also rose.

TABLE 1
SAUDI ARABIAN OIL PRODUCTION, 1938-1954

Year	In Tons	In Barrels	Daily Average (in barrels)
1938	65,618	580,000	
1939	521,214	3,934,000	11,000
1940	672,154	5,075,000	50,000
1941	570,046	4,310,000	12,000
1942	600,351	4,530,000	12,000
1943	645,860	4,868,000	13,000
1944	1,034,603	7,794,000	21,000
1945	2,825,990	21,311,000	59,000
1946	7,899,675	59,944,000	165,000
1947	11,813,668	89,852,000	246,000
1948	18,751,270	142,853,000	390,000
1949	22,820,783	174,009,000	477,000
1950	26,196,852	199,547,000	547,000
1951	36,608,585	277,963,000	770,000
1952	39,870,805	301,861,000	825,000
1953	40,887,754	308,294,000	845,000
1954	46,174,073	347,800,000	953,000

SOURCE: Benjamin Shwadran, The Middle East Oil and the Great Powers (New York: John Wiley & Sons, 1973), p. 309.

The profit-sharing agreement is also commonly referred to as the "50-50" profit sharing agreement. This agreement was reached on 30 December 1950. Oil revenues rose from \$56.7 million in 1950 to \$110 million in 1951.¹⁰ In addition, it rose from \$340.8 million in 1955 to \$1,149.7 million in 1970, and then jumped to \$1,944.9 million in 1971.¹¹ Since then oil revenues have been constantly rising, reaching the amount of \$2,734.1 million in 1972 (see Table 3). This continuous rise is due to higher oil exports and higher crude oil prices used in calculating Saudi Arabian income tax. Saudi Arabian oil revenues were estimated at \$4.7 billion for 1973, and were expected to reach \$21 billion in 1974,¹² and \$33 billion by 1976.

Aramco Relations with the Government

The "Nationalization" of Aramco has been progressing in stages since 1973, when the Saudi government acquired 25 per cent stake in the producer assets of the company. This stake covers drilling equipment, storage tanks and port facilities, but does not include the refinery at Ras Tanura, which processes about 140,000 barrels per day of natural gasoline liquids and 500,000 barrels per day of crude; nor does it cover the Trans-arabian pipeline (tapline) which runs from Qaisumah to Sidon in Lebanon. Tapline stopped operating in 1975 because it proved uneconomical initially, and finally because the Lebanese Civil War erupted.

Discussions have been going on since 1974 in regards to the

TABLE 2
SAUDI OIL PRODUCTION, 1967-72

Year	Annual Production (million barrels)	Daily Average (million barrels)	Percent Growth
1967	1,023.8	2.8	7.8
1968	1,114.1	3.0	8.8
1969	1,173.9	3.2	5.3
1970	1,386.3	3.8	18.1
1971	1,740.8	4.8	25.1
1972	2,201.8	6.0	26.4

SOURCE: Sheikh Rustum Ali, Saudi Arabia and Oil Diplomacy
(New York: Praeger Publishers, 1976).

TABLE 3
CRUDE OIL OUTPUT AND GOVERNMENT OIL REVENUES

Year	Output (Million Barrels)	Revenues (Million Dollars)
1938	0.5	0.2
1945	21.3	5.0
1948	142.9	31.5
1950	199.5	56.7
1951	278.0	110.0
1955	356.6	340.8
1956	366.8	290.2
1960	481.4	333.7
1965	804.9	664.1
1967	1,023.8	903.6
1970	1,386.7	1,214.0
1971	1,740.6	1,884.9
1972	2,202.0	2,744.6
1973	2,772.6	4,340.0
1974	3,095.1	22,573.5
1975	2,582.5	25,676.2

SOURCE: Ramon Knauerhase, The Saudi Arabian Economy
(New York: Praeger Publishers, 1975, pp. 194, 287).

final 100 percent nationalization of Aramco and the future role of the four U.S. partners as explorers, producers and marketers for the company. By September 1976, it became clear that a takeover was agreed upon. The four companies (Exxon, Texaco, Standard of California and Mobile Oil), were to receive a book price of their total assets and a guarantee to sell the companies around 7 million barrels of crude oil a day for marketing abroad. Since the companies were allowed in the agreement to continue exploration and production, they would be paid a premium on new reserves they discovered, and also a fee of around 21 cents would be given to them for each barrel lifted by Aramco, or a flat fee of 15 cents for each barrel lifted in Saudi Arabia.

These incentives were given by the government so that Aramco would continue to search for oil in the country. This is very important since Aramco has continuously been discovering new oil resources each year in Saudi Arabia. Saudi Arabia's probable reserves as of 1975 have been estimated at nearly 180 million barrels, while proved reserves stand at 107,857 million barrels during the same year.¹³ With the limit which Saudi Arabia has placed on production, that is 8.5 million barrels per day averaged over one year, the proved reserves estimated to last about 35 years from 1975 and if the probable reserve holds, production could continue for another 22 years from the same year.

Another reason why the Saudi government wants to keep Aramco

is simply because it will be assured of a stable market. In 1975 Aramco was committed to marketing about 7 million barrels of oil a day to the industrialized west. This is also very important to Saudi Arabia for she depends largely on oil for her economic development. Although Saudi Arabia currently has no cash requirements to satisfy, she still needs a market for that matter a stable market for her oil resources. She must continue to utilize her oil resources for relevant development purposes before either her oil resources run out, or the major consumers turn to alternative energy sources. This will be a part of one of the propositions in this thesis.

Statement of purpose

This study seeks to analyze the role of oil in Saudi Arabia's foreign policy. In 1973 Saudi Arabia and other Arab nations successfully used their oil resources to apply pressure on the United States of America to modify her strong support of the State of Israel. Saudi Arabia played a significant role in the 1973 oil embargo. This thesis will examine Saudi Arabia's role in the 1973-74 Arab oil embargo, and what prompted her participation considering the fact that she is less radical than most of her Arab neighbors. The 1973 Arab oil embargo was more successful than for example the 1967 embargo. Saudi Arabia's participation helped to create this difference. The oil weapon will definitely be effective whenever applied uniformly by the Arabs against the west, especially now, and possibly in the near future. How-

ever, it will be unwise for the Arabs to continuously depend on the oil weapon since their oil resources cannot last forever. As Dr. Sheikh Rustum Ali stated in his book entitled Saudi Arabia and Oil Diplomacy, alternative energy resources are still abundant. The western hemisphere or industrialized nations need only to apply their financial resources and technology to develop these resources. It obviously won't be an easy task for them to do so, now or in the near future, however it could be done. When this becomes a reality, the demand for oil will be sharply reduced, which will in turn deprive it of its present significance and of its role as a political weapon in international affairs.

This study will examine the alternative sources of energy being developed in the west, notably nuclear energy. Nuclear energy plants are rapidly being built in the western industrialized nations despite some oppositions by citizen groups within these various nations. There is evidence that these projects are favorable to some oil producing nations, including Saudi Arabia. Efficient use of energy is currently an important issue among the industrialized as well as the non-industrialized nations. The interest for alternative sources of energy is growing, partially due to higher oil prices. The high price of oil is forcing the United States for example (a victim of the 1973 Arab oil embargo) to rapidly seek alternative as well as new sources of energy.

Solar energy is another alternative source of energy being developed. This along with nuclear energy could be significant alternatives to oil when successfully developed.

Statement of Propositions

These are the major propositions that will be supported in this thesis: Saudi Arabia fully supported the 1973 oil embargo, (1) to show her support of the muslim Arab nations, thus promoting unity among them; (2) to show her fear of Israel's ideological stand, which she considers too extreme, and radical; (3) to have Israel withdraw from Arab lands occupied during the 1967 war; (4) to gain respect and recognition from the western industrialized nations; (5) to take up a leadership role among the Arab nations in the Mid-East, since her participation was crucial to the success of the embargo. Saudi Arabia has the largest oil (known) reserves in the world.

Methodology

The methodology followed is a descriptive analysis with some statistical data to substantiate certain statements or propositions. Political, economic and international aspects of petroleum will be covered in this study. However, more emphasis will be placed on the political aspects of the use of petroleum as a weapon in international affairs. The oil embargo and Arab-Israeli problem vis-a-vis Saudi Arabia will be the major focus of this study. Finally, I will draw some significant conclusions in the final chapter of the thesis.

The thesis is divided into six chapters. Chapter One contains some background information about Saudi Arabia. Included in this background information are Geography, People, Government and History of

Oil in Saudi Arabia. The Statement of Purpose, Statement of Propositions and Methodology are also included. These will aid the reader in understanding what will be discussed in subsequent chapters. Chapter Two deals with the relationship between Saudi Arabia and OPEC (Organization of Petroleum Exporting Countries) and OAPEC (Organization of Arab Petroleum Exporting Countries); i. e., Saudi policies and OPEC, Saudi policies and OAPEC, as well as the policies of other gulf states in both OPEC and OAPEC; included are the policies of Algeria and Libya vis-a-vis OPEC and OAPEC. Since the thesis deals with Saudi petro-diplomacy, her policies and those of the other oil exporting countries who combine to form OPEC and OAPEC should be explored vis-a-vis the 1973 Arab oil embargo, and the Arab-Israeli conflict. Chapter Three is entirely devoted to the origins of the Arab-Israeli conflict, and the "united" Arab efforts in trying to promote the Palestinian-Arab cause. Chapter Four deals with the Saudi policy and the Arab oil embargo, i. e., what role Saudi Arabia played during the oil embargo. It is obvious that the success of the 1973 oil embargo was due to the Saudi participation. Chapter Five deals with the quest for energy security by the industrialized nations. The question of alternative energy sources being discovered is discussed. Chapter Six, the concluding chapter, summarizes the various topics and points discussed, and makes some general recommendations.

This study is based on Saudi Arabia, oil diplomacy and power

pressure. Very little work has been done within the disciplines of political science and international relations on this subject. So the author hopes that this thesis will be a significant contribution to both disciplines.

CHAPTER II

SAUDI ARABIA AND OPEC

The Middle East is still generally viewed as a developing area. The citizens of the area still lack political experience and administrative skills. A sudden influx of money and sophistication in technological innovations within one generation has drastically changed the region. Oil revenues made these changes possible. However, the various countries had to struggle against the giant oil companies that were operating within their boundaries. These oil companies were outsiders to the region and they have amassed great wealth for themselves. As a result, they were always viewed with suspicion in the area.

The best solution to this problem of being cheated would naturally be to unite. If all the members of the area had united against foreign oil companies, they could possibly have obtained their maximum rights and prevented the foreigners from cheating and exploiting them of their God-given treasures. But unity presupposed a number of factors: That a sense of common objectives existed and continues to exist; that a willingness to make sacrifices for the sake of a common cause existed; that the members of the union possessed the ability for sustained planned effort to achieve the distant goal; and that there

existed suitable, able and skillful leaders who were recognized by all members, as the personification of the ideal of unity and most important, were trusted by all.¹⁴ These prerequisites did not always exist in the different moves for unity in the Middle East.

Since 1959, three organizations were set up in the Middle East to encourage unity against the oil companies: The Arab Petroleum Congress, The Organization of Petroleum Exporting Countries (OPEC), and its related organization, The Organization of Arab Petroleum Exporting Countries (OAPEC). For this paper, I will neglect all aspects dealing with the Arab Petroleum Congress and thereby concentrate on the organizations that are still in existence--OPEC and OAPEC. The present essay will trace the origins of OPEC and the evolution of its program.

The representatives of Iran, Iraq, Kuwait, Saudi Arabia, and Venezuela assembled in Baghdad on 14 September 1960, to form the Organization of Petroleum Exporting Countries. Their immediate concern was with the pricing practices of the major international oil companies. The oil producing countries were keenly conscious of the fact that their oil revenues, accounting for most of their government budgets, depended on prices set by a tightly interlocking group of companies with headquarters in the United States or in Europe.

The companies decided where and when to prospect for oil. It were the companies again that decided how much oil to produce once it

was found, and it were the companies that, in the light of their assessment of the market, set the price at which it would be sold. Although the companies operating in each country were legally distinct, there was a pattern of interlocking ownership: British Petroleum (BP), Shell, Mobil, and Exxon were part-owners of the three companies operating in Iraq; Exxon, Texaco, California Standard, and Mobil jointly owned Aramco, which operated in Saudi Arabia; Exxon, Shell and Gulf, through affiliates operated separately in Venezuela; Gulf and BP jointly held shares in the Iranian consortium that replaced BP after the crisis of 1951-54. In the world at large, between 1949 and 1950, these seven companies controlled 65 percent of proved reserves of petroleum outside the Soviet bloc, 55 percent of its production, 57 percent of all refinery capacity and major pipelines, and through ownership of long-term leases, at least 67 percent of all privately owned tanker space.

In 1959 and 1960, the companies once more displayed their control and power by cutting prices all along the line, in an effort to compete with coal in the rapidly growing energy markets in Europe and Japan. Such activities prompted governments of oil-producing countries to coordinate policies. Venezuela had put out feelers to Middle East governments as early as 1947 for this purpose. Iraq and Saudi Arabia in 1953 had concluded an agreement calling for exchange of information and periodic consultation regarding petroleum. And an Arab petroleum conference in Cairo in 1959 adopted a resolution insist-

ing that any changes in posted price should be discussed with the government of the producing country. The major initiatives of this Latin American-Middle Eastern rapprochement that was to form the basis of OPEC were taken by the Venezuelan Minister of Mines and Hydrocarbons, Juan Perez Alfonso, and Saudi Arabian Petroleum Minister Sheikh Abdullah Tariki.

The member countries of OPEC today embrace different political complexions, levels of development and cultures in Asia, Africa and Latin America. Full national control of their oil resources, which included the control to transportation, refining and distribution later became another goal sought by OPEC member nations.

Between 1951 and 1953, Iran attempted to take unilateral action against the Anglo-Iranian Oil Company, which was then the concession holder. This met with resistance from the major oil companies, and to show their solidarity, they instituted a boycott on Iranian oil and thus largely thwarted Iran's designs.¹⁵ The conflict ended in a formal recognition of the nationalization, however the basic pattern of control and profit-sharing was the same as that of her neighboring countries. Similarly, when Iraq nationalized a large portion of the Iraq petroleum company's concession area in 1961, and later refused offers of settlement, the companies penalized it by restricting production in favor of a higher output in other producing countries of the region.¹⁶

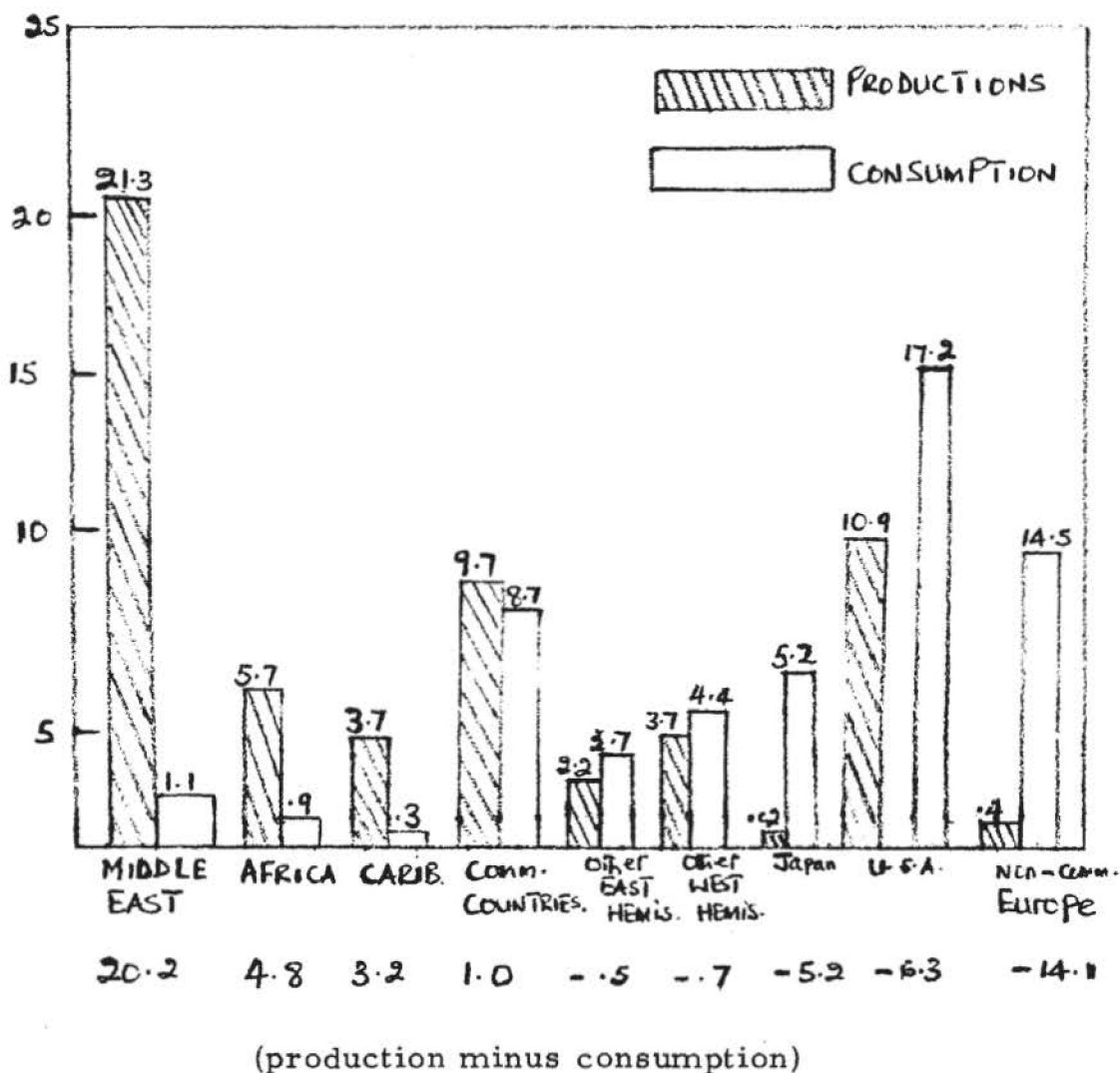
The position of weakness characterized by oil producing countries

and the corresponding strength of the companies could be attributed to three, interrelated factors: "The existence of a buyers' market, the self-sufficiency of the United States as a producer and consumer of oil, and the dominant position of the major oil companies."¹⁷ These factors were completely reversed in the early seventies. The OPEC members as a group could now afford to worry less about production increases and concentrate on prices. Individual member states have gradually accepted output restrictions as a legitimate and viable policy alternative. Some countries accepted the policy purely on grounds for conservation, or on the mobility to use effectively the revenue surpluses that even before 1973 had been accumulated by some states. Saudi Arabia is an example of this, as opposed to Iran that is still concerned about rapid economic development and a strong military status.

Until the outbreak of the October war, it was possible to find many common denominators that held together the solidarity of OPEC members. This community of interests was likely to prevail over potential differences, so long as major political differences did not become involved.¹⁸ The Arab group (OAPEC) within OPEC is an exception in that it became directly involved with the Arab-Israeli conflict, and also because it admitted and occasionally practiced the use of oil as a weapon in the political struggle. This was not easily accomplished.

FIGURE 1

1973 Crude Petroleum Production and Petroleum Product Consumption for Major Producing and Consuming Areas
(million barrels per day)



SOURCE: Federal Energy Administration, Project Independence Report, November 1974.

FIGURE 2

1973 Import Levels and Proportion of 1973 Imports from Middle East for Major Importers
(MB/D)

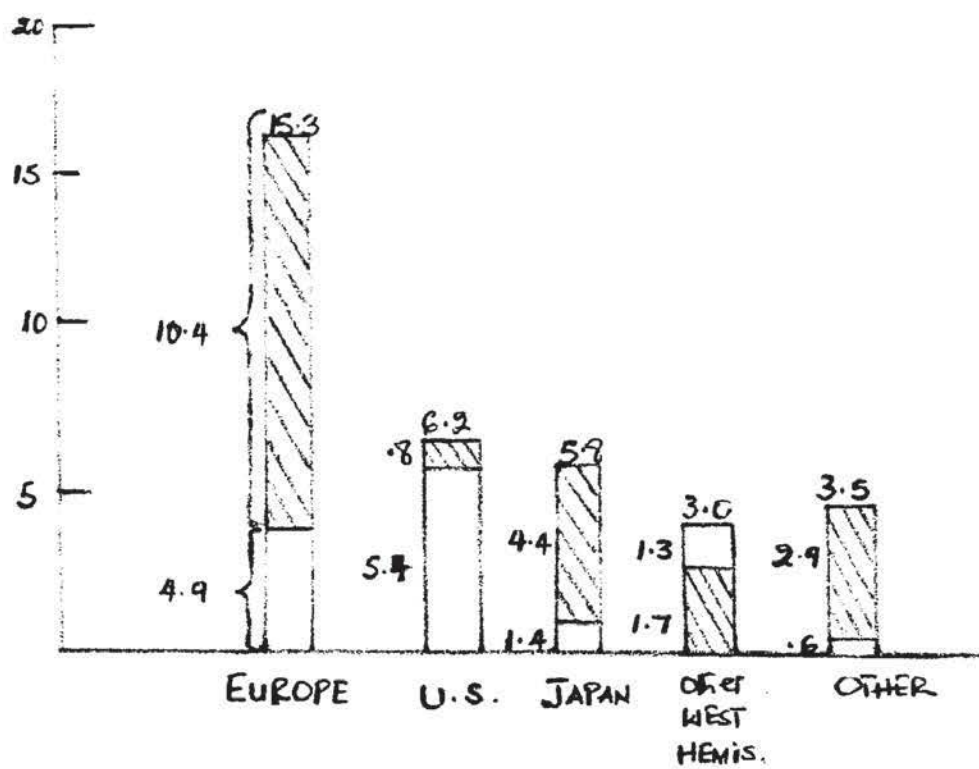
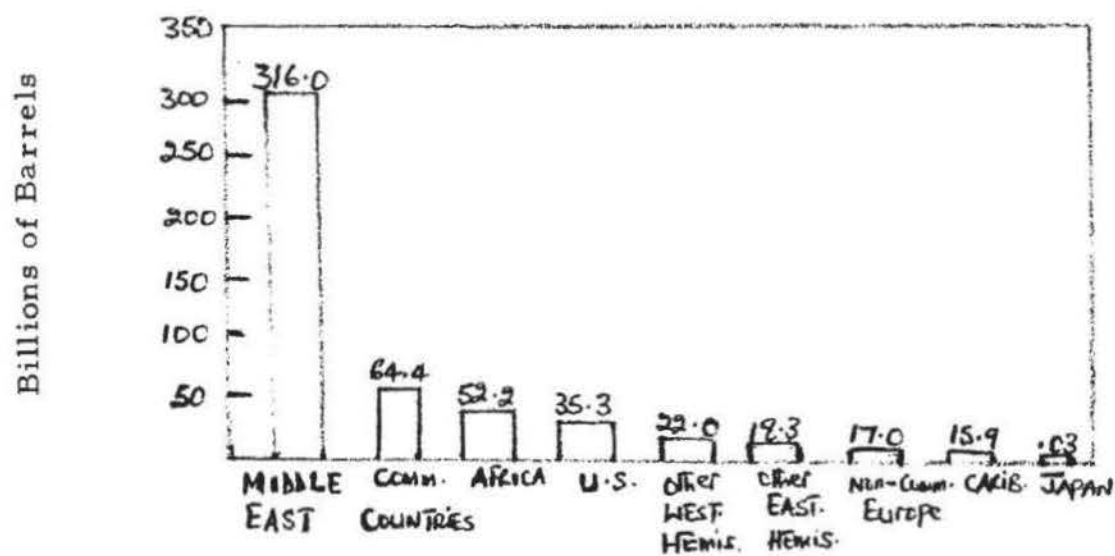


FIGURE 3

1973 Crude Petroleum Reserves for
Major Producing Areas



SOURCE: Federal Energy Administration, Project Independence Report, November 1974.

Saudi Arabia's Policies in OAPEC

The fourth Arab-Israeli war broke out on October 6, 1973. A conference of Arab oil ministers was held in Kuwait on the 17th of the same month. At this conference it was decided that the oil weapon would be used for the Arab cause in the Arab-Israeli conflict.

They agreed in a binding decision to reduce their exports by a minimum of 5 percent as compared with the average September output, and to follow this reduction with further cuts of 5 percent per month until the completion of the total withdrawal of Israel from the territories occupied in 1967, and the restoration of the rights of the Palestinians, or until the production of every individual country reaches the point where its economy does not permit any further reduction without detriment to its national or Arab obligations.¹⁹

Thus, the oil importing nations were to be treated according to their stand on the Arab-Israeli conflict: The friendly ones were to be exempted; the unfriendly and neutral ones were to be subject to varying degrees of restriction. It was agreed that an embargo would be applied on the United States due to her unfriendly policy toward Arabs. One Arab nation opposed the decisions and withdrew. This nation was Iraq. The others; Abu Dhabi, Algeria, Bahrein, Kuwait, Egypt, Libya, Qatar, Saudi Arabia and Syria approved the actions unanimously. Despite this solidarity, the various Arab states had different underlying attitudes in regards to the embargo.

Saudi Arabia held the key position, both economically and politically in OAPEC. Saudi Arabia was producing 8.5 million barrels of oil per day on the eve of the war, and around the same period, the

kingdom accounted for 40 percent of the total Arab production. With this, Saudi Arabia was bound to be influential. Also, in addition to being a country of wealth, Saudi Arabia is viewed as the center of traditional Islam. This role has extended her influence beyond the Middle East. She was also an acknowledged leader in the conservative camp of the Arab world. Saudi Arabia has been cooperative with Egypt, another moderate influential state, in developing a general Arab strategy in relations with the outside world.

Despite the militancy present among the various Palestinian groups, Saudi Arabia supported the general Palestinian struggle for the recognition of their rights, and provided aid to the Palestine Liberation Organization (PLO). The late King Faisal's dedication to the Palestinian cause was strengthened by his interest in Jerusalem, and his often proclaimed determination to see its Arab part restored to Arab control, so that he might make a pilgrimage to its holy places. Unfortunately, he died without realizing his dream.

The increased dedication to the Palestinian cause made Saudi Arabia deviate from her proclaimed policy of "not mixing oil with politics". If during the previous crises (1956, 1967) Saudi Arabia had resorted to the use of the oil weapon, they had done so reluctantly, and only for brief periods.²⁰ However, by early 1973, the continuous deadlock in the Arab-Israeli issue caused King Faisal to accept with greater willingness the idea of using oil as a political weapon in Arab-American

TABLE 4

CRUDE OIL OUTPUT BY MAJOR PRODUCER, 1973-77 ('000 barrels)

	1977	1976	1975	1974	1973
Middle East OPEC members					
Saudi Arabia+	3,358,906	3,140,088	2,583,187	3,096,211	2,773,887
Iran	2,079,991	2,166,417	1,965,404	2,210,627	2,152,228
Iraq+	826,900	834,810	820,545	680,860	717,676
Libya+	757,244	699,504	551,251	550,784	796,423
Kuwait+	706,551	786,929	760,888	930,142	1,103,165
Abu Dhabi+	608,373	582,580	511,914	516,125	476,348
Algeria+	401,480	393,487	345,183	372,753	391,890
Qatar+	160,820	178,120	160,343	189,248	207,924
Dubai+	116,452	114,681	92,842	88,127	80,202
Total	9,016,717	8,896,616	7,791,557	8,634,877	8,699,743
Other OPEC members					
Venezuela	816,820	833,077	855,134	1,086,332	1,228,590
Nigeria	765,475	758,057	651,949	822,702	750,675
Indonesia	615,821	549,792	481,490	501,854	488,550
Gabon	81,284	81,510	81,980	81,160	55,047
Ecuador	66,270	68,372	58,753	64,546	76,221
Total	2,345,670	2,290,808	2,129,306	2,556,594	2,599,083
Total OPEC members	11,362,387	11,187,424	9,920,863	11,191,471	11,298,826
Non-OPEC Middle East states					
Oman	124,760	133,795	124,198	106,046	106,926
Bahrain+	20,429	21,287	22,309	24,597	24,948
Egypt**+	152,205*	119,720*	81,061	53,715	60,483

TABLE 4--Continued

	1977	1976	1975	1974	1973
Non-OPEC Middle East states (continued)					
Syria+	73,000*	70,080*	65,930	54,352	38,170
Turkey	18,250*	18,615*	21,719	24,555	24,273
Total	388,644	363,497	315,217	263,265	254,800
Total Middle East	9,405,361	9,260,113	8,106,774	8,898,142	8,954,543
Other major states					
Soviet Union	4,013,100	3,822,000	3,600,025	3,373,650	3,140,288
US	3,617,940*	3,558,731	3,647,736	3,818,683	3,995,326

+ Members of the Organization of Arab Petroleum Exporting Countries (OAPEC)

* Estimate

** Including Israeli-occupied Sinai

SOURCE: Oil & Gas Journal, Oklahoma, U.S., 1974-78.

diplomacy. On at least three occasions, King Faisal expressed his concern, and issued warnings to the United States; first through his oil minister, Sheikh Ahmed Yamani; to certain American cabinet members in April, then through Aramco's parent companies in May; and finally through Newsweek and the BBC (British Broadcast Co.) in September, 1973.²¹

The idea that the oil weapon would have to be employed by adoption of restrictive measures was further emphasized through a series of consultations that King Faisal had throughout the Summer of 1973, with President Sadat of Egypt. "But the basic Saudi philosophy in this respect was to avoid mentioning if possible, any specifically punitive actions."²² Saudi Arabia and for that matter, King Faisal was out to alert world public opinion about the Arab-Israeli conflict. To this effect, Saudi Arabia favored adopting a decision on production cutbacks at the Kuwait meeting of 17 October, 1973, and therefore supported only a recommendation when the issue of the embargo came up. King Faisal had sent an important message to President Nixon before the October 17th meeting in which he asked the U.S. to stop assisting Israel in the war. However, President Nixon seemed at that time to have little regard for King Faisal's warnings. On October 19th, King Faisal learned of the president's decision to request Congress for an authorization to provide \$2.5 billion for arms assistance to Israel. This prompted King Faisal's decision to impose an embargo. This

decision was extremely crucial, because Saudi Arabia certainly helped make the embargo a total success. Also, the success of the embargo helped the Arabs to gain some degree of respect and recognition, from the west in particular. This alone was a worthwhile accomplishment.

Policies of Other Gulf States

Kuwait, Qatar, Abu Dhabi and Bahrein are the smaller Arab states of the Gulf. These states have traditionally been close allies to Saudi Arabia on several key issues. When King Faisal decided on an embargo, these states followed suit. Qatar, Abu Dhabi and Bahrein have broadly similar political structures, and tendencies toward Saudi Arabia. These Arab states can be described as conservative, prudent and in favor of cooperation with the west. Kuwait followed a more independent policy than the other three smaller Gulf states. Also, in contrast to Saudi Arabia, Kuwait has a constitutional monarchy with a Parliament. In addition, its close proximity to Iraq and Iran forced it to pay close attention to the trends and moods in these two comparatively powerful countries. "Consequently, despite its basic conservatism, Kuwait was more sensitive to domestic and external pressures than were either Saudi Arabia or the smaller Gulf states."²³

Iraq

If Saudi Arabia stood at one end of the Arab spectrum, Iraq can be placed at the other. Iraq is anti-imperialist and radical in its

domestic and foreign policies. Since the revolution of 1958, Iraq not only had a history of tense relations with Washington and London, but also regarded itself as outside the free world. Linked by a treaty of friendship with the Soviet Union and with a Baath dominated cabinet, consisting of two communist ministers, Iraq was largely isolated from the Arab community. It maintained friendly ties with revolutionary Libya and Marxist-oriented South Yemen. This could partially explain why Iraq showed such hostility and skepticism to Saudi attitudes on the oil embargo. At the October, 1973 meeting in Kuwait, the Iraqi delegation resisted the decision on production cutbacks and accepted the idea of selective embargoes. It insisted that the cutback policy did not distinguish sufficiently between friendly and unfriendly consumer states; instead it proposed a more radical policy, which required an immediate nationalization of foreign oil companies, as well as banks and any other assets or enterprises of hostile countries that are located in the Middle East.²⁴ To show their total support for such a policy, Iraq, on October 7, 1973, immediately following the outbreak of the war, nationalized American holdings in the Basra Petroleum Company (BPC), which consisted of shares owned by Exxon and Mobil. Such an action appeared too radical to be acceptable to the more conservative Arab regimes. This placed Iraq on a lonely course at the Kuwait conference, and it thus prompted its withdrawal from the meeting, and all other meetings of the Arab oil ministers held throughout the period of the

crises of 1973-74. However, Iraq also joined in the embargo against the designated consumer states. It only refused to cut back production and exports to other consumer nations that were not included in the embargo.

The Positions of Algeria and Libya

Libya and Algeria deserve some mention along with other participants at the Kuwait meeting. Algeria had the characteristics of the moderate Arab states, as well as those of the radicals. Algeria had to struggle bitterly to gain its independence from France, and since then its regimes have been known for their militancy, in both the pan-Arab causes and the question of Palestine. Algeria ranks below most Arab states in the total production of oil (see Table 4), however it accepted the Saudi and Egyptian idea of a partial boycott, based on production cutbacks, even though it would be expected to suffer financially by taking such an action. Also, Algeria at the time of the 1973-74 crisis had a large volume of its exports going to the Netherlands, and this was one of the consumer nations listed for a total embargo, along with the United States.

Libya's Colonel Al-Qadhafi followed a militant revolutionary ideology, thus making Libya sympathetic to Iraq's position. However, Colonel Qadhafi's strong Islamic orientation clashed with Iraq's toleration of Moscow and Communism. After attempts to unite with Egypt failed in 1972, relations between the two countries were strained. Also,

Colonel Qadhafi was unhappy at having been excluded from the planning and waging of the October war. However, Libya did not want to further isolate itself from the Arab community by refusing to go along with the oil embargo. If Libya had adopted Iraq's policy of nationalizing American interests, the results might prove different. When Iraq made its move, it was viewed as an accounting operation, since Exxon and Mobil, the two American companies concerned, were only remote shareholders in an operating company--the Basra Petroleum Company. The action did disrupt the Basra Petroleum Company's production process. With a few exceptions, American companies in Libya held direct concessions, and this formed a large portion of Libya's production. To nationalize them, during the period of crisis could obviously affect Libya's production and consequently result in a denial of supplies to many consumers in excess of the cutbacks proposed in Kuwait. So to secure its own interests as well, Libya went along with the moderate cutback policy proposed at the Kuwait conference. Libya, unlike Iraq complied fully with the embargo policy.

CHAPTER III

SAUDI ARABIA AND THE ARAB-ISRAELI CONFLICT

Saudi Arabia has maintained a long history of involvement in the disputes between the Jews and Arabs over the question of Palestine, which later became known as the State of Israel. King Ibn Saud was among the first Saudi leaders who voiced strong support for the Palestinian-Arab cause. He maintained that Palestine is an Arab land to which the Jews have no right. Saudi Arabia has also provided strong financial assistance to the Palestinians.

On January 8, 1940, H. St. John Philby, an adviser to Ibn Saud, suggested a plan to the King that was aimed at solving the Palestinian problem. Philby's solution was that Palestine should be left to the Jews, and the displaced Arabs should be resettled somewhere else, at the expense of the Jews, who would place a sum of L20 million at the disposal of the king for this purpose.²⁵ When he presented the plan to Ibn Saud, the king asked Philby to keep the matter strictly confidential, since his safety might be in danger if other Arabs heard about it.²⁶

On February 12, 1945, Ibn Saud left Jeddah on board the American destroyer Quincy to meet with President Roosevelt, who was returning from the Yalta Conference. They met at the Great Bitter Lake

on the Suez Canal. The topic of their discussion centered on the Palestinian question. Roosevelt assured Ibn Saud that he would avoid doing anything that might harm the Palestinian-Arab cause. Roosevelt also stated that "the U.S. government would make no change in its basic policy in Palestine without full and prior consultation with both the Jews and Arabs."²⁷

After Ibn Saud met with Roosevelt, he met with Churchill on the shore of Lake Karun. Churchill clearly stated to Ibn Saud that his policy was to maintain Palestine as a "national home for the Jews". Ibn Saud strongly disagreed with such a policy. He told Churchill that Palestine is an Arab land to which the Jews have no right.²⁸

Violence between the Arabs and Jews which had been prevalent since the end of World War II continued in Palestine. When war broke out in May of 1948 between the Arabs and Jews, Saudi Arabia only sent a few units of its troops to Palestine.²⁹ Ibn Saud cooperated in the boycott of Israel, however he did not cut off oil production, nor did he cancel the American oil concession.³⁰ He expressed his disappointment at Roosevelt who did not stick to his promise. Ibn Saud maintained that the European Jews should return to their home countries in Europe, since Germany was defeated in World War II, which supposedly eliminated all Nazi threats to the Jews.

In 1956, Egypt was attacked by Britain, France, and Israel. Saudi Arabia condemned the attack and called on all Arabs to do like-

wise. Also, Saudi Arabia strongly supported Egypt's nationalization of the Suez Canal.

Again in June, 1967, war broke out between the Jews and Arabs. This time the confrontation was mainly between Israel and three other Arab states, Egypt, Syria and Jordan. This war became known as the Six-day War which was won by Israel. For the first time Saudi Arabia, then under King Faisal showed less concern about the outcome of a war between the Arabs and Israel, simply because he had strained relations with Egyptian President Nasser. "But aware of Arab nationalist sentiments, King Faisal called for the annihilation of Israel, and sent troops to Jordan, although they did not engage in extensive fighting."³¹

Jamil Baroody, the Saudi Arabian representative at the United Nations emphasized in a speech given before the United Nations General Assembly, that "the whole creation of Israel was illegal and immoral, to say the least".³² According to Baroody, conquerors had come and gone from Alexander the Great, the Romans, and the Crusaders, to the mandatory powers. He said of them:

Conquerors all, but the bones of their troops have, throughout the ages, bleached our soil, and their works are more relics for the tourists to see. They are gone--all gone--those conquerors of yore. But the Arabs, in spite of all the vicissitudes that have shaped their destiny, still remain--approximately a hundred million of them.³³

A summit meeting was held in Khartoum after the end of the 1967 war. At this meeting, Saudi Arabia pledged \$140 million to the Arab cause. Even though Saudi Arabia was experiencing a financial

crisis during this period, it made all efforts to fulfill its financial commitment.

Relations did not improve much between the Arabs and Israel after the 1967 Arab-Israeli conflict. When Nasser died and Sadat succeeded him, he immediately pointed out that only through war could the problems between the Arabs and Israel be solved. Sadat stated in April, 1973, during an interview with Newsweek, that "everything in this country is now being mobilized in earnest for a resumption of the battle."³⁴

In October, 1973, war broke out again between the Arabs and Israel. Saudi Arabia played a significant role in this war, which also became known as the Yom Kippur War. Although it was reported that Saudi forces were placed on alert when the war started, there was no evidence to show whether they were actually involved in direct combat. However, Saudi Arabia led ten Arab oil-producing nations in using their oil wealth as a political weapon. On October 17, 1973 Saudi Arabia and the other Arab oil-producing nations agreed to reduce by 5 percent each month the amount of oil they export. The following day, Saudi Arabia cut oil production by 10 percent to put pressure on the United States. On October 20, 1973, a total oil embargo was imposed on the United States. This move placed Saudi Arabia in a position of leadership among the Arab states. Since oil is an extremely important source of energy for the western industrialized nations, which are

heavily dependent on oil, the use of the Arab oil weapon was effective.

King Faisal, like his predecessors, strongly believed that the creation of a Jewish state within the Muslim world was due to the communist-zionist-imperialist conspiracy against Islam. King Faisal said:

We cannot and will not ignore the forces which oppose our efforts today. There are the evil forces of imperialism and the sinister forces of Judaism and Zionism and the forces of Communism. As to imperialism, it opposes our preaching of Islam because it knows that Islam is a religion of brotherhood, a religion of peace, a religion of love, a religion of equality . . . As to the forces of Zionism, they know that cooperation between Muslims would put an end to the evil expansionist ideas of international Zionism in Islamic and Arab countries. As for the Communist, they are attacking us because the Islamic movement is going to destroy all that Communism stands for . . .³⁵

It was King Faisal's belief that after struggling against the Ottoman and European imperialism, the Arabs should not subject themselves to a similar situation by replacing the old forces with the new forces he referred to as Zionism and Communism. King Faisal's successor has promised to follow his stand on issues like Islamic solidarity, Arab unity, and the liberation of Jerusalem.

Today, one could say that Saudi Arabia, like other Arab states, has compromised partially its basic stance against Israel. The original stance of the Arabs was to dismantle Israel completely from the Middle East. This position has been modified by most Arab nations, and they now urge Israel to withdraw within the 1967 borders.³⁶

Saudi Arabia and Pan-Arabism

Pan-Arabism and anti-Zionism are two issues that have dominated Saudi Arabian policy in the Middle East since the creation of the State of Israel. In the 1930's, Saudi Arabia entered into treaties with neighboring Arab states on the basis of strengthening Islamic friendship and Arab brotherhood. These treaties were entered into with the then three independent Arab states--Yemen, Iraq and Egypt. In 1934, the treaty of Taif, which provided for a settlement of differences through negotiation, ended the border war between Saudi Arabia and Yemen. In 1936, Iraq concluded a treaty of Arab brotherhood with Saudi Arabia.

In 1945, Saudi Arabia joined the British formed Arab League. The original purpose of the Arab League was to strengthen the relationship between member states. King Ibn Saud agreed to join the League under the condition that each member state be guaranteed that their respective independence and sovereignty would be safeguarded, and that each would refrain from attempting to change the form of government of any member state. Since then, Saudi Arabian relations have been oriented to the individual member states rather than to the Arab League, as a whole.³⁷

In 1948, when the State of Israel was created, Saudi Arabia and the other Arab nations opposed the idea of establishing a Jewish homeland in the Arab world, and made contribution to the several Arab war efforts against Israel. Since Saudi Arabia does not have a

strong military capability, its contribution militarily to the Arab war effort against Israel is limited. However, Saudi Arabia has made large financial contributions to aid other Arab states fighting the war against Israel.

Egypt is a good example of Arab nations that have received aid from Saudi Arabia to fight for the Arab cause against Israel. King Ibn Saud's first official tour abroad was to Egypt. During this period, Egypt was economically depressed. The first Arab-Israeli war and a corrupt leadership under King Farouk contributed to this problem. Ibn Saud offered Egypt a yearly subsidy of approximately \$4 million to help improve its economy. When Ibn Saud died in 1953, his successor, King Saud continued his pan-Arab policy. Under King Saud, Saudi Arabia signed a five-year mutual defense pact with Egypt and Syria. Also, the armies of Saudi Arabia, Egypt and Syria formed a joint command. King Saud showed his position of neutralism by joining the other Arab states that opposed the Baghdad Pact.

Relations between Saudi Arabia and Egypt began to deteriorate when President Nasser of Egypt began to adopt his concept of Arab Socialism. The Saudi leadership was apprehensive of revolutionary incursion into the kingdom, which has always pursued a conservative route. After King Saud's visit to the United States in January of 1957, he turned away from Nasser and associated himself with the conservative kings of Jordan and Iraq.³⁸ King Saud was very concerned over

Nasser's growing popularity in the Arab world, and also his pro-Soviet policies. President Nasser accused King Saud of being a reactionary. The formation of the United Arab Republic (UAR) between Egypt and Syria further aggravated the relations between the two Arab states. Saudi Arabia accused Nasser of interfering in the internal affairs of other Arab states. Finally, a Saudi plot to assassinate Nasser was revealed.³⁹ Egypt and Saudi Arabia began to pursue different courses. Egypt turned more toward the Soviet Union and Saudi Arabia more toward the west. This started a long period of uneasy relations between the two Arab states. The uneasy relationship culminated into a war between Egypt and Saudi Arabia. The main cause of the confrontation centered around an internal conflict in Yemen. Egypt gave military support to the new Republicans in Yemen and Saudi Arabia gave support to the Royalists. As a result of the confrontation, the Egyptian air force bombed Saudi Arabian towns and villages. Finally Saudi Arabia broke diplomatic relations with Egypt and formed a joint defense council with Jordan.

When King Saud was dethroned, Faisal became King of Saudi Arabia. Faisal was a better administrator and more pragmatic than his predecessor. He resumed a rapprochement between the two Arab nations and also restored diplomatic relations. Faisal merely personified Arab radicalism with Nasser. This brought about a period of reconciliation. The new King of Saudi Arabia and Nasser decided to

settle the Yemen crisis peacefully. Egypt agreed to withdraw its troops from Yemen.

Israel gained additional territory during the 1967 Arab-Israeli War. This made Saudi Arabia uneasy. Saudi Arabia was considered safe from direct Israeli threat since it does not share any borders with the Jewish state. However, after the 1967 war, it was feared that Israel might decide to attack Saudi Arabia. At the summit meeting in Khartoum, the Arab heads of state decided that there would be no direct negotiation, no formal peace, and no recognition between the Arab states and Israel. King Faisal proposed that Egypt and Jordan be compensated by the Arab oil-producing countries for their war losses. Saudi Arabia, Kuwait, and Libya agreed to put up a combined subsidy of \$392 million a year for Egypt and Jordan.⁴⁰ This move triggered by the common threat of Israel removed bitter struggling between Saudi Arabia and Egypt.

King Faisal's outlook of the Arab-Israeli conflict took a drastic change after the Khartoum conference:

As anti-Zionist as he was anti-Communist, the king lavishly subsidized Arab governments battling Israel. He grew even more bitter against Israel in recent years, most often making no distinction between religious Jews (whom he professed to respect) and political Zionists.⁴¹

When Nasser died, Arab Socialism suffered a setback in the Middle East. Nasser's successor, Sadat, has been preoccupied with the continuing Arab-Israeli problem. It is believed by many that when

King Faisal visited Cairo in 1972, among the various issues discussed, the expulsion of the Russians from Egypt, took precedent. The United States asked King Faisal to try and convince Sadat to expel the Russians from Egypt.

In the Spring of 1972, Washington suggested to Faisal that if he would help persuade President Anwar Sadat to reduce Russian presence in Egypt, America would press Israel to withdraw from conquered Arab territory.⁴²

King Faisal's major source of conflict with the United States centered around the question of Israel, however he admired the United States anti-communist policy. President Nixon was unable to convince Israel to withdraw from the Arab territory after Sadat expelled the Russians from Egypt. Sadat imposed limited state ownership of property, thus denationalizing the various institutions that were nationalized by Nasser. Sadat thus adopted an anti-communist stand.

The Faisal-Sadat relationship had other compelling reasons, deeply rooted in inter-Arab politics. Faisal's strongest critic within the Arab world was Libya's President Qaddafi, whom Sadat considers an irrational person. By gaining influence over Sadat, King Faisal minimized the principal appeal Qaddafi has had for a union with Egypt.⁴³ Saudi Arabia's relations with the other Arab monarchies and the Gulf states are fairly normal. Saudi Arabia, under King Faisal has improved relations with revolutionary oriented regimes in Syria, Iraq and Algeria. The Palestine Liberation Organization (PLO) has an office in Saudi Arabia. However, because of Saudi Arabia's policy of anti-

communism and Islamic brotherhood, it does not recognize the PLO faction led by George Habash, a Christian, who is also suspected to be a Communist. Since the 1973 oil embargo, Saudi Arabia has become a leader within the Arab world. With this role, it has helped mediations between Arab states engaged in conflicts of various kinds. And, most significant of all, it has aided in bringing an end to the long standing differences that existed between King Hussein of Jordan and PLO leader Arafat.

Faisal's successor, King Khalid has so far maintained good relations with most of the Arab states. He has largely followed Faisal's policies in regards to the Arab-Israeli conflict and the Saudi Arabian role.

Saudi Arabia and the United States

Despite American support of Israel and the 1973 Arab oil embargo, relations between Saudi Arabia and the United States have remained fairly normal since officially established in 1940. The kingdom has dealt with private American citizens since 1933 when Aramco, then Standard of California received an exclusive 60 year oil concession, from King Abd al-Aziz. Aramco obtained the oil concession on May 29, 1933. When a new concession agreement was signed between Aramco and Saudi Arabia on May 31, 1939, the king had turned down a good offer from Japan. The reason for turning down the Japanese offer was that he preferred to continue association with the Americans;

since it had the advantage of assuring the economic development of the country, without incurring political liabilities.⁴⁴

Private American oil investments provided the starting point for current Saudi-American relations. The U.S. government had no direct influence over Aramco's operations in Saudi Arabia until the outbreak of World War II. When Italy bombed Dhahran in 1940, this halted pilgrim traffic and thus led to loss of revenues for the kingdom. Saudi Arabia could not receive any loans from the United States government. President Roosevelt had to suggest to the British government to continue making financial assistance available to Saudi Arabia, since the region was their sphere of influence. The U.S. government later expressed some interest in the British oil concessions in the Middle East. However Aramco successfully stopped the government from pursuing their expressed interest. The company used its weapon, "the traditional free enterprise suspicion of any government interference with a penetration into business."⁴⁵ Aramco officials have frequently served as informal advisers to the king and his ministers. Also, some of these officials have served in the capacity of unofficial ambassador in Washington where a company office is maintained.

Saudi Arabia's friendship with the United States and the constantly growing wealth in oil has given the kingdom great prestige and influence in the Arab world. Also, King Faisal's role in promoting the Palestine cause has made him, as well as the country very popular.

The leadership role in the Arab world seems to be passing from Egypt to Saudi Arabia. Not only were the Egyptians and other Arabs beginning to pay attention to the deeds and words emanating from the feudal monarchy, but the rest of the world was commencing to flatter King Faisal as he became the number one international banker. It has also been estimated that within three years Saudi Arabia will have greater financial reserves than the United States, Western Europe and Japan combined.⁴⁶ The liberation of Jerusalem continues to be the major source of conflict between the United States and Saudi Arabia.

During the 1967 Arab-Israeli War, Saudi Arabia had reluctantly joined the Arab effort to withhold oil only after extensive pressure from Nasser, but lifted the embargo soon after its imposition. In 1973, it joined with Arab oil-producing nations in imposing the oil embargo. Indeed, Saudi Arabia foreshadowed its major role in the October war when on September 4, 1973, King Faisal told Americans via U.S. television that American support of Israel makes it extremely difficult for us to continue to supply the United States petroleum needs and even to maintain our friendly relations.⁴⁷

On October 18, 1973, Radio Riyadh announced King Faisal's decision to cut down oil production by 10 percent.⁴⁸ The following day President Nixon asked Congress to supply Israel with \$2.2 billion in military assistance.⁴⁹ King Faisal responded by imposing a total embargo on the shipment of oil to the United States and the Netherlands.⁵⁰ Faisal also slashed oil production by 26 percent.⁵¹

Aramco operated the oil embargo for Saudi Arabia in a unique but none-the-less quite interesting manner. Previously, the oil com-

panies were regarded as instruments of American foreign policy, toward the oil-producing nations. However, during the 1973 embargo, "they were actually used as instruments of Arab policy".⁵² Aramco complied with the Arabs by cutting off oil supplies to its own homeland.

In March of 1974, the embargo was lifted, when King Faisal was convinced that the United States was working hard to convince Israel to withdraw from Arab occupied land.

In return for lifting the embargo, the United States promised to help industrialize Saudi Arabia. On June 8, 1974, broad economic cooperation agreements between the United States and Saudi Arabia were signed in Washington. The disclosure of the agreements was made a few days before President Nixon left for Saudi Arabia on a visit. One of the agreements signed by the Secretary of State, Kissinger and Saudi Arabia's Prince Fahd Ibn Abdul Aziz al Saud, provides for the creation of a joint Economic Cooperation Commission.⁵³ After these agreements were signed, the United States sold several squadrons of F-5E and F-5F jet fighters in a \$756 million package deal to the kingdom.

After President Nixon's visit to Saudi Arabia on June 15, 1974, the kingdom leaned further toward the United States. At this point the only other major source of misunderstanding between the United States and Saudi Arabia was over the soaring price of oil. On this issue, Saudi Arabia's oil minister Yamani had made pleas to other OPEC

member nations to make an effort to hold down the price of oil.

President Ford took it upon himself to warn the oil-producing nations to hold down the prices of oil. This was received with anger by the Iranians and Kuwaitis in particular. King Faisal wrote a personal letter to the Shah of Iran, urging him to join Saudi Arabia in an effort to lower the prices of oil. However, the Shah refused.⁵⁴ King Faisal made it clear that he was concerned that a worldwide depression could hurt the American and western economies, which in turn would improve the position of the largely self-sufficient Communist bloc nations.

The relationship that has been cultivated between Saudi Arabia and the United States since the 1930s has been maintained with freedom to pursue policies not always compatible with each other's objectives. Under normal circumstances, this relationship will continue to be as cordial as before, based on mutual respect. The most serious obstacle that could possibly affect this relationship is an escalated United States support of Israel, should another Arab-Israeli war take place. This would definitely mean a reimposition of the successful weapon used in 1973 against the United States. If an oil embargo should be imposed again in the near future, it could prove disastrous for the western industrialized nations, not to mention the less fortunate developing nations. In all probabilities, this will be avoided through diplomacy.

CHAPTER IV

SAUDI POLICY AND THE ARAB OIL EMBARGO

The October, 1973 Arab-Israeli War as previously indicated triggered a turning point in the history of the Arab world, because it forced the Arabs to employ oil on a massive scale, as a bargaining tool in international relations. History has shown that the use of economic resources as an instrument of political pressure is one of man's oldest games. Few wars have been fought that did not have underlying economic causes or ties. Nations that have been blessed with ample economic resources have used this weapon to achieve political ends.

The employment of oil as a political weapon has been a recurring idea in Arab political thought since the early forties, and there has been two major efforts by the Arabs to use their oil in this capacity before 1973. These two previous attempts failed to produce any significant political results beyond mere temporary disruptions in world oil trade. The first of these attempts occurred after the Anglo-French-Israeli attack on Egypt in 1956. The flow of oil from Northern Iraq to the Mediterranean Coast was interrupted because one of the pump stations on the IPC pipeline system transiting Syria was destroyed.

TABLE 5
THE SUPPLY-DEMAND SQUEEZE

	American Oil Demand	Amount required from Eastern Hemisphere
1973	17-18 million barrels per day (b/d)	3.5 million b/d approx.
1980 (projection)	24-27 million b/d	8-11 million b/d out of total imports of 12-15 million b/d
	World Oil Demand	Middle East Production Required
1972	44.7 million b/d	18 million b/d
1980 (projection)	74-78 million b/d	40-45 million b/d*

*This figure cannot be achieved unless Saudi Arabia, whose reserves are conservatively estimated at 150 billion barrels (26 per cent of the non-communist world's total), consents to an increase of output from 8.3 million b/d (September 1973) to 20 million in 1980.

SOURCE: Federal Energy Administration, Project Independence Report, November 1974.

The second attempt occurred when several Arab oil-producing countries imposed an embargo on oil supplies to the U.S., Britain and West Germany following the 1967 Arab-Israeli War. The Arabs suffered defeat in both incidents, and their attempts to use oil as a political weapon also failed. Their attempts to apply economic pressure on third-party states that were believed to be aiding Israel against the Arabs failed. The 1967 oil embargo in particular failed for a number of reasons, among which were the following:

1. The U.S., the main target of the Arab oil weapon was immune to the Arab embargo because it was at that time totally self-sufficient in terms of western hemisphere oil supplies.
2. The international oil companies did a great job making up the shortfall in Arab oil supplies to the embargoed countries, from other sources despite the closure of the Suez Canal. In this case, the focus of the world oil supply shifted somewhat from the availability of crude oil at the source to the tight situation as regards transportation.
3. No quota ceilings were imposed on production, with the result that no actual physical shortage of oil was created.
4. There was no uniform interpretation of the coverage of the embargo; some of the North African oil countries did not in fact withhold supplies from West Germany.⁵⁵

However, many important changes took place within the oil industry between 1967 and 1973. Many of these changes occurred between the oil companies and the host governments, which have been discussed in earlier chapters of this paper.

The first serious initiative for the employment of oil as a political weapon came from Saudi Arabia. This time the oil weapon was used successfully. In principle, Saudi Arabia decided to take this initiative as early as April of 1973. King Faisal sent his oil ministers, Mr. Ahmad Zaki Yamani to Washington in April of 1973 with a message to the effect that "Saudi Arabia will not significantly expand its present oil production unless Washington changes its pro-Israeli stance in the Middle East."⁵⁶ King Faisal reiterated this warning in various statements he made to the press and the most significant was in an interview with Newsweek, published in the September 10, 1973 issue.

During this interview, the King emphasized that Saudi Arabia would not increase its oil production beyond the limits that can be absorbed by its economy, unless two conditions were satisfied:

First, the U.S. and the west must effectively assist the kingdom of Saudi Arabia in industrializing itself in order to create an alternative source of income to oil, the depletion of which we shall be accelerating by increasing production--and also so that we can absorb the excess income (see Table 6) resulting from production at such a level. Secondly, the suitable political atmosphere, hitherto disturbed by the Middle East crisis and Zionist expansionist ambitions, must be present.⁵⁷

However, when Newsweek published this interview, there was no precise indication as to whether Saudi Arabia would take any steps if its conditions were not met. There were hints that even if Saudi Arabia decided to take steps, it would not do so immediately. It would give time to the parties concerned to respond to its conditions. The outbreak of the October war and the vast military aid Israel received from the U.S. obviously necessitated an earlier implementation of the Saudi plans for cutbacks in oil production. This move made by Saudi Arabia helped to influence other Arab nations to follow, in using oil as a political weapon against the U.S. and the west.

The Saudi Policy During the Boycott Crisis

The embargo provision discussed in Kuwait was only a recommendation, however the Arab oil-producing countries later adopted it as a stated collective policy. As indicated earlier, the initiative to do so was taken up first by Saudi Arabia. On October 19 and 20, 1973,

TABLE 6

MONETARY RESERVES, MIDDLE EAST OIL-EXPORTING COUNTRIES*
(in millions of dollars)

Country	1969	1970	1971	1972	1973	1974	1975	1976
Algeria	\$410	\$ 339	\$ 507	\$ 493	\$1,143	\$ 1,689	\$ 1,353	\$ 1,987
Egypt	145	167	161	149	391	342	294	339
Iran	310	208	621	960	1,237	8,383	8,897	8,833
Iraq	476	462	600	782	1,553	3,273	2,727	4,601
Kuwait	182	203	288	363	501	1,297	1,655	1,929
Libya	918	1,590	2,665	2,925	2,127	3,616	2,195	3,206
Saudi Arabia	607	662	1,444	2,500	3,877	14,285	23,319	27,025
Syria	59	55	88	135	481	835	735	361

*A country's international reserves consist of its reserves in gold, SDRs (special drawing rights which are unconditional international reserve assets created by the International Monetary Fund), its reserve position in the Fund (unconditional assets that arise from a country's gold subscription to the Fund and from the Fund's use of a member's currency to finance the drawings of others) and its foreign exchange (holdings by monetary authorities--such as central banks, currency boards, exchange stabilization funds and Treasuries--of claims on foreigners in the form of bank deposits, Treasury bills, government securities and other claims usable in the event of a balance of payments deficit).

SOURCE: Data from the International Monetary Fund's International Financial Statistics, June, 1975, August 1977.

the Saudi government issued two proclamations stating a whole range of restrictive measures that included both general cutbacks and an export embargo to specific countries, including the United States. Cutbacks were decreed at 10 percent of the September production level, instead of the required 5 percent agreed upon at the Kuwait meeting, with anticipated further monthly reductions. Numerous friendly countries, such as Britain and France, were exempted from cutbacks. Other Arab countries immediately followed Saudi Arabia's example, and within a few days, the Netherlands was also subjected to the embargo.⁵⁸ As indicated earlier, the United States was placed under an embargo because it was supplying arms to Israel on a large scale. The Netherlands was included in the hostile group for several reasons, including their offer to replace Austria as a relay centre for emigrating Jews (Soviet), several pro-Israeli statements by Dutch leaders, recruitment on Dutch territory--with permission from the authorities--of volunteers for service in Israel, and the use of the official Dutch airline KLM, for chartered flights to Israel, in connection with the Israeli war effort.⁵⁹ The embargoes against the United States and the Netherlands applied to both direct and indirect exports, i. e., to those initially shipped to third countries in which oil was processed or transshipped for final American and Dutch ports, and for supplies to the United States Navy. The Saudi embargo also included a third category of countries like Trinidad, the Bahamas, the Dutch

Antilles, Canada, Puerto Rico, Guam, Singapore, and Bahrein (whose refinery was processing 50,000 barrels a day for the United States Navy). Also, some European refineries in Italy, Greece and France that supplied the American markets or Navy were subjected to full or partial embargo.⁶⁰

The Saudi decree thus set a pattern for collective Arab action. However, the effects of the boycott policy varied for each producing country. The Arab countries that once shipped large volumes to the United States and the Netherlands saw a large decrease in their exports, unlike those that supplied the non-embargoed markets. There was no uniform method adopted as to whether the embargo and cutbacks should be handled incrementally or not, that is, whether the decreed cutbacks should be applied prior to or after deducting the embargoed volumes. Saudi Arabia applied the incremental method, with the result that the Saudi Arabian exports fell by 36 percent, an amount the Saudis themselves found slightly disturbing.⁶¹ This situation largely contributed to the calling of the second conference of Arab oil ministers held in Kuwait on November 4, 1973. The decisions of the conference can be summed up under four points:

1. The November production was to be reduced uniformly by 25 percent from the September level, with a further 5 percent planned for December.
2. This uniform cutback was to include the embargoes to the United States and the Netherlands (a non-incremental method), which meant that, for other consumers, reduction in supplies would be less than 25 percent.

3. Consumer countries were to be warned that a more positive attitude toward the Arab cause would have to be taken before they could qualify for the exempted category.
4. Saudi Arabia's Yamani and Algeria's Abdel Salam Belaid were to tour major consumer countries to explain these Arab restrictive measures.

The European countries responded promptly to the November 4th, Kuwait announcement. At a meeting in Brussels on November 6, the European Economic Community (EEC) published a declaration urging all parties directly involved in the Arab-Israeli war to withdraw to the positions occupied on October 22, 1973 (i. e., the original United Nations sponsored cease-fire line), and called for a peaceful settlement, which would conform to the Security Council Resolution 242, of November 22, 1967.⁶² The Arabs saw the EEC's statement as a point scored by collective Arab diplomacy, and as such it brought great satisfaction to the Arab leaders. Encouraged by the EEC move, the Arab governments further sought another EEC statement insisting on Israeli troop withdrawal from all occupied territories in 1967. However, the EEC as an organized body refused to issue such a statement. So the two Arab ministers, Yamani of Saudi Arabia and Belaid of Algeria, sought such a declaration from individual EEC member countries. The countries that agreed to do so were reclassified into the exempt category.

The two meetings held in Kuwait set the basic pattern and guidelines to be followed in implementing the oil embargo. What

followed was, on the one hand, an elaboration of the initial broad principles into a more detailed set of measures and, on the other hand, a series of adjustments on the part of the Arab governments in response to the changing attitudes of consumers. This modification of the Arab oil boycott policy was achieved at the Arab oil ministers meetings in Vienna on November 18, 1973, in Kuwait on December 8-9, and again on December 24-25, and finally at the Arab summit meeting in Algiers on January 26-28, 1974.⁶³

The Algiers summit meeting saw the adoption of several new resolutions. The most significant of these resolutions was the one that decreed severance of all diplomatic and economic relations--including exports of oil, with Portugal, South Africa and Rhodesia.⁶⁴ A detailed policy guideline to this effect was set after several meetings were held by the Arab oil ministers. By the end of December, 1973, the oil consuming nations were divided into four categories as follows:

1. The most favoured countries, i. e. those entitled not merely to the September level of supplies but actually to as much as their own requirements dictated. Among these were Britain, France, and Spain among the European states, Arab importing countries, African states that had broken off diplomatic relations with Israel, and Islamic countries.
2. Friendly countries, i. e. those that modified their policies in favour of the Arab cause. To this category belonged those countries previously in the neutral group which, due to the change of their attitudes toward the Arab cause, became eligible for supplies at the September level (for example) Belgium and Japan.
3. Neutral countries: Those to which general export cutbacks applied. Because of their pro-Arab statements of November

6, the EEC countries (with the exception of the Netherlands) were temporarily placed in a more favoured position within this category inasmuch as they were exempted from further 5 percent general cutbacks promised for December. Later, after individual EEC governments--following Yamani's and Belaid's visits--gave additional assurances to the Arabs, they became qualified to be treated as friendly.

4. Hostile countries to which full embargo applied. These included the United States, the Netherlands, and as mentioned earlier, Portugal, South Africa and Rhodesia.⁶⁵

The Arab producers were at the initial stage committed to consecutive cutbacks of 5 percent per month, in addition to the basic 25 percent decreed at the second Kuwait meeting. At such a rate, these progressive reductions could in due course bring production to zero, which those producers with smaller financial reserves could not afford, even temporarily. So to try and correct the situation, a secret resolution at the Algiers summit meeting decreed that successive cutbacks would only be applied to the point point at which the reduction of a producer's revenue reached the maximum of 25 percent of its income for 1972.⁶⁶ An estimate was made indicating that due to the 70 percent price increase as compared with 1972, the Arab producers could afford to decrease their output to approximately 45 percent of the 1972 production level on the average, before their revenue would fall to 75 percent of the 1972 revenue level.

Embargo Lifted

In response to then U. S. Secretary of State Henry Kissinger's reference to possible American counter-measures, Yamani declared

TABLE 7

ORGANIZATION OF PETROLEUM EXPORTING COUNTRIES' REVENUES
(1960-1980)
(in millions of dollars)

Country	1960	1965	1970	1971	1972	1973	1974
Saudi Arabia	\$ 355	\$ 655	\$1,200	\$ 2,101	\$ 2,988	\$ 4,915	\$19,400
Kuwait	465	671	895	1,439	1,600	2,130	7,945
Abu Dhabi	(2)	33	233	418	538	1,035	4,800
Qatar	54	69	122	185	247	360	1,425
Iraq	266	375	521	840	802	1,465	5,900
Iran	285	522	1,093	1,934	2,423	3,885	14,930
Algeria	(3)	(3)	381	440	680	1,095	3,700
Libya	(2)	371	1,295	1,846	1,705	2,210	7,990
Nigeria	(3)	(3)	410	883	1,200	1,950	6,960
Indonesia	(3)	(3)	185	284	480	830	2,150
Venezuela	877	1,135	1,104	1,751	1,933	2,800	10,010
TOTAL	\$2,303	\$3,831	\$7,742	\$12,120	\$14,515	\$22,675	\$85,210

(continued on next page)

SOURCES: 1960-1970, Petroleum Information Foundation; 1970-71 Petroleum Economics Ltd.,
Printed in the Congressional Record, March 7, 1974.

TABLE 7 (continued)

Country	1975 ⁽⁴⁾			1980 ⁽⁴⁾		
	Low	Medium	High	Low	Medium	High
Saudi Arabia	\$22,150	\$22,850	\$ 23,500	\$ 36,300	\$ 43,450	\$ 50,550
Kuwait	8,450	8,700	9,000	10,250	12,250	14,300
Abu Dhabi	6,400	6,550	6,750	12,400	14,750	17,150
Qatar	1,600	1,650	1,700	2,400	2,900	3,350
Iraq	7,300	7,550	7,750	13,650	16,750	19,800
Iran	16,600	17,100	17,600	25,650	30,700	35,750
Algeria	4,100	4,250	4,350	4,750	5,750	6,700
Libya	9,750	10,050	10,400	10,550	12,850	15,100
Nigeria	8,250	8,500	8,700	11,350	14,250	17,100
Indonesia	2,100	2,200	2,300	2,400	2,950	3,500
Venezuela	10,200	10,550	10,850	12,100	14,500	16,900
TOTAL	\$96,900	\$99,950	\$102,900	\$141,800	\$171,100	\$200,200

- (1) In November 1973 Ecuador became a member of OPEC, and Bagon an associate member; they are not included in the above chart.
- (2) Libya and Abu Dhabi started production in 1961 and 1962 respectively.
- (3) Not available.
- (4) Three estimates: Low-Medium-High.

in Copenhagen on November 22, 1973 that any military intervention would simply makd the Arabs destroy their oil facilities.⁶⁷ Under the leadership of Saudi Arabia, the Arab oil producers in early December began to exhibit signs indicating their intention to relax their conditions. Most observers attribute this move to Yamani's visit on December 5th to the United States. It was believed that Yamani saw that the United States was playing an active role as a mediator in the Arab-Israeli conflict. On December 9, the Arab oil ministers, again under Saudi Arabian leadership, agreed to tie the lifting of the embargo to the adoption of a timetable for Israeli withdrawal from occupied Arab territories, including Jerusalem. Again on December 25, the ministers agreed to reduce the 25 percent production cutback to 15 percent, and cancel the 5 percent reduction scheduled for January.⁶⁸ Also encouraged by the Washington sponsored Egyptian-Israeli disengagement agreement on January 17, 1974, President Sadat began pressing for an early end of the oil embargo. Sadat's proposal met with some difficulties from President Assad of Syria, Boumediene of Algeria and King Faisal of Saudi Arabia. These Arab heads of state opposed the proposal simply because the terms of the Egyptian-Israeli disengagement agreement fell short of the Arab conditions formulated in December, i. e. a timetable for full Israeli withdrawal. The protest of Sadat's action was also echoed by Libya's Colonel al-Qadhafi. He even went to the extent of boycotting certain joint meetings of the heads of state.

Finally, on March 18, the Arab oil ministers during a meeting in Vienna, agreed, over Syria's and Libya's negative votes to temporarily lift the embargo against the United States until June 1, 1974. The conclusion on May 29, 1974 of the Syrian-Israeli disengagement agreement paved the way for two final acts in the embargo drama: On June 3, 1974 in Cairo, the ministers tentatively agreed to remove all restrictions except for the embargo on the Netherlands, and on July 11, 1974, this decision became formal, and the ban on the Netherlands was lifted as well. The boycott crisis came to an end, nevertheless, in their June and July statements, the ministers warned that embargoes could be reimposed if a new war broke out.

CHAPTER V

ALTERNATIVE ENERGY SOURCES

The post-embargo period has witnessed serious attempts by major oil consuming nations to lessen their dependence on foreign energy sources--particularly oil. This is strikingly true for the United States. I chose the United States because it was the main target of the 1973 oil embargo. Also, it is one of the largest energy consuming nations in the world. The Carter administration has given energy efficiency a high priority, and to illustrate this, he has created a new energy department.

The oil producing nations are also concerned about their oil. They are aware of the fact that it cannot last forever, so they must conserve.

The Quest for Energy Security

In the Summer of 1972, a top United States Department of State official, John Irwin, held a personal conference with the various agency heads responsible for energy matters. He warned them that the U.S. was increasing its dependence on foreign energy supplies--mainly oil. He concluded that this could hamper the United States'

freedom to conduct its foreign policy. This is the first time that energy received a high level of attention from the U.S. foreign policy machinery. Nothing spectacular came of his efforts at the time, though some shared his concern. A lack of cohesive energy policy continued to exist, thus expanding dependence on foreign oil, principally Middle Eastern oil; until at least the 1980s. It was not until September 1973, when President Nixon indicated in a speech that the United States cannot be at the mercy of the Middle Eastern oil producers, that formal recognition that the security of U.S. energy was in jeopardy, finally reached the top level of foreign policy.⁶⁹ When the Arabs imposed the oil boycott on the U.S., short-term crisis measures were adopted, but not seriously enforced.

President Nixon, again in a speech on November 7, 1973, advocated what he termed "project independence" in energy. A few weeks later, the chairman of the Atomic Energy Commission gave the president a \$10 billion, five-year plan for an energy research and development budget that outlined measures for moving to self-sufficiency by 1980-85. Again in an energy related message to Congress on January 23, and in his State of the Union address on January 30, 1974, President Nixon outlines a program for energy self-sufficiency, adding that, since 1970 was a year of the environment, 1974 should be the year of energy.⁷⁰

On February 11, 1974, a high-level conference of the major

energy-deficient consuming states was held in Washington, at the invitation of President Nixon. Various aspects relating to energy were discussed, and a possible remedial measure, among others, agreed upon was, sharing knowledge in the area of energy conservation and research and development. So energy finally became a highly regarded international issue.

President Nixon's project independence was supposed to accomplish three major tasks, according to him. They were: To rapidly increase domestic energy supplies, reduce demand by conserving energy, and finally to develop new technologies through massive new research and development programs. Several people were skeptical about the success of project independence, considering its aims and the time frame given for the realization of these aims. However, it was an important thing, since for the first time, the nation was alerted to the hazard facing the security of its energy and was beginning, or at least attempting to do something about it.

The post-embargo period did not improve too much for project independence and several of the recommendations that accompanied it. The United States could not adjust domestic energy policies to accord with the newly sensed foreign energy realities. Prior to the oil embargo, the United States was skeptical of the existence of any energy related problems. When it became clear that such a problem did exist after all, the only clear cut solution was to search for scapegoats.

This attitude continued through the embargo period. The Carter administration is finally trying to settle down to deal seriously with the problem. He has so far brought the various energy related agencies together under one newly created cabinet level department. This is indeed a giant step in the right direction.

The focus of world attention in international energy trade has been on oil. There is, however, a significant amount of trade in electricity, coal, and natural gas as well. As the Arabs are finding out, prospects for more nuclear power plants also seem bright, which could be translated into less dependence on oil. At present, nuclear power plants are a sensitive commodity. One major concern is that nuclear fuel could be diverted to weapons by terrorist or various extremist groups. Nuclear power plants nonetheless might have a bright future (see Table 8), and will be in significant international demand, both because of the high price and possible scarcity of other energy sources, and because of the eventual warning of the world's fossil fuel supply. Some of the Middle East oil producing countries, including Saudi Arabia have suggested that oil and gas be conserved for such long-term use as petro-chemicals, and that the world should turn quickly to less exhaustible energy sources, such as nuclear power.⁷¹

The United States exports coal, mainly to Europe, Japan and Canada, and in turn imports natural gas (over 4% of U.S. consumption comes from Canada). The Canadians however, for the sake of conser-

vation, have limited both gas and oil exports.

TABLE 8

WESTERN EUROPE: FORECAST OF NUCLEAR CAPACITY (10^6 kw)

Country	1975	1980	1985	2000
Austria	--	1.2	2.4	9.2
Belgium	1.5	3.5	6.0	14.7
Finland	0.5	1.7	3.7	16.5
France	3.0	6.2	18.3	80.0
West Germany	6.9	25.8	51.0	175.0
Great Britain	12.6	29.0	49.0	208.0
Greece	--	1.0	2.5	18.0
Ireland	--	--	0.5	4.0
Italy	1.4	8.0	24.0	140.0
Netherlands	0.5	1.1	3.0	40.0
Norway	--	0.6	1.6	22.0
Portugal	--	0.5	1.5	5.0
Spain	1.0	5.5	14.0	69.0
Sweden	3.3	8.0	14.0	42.5
Switzerland	1.0	2.7	4.3	13.5
Turkey	--	0.5	2.0	11.0
Total	31.7	95.3	198.3	868.4

SOURCE: Stanford Research Institute - IP 71

Beginning in the early 1970s, both industry and government seriously considered the idea of importing liquid natural gas (LNG). This idea was first put into practice when Algeria imported some LNG to New England. However, the LNG projects are costly in capital and land. There are some proposals for LNG from Siberia, which has large gas reserves, for the east and west coast. Launching a massive LNG import program will definitely impair energy security and foreign

dependence that the U.S. is now trying to curb. The U.S. must learn to conserve its gas. It is estimated that 60 percent of gas is burned wastefully under industrial boilers. The U.S. must also attempt to conserve energy by switching to other fuels, by increasing production of, for example, offshore discoveries, and Rocky Mountain gas with nuclear or other stimulation, and by coal gasification. Gas requirements pose almost the same problems as oil, except that gas lacks some of the energy-insecurity temptation of oil, because it has been more difficult to import from overseas.⁷²

TABLE 9

ENERGY DEMAND AND COMPOSITION OF
PRIMARY ENERGY IN 2000 (%)

No. Case	Total 10 tns	Petroleum	Coal	Gas	Hydro	Nuclear
No. 1 (1970)	25	32	20	16	4	28
No. 2 (1971)	25	59	--	--	-	--
No. 3 (1968)	30	26	24	23	5	22
No. 4 (1971)	36-39	55	11	30	4	

SOURCE: Stanford Research Institute - IP 71

A U.S. "energy gap" will continue to exist for at least a while. This gap will have to be filled by imports and/or drastic measures, such as allocations and rationing. The interpenetration of domestic energy programs--those that increase or expand domestic production and those that decrease demand--and of foreign affairs--both policies and substantial import programs--should clearly be apparent. The

TABLE 10
URANIUM RESERVES AND REQUIREMENTS

Requirements through 1985	Thousands of tons U ₃ O ₈	%
United States	474	47
Japan	106	10
United Kingdom	92	9
West Germany	65	7
France	40	4
W. Europe Other	107	11
Foreign Other	116	12
Total	1,000	100

Reserves -- \$10/LBU ₃ O ₈	Thousands of tons U ₃ O ₈	%
United States	330	29
South and Southwest Africa	300	26
Canada	236	20
France, Gabon, Niger	124	11
Australia	92	8
Others	68	6
Total	1,150	100

SOURCE: Stanford Research Institute - IP 71

TABLE 11
FORECAST OF NUCLEAR POWER CAPACITY UP TO 2000 (10⁶ kw)

End of year	USA	Other	Communist Bloc	Total
1980	132	141	20	293
1985	280	303	56	639
1990	508	578	146	1,232
2000	1,200 (37)	1,460 (44)	600 (19)	3,260 (100)

SOURCE: U.S. Atomic Energy Commission - Nuclear Power
1943-200-WASH-113p.

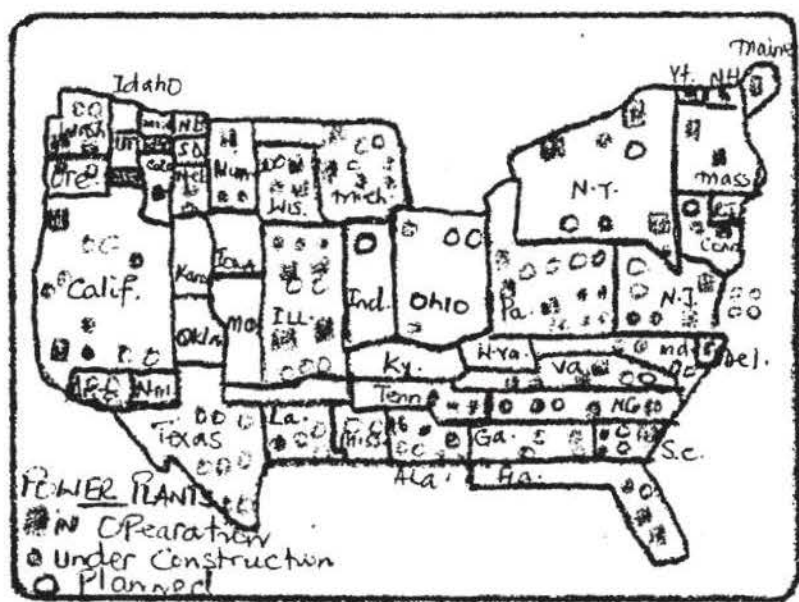
more the U.S. produces and conserves, the less it will be dependent on insecure foreign sources of supply, and hence the less subject to "political coercion" and balance-of-trade problems.

There is no doubt that energy will remain for quite a while as the primary component of the international economic scene, and will greatly influence other areas of foreign policy, for both producer and consumer nations. The oil-producing nations presently do not have a need for nuclear weapons, or even powerful in gaining international recognition. Today, oil is power. We must live with and accept this fact. The post-World War II focus was on the Cold War and Communism; a threat that decreased just in time for the United States to be replaced by a more important and acute concern, in both domestic and foreign policy, over the long-term energy problem.

MAP 2

The Nuclear Power Grid
(States sized according to their populations)

THE NUCLEAR POWER GRID
(states sized according to their population)



SOURCE: Cited in Newsweek, December 10, 1973.

CHAPTER VI

CONCLUSIONS

The motivation underlying the use of Arab oil as a political weapon is a fairly direct one. It stems from the mounting Arab desperation at the failure of the world community to ensure the implementation of UN Security Council Resolution 242 of November 22, 1967, which stated, among other things, that Israel withdraw from Arab territory occupied in the 1967 war, that the political independence of every state in the area be recognized and that a settlement of the Palestinian question be made. Six years had passed since the 1967 war with no firm action being taken by the world community to enforce this resolution. Nothing seemed capable of stopping the continuous erosion of Arab rights which had been going on since the creation of the State of Israel.

Meanwhile, Arab oil continued to contribute to the development of the non-Arab world. But somehow, it seemed incapable of restoring the political rights of several million Arabs who are presently stateless, or aid those Arab countries which had lost sizeable parts of their territory, to regain them. This contradiction continued to worry the Arab conscience until Arab patience finally ran out, and

war broke out for the fourth time in a quarter of a century. At this stage, Arab oil was brought in to ensure that another war had not been fought in vain. It is an attempt to spread the effects of the conflict as widely as possible, in order to provide countries importing Arab oil with a stake in the future stability of the Middle East, and to persuade them to safeguard their stake, by applying maximum pressure on the party that holds the key to a solution of the problem. This, of course, is the United States which, by virtue of its role as the major supporter and protector of Israel, is in a position to persuade the Israelis to act with reason. The Arab oil embargo therefore was aimed at bringing pressure on the U.S. in two ways: Firstly, from within, by denying the U.S. the amounts of Arab oil which it needs to meet its growing demand at home. This might force the U.S. government to try and work genuinely for peace in the Middle East. Secondly, from without, by denying Japan, the European Economic Community and other countries of the world, varying proportions of their requirements of Arab oil in the hope that the governments of these nations will, as a matter of self-interest, bring maximum pressure to bear on the U.S., in order to stabilize the Middle East situation.

Oil will remain the crucial source of energy in the near future, that is within the next two decades. During this period, the United States and Saudi Arabia will dominate the world energy scene. The United States will still remain the largest consumer of oil, even if

the principles laid down in "project independence" are adhered to; Saudi Arabia will most likely remain the largest producer of oil simply because it holds the largest known oil reserves. The hard struggle toward energy self-sufficiency in the United States through conservation, exploration and various other means might reduce America's dependence on imported oil, within the time frame heretofore indicated. However, should another Arab-Israeli war take place in the near future, the Arabs will definitely use the oil weapon. The western industrialized nations as well as developing nations cannot afford such an economic blow.

When oil ceases to be an important source of energy, either because it has been exhausted or because of alternative energy sources have been found, the Arabs still can use their financial weapon if it becomes necessary to do so in the years ahead. They can put their financial weapon into action by withdrawing their petro-dollars from the American, British and other European banks. This could cause wide-spread financial chaos, that the western industrialized nations know can prove very detrimental to them. So the Arab oil producing nations and Saudi Arabia in particular will continue to be influential in international relations. Saudi Arabia will continue to play an influential role within the Arab and muslim world. They will continue to support the Palestinian cause to maintain their influential status.

The oil weapon alone might not settle the Arab-Israeli dispute,

however it will serve whenever applied, to put pressure on those that can influence the outcome of the Arab-Israeli dispute--particularly the United States. This is very significant.

Arab oil was for several years kept away from politics and the Arab-Israeli conflict. The late King Faisal of Saudi Arabia, who was well-known to be an avowed enemy of two institutions--Zionism and Communism--was very reluctant to use the oil weapon against the United States. However he was provoked into doing so to a large degree because of the large volume of U.S. arms aid to Israel during the October, 1973 war.

This thesis predicts that the present Saudi leadership will be forced to use the oil weapon again if it becomes necessary. Israel is aware of this, the United States and other industrialized nations are also aware of this, as well as the non-oil producing nations (developing). The Saudi leadership knows that their participation is crucial to the success of an oil embargo. Their will to support the Palestinian cause will overshadow many differences they might encounter whenever they participate in an oil embargo.

In short, Saudi Arabia has grown from a poor and backward desert kingdom to a prosperous financial super-power. The kingdom may never become a military super-power, however it is in a position today to make the military super-powers listen when it speaks. This is power in itself. This power is derived from oil. Saudi Arabia's

population is small compared to the size of the kingdom. The kingdom is enjoying rapid development. Through its oil and financial power, Saudi Arabia has managed on behalf of the Arabs and Islam in particular to isolate Israel and Zionism from the world community.

APPENDIX A
STATISTICAL TABLES

TABLE 12
OIL EXPORTS TO THE UNITED STATES,
JANUARY -AUGUST, 1974

Exporting Country	Thousands of Barrels	Percent of U.S. Imports
Canada	896.4	24.7
Nigeria	633.8	17.5
Iran	561.9	15.5
Venezuela	405.1	11.2
Saudi Arabia	301.0	8.3
Indonesia	283.7	7.8
Algeria	195.7	5.4
Ecuador	78.7	2.2
Trinidad	78.6	2.2
United Arab Emirates	62.6	1.7
Angola	47.3	1.3
Others	<u>80.1</u>	<u>2.2</u>
Total	3,624.9	100.0

SOURCE: Federal Energy Administration figures in the Washington Post, October 24, 1974.

TABLE 13
OIL CONSUMPTION, PRODUCTION AND NET TRADE,
BY MAJOR WORLD REGIONS, 1972

	Consumption 1,000 b/d	Production 1,000 b/d	Net Imports 1,000 b/d	% of cons.	Net Exports 1,000 b/d	% of prod.
United States	15,980	11,180	4,515	23.8		
Canada	1,665	1,835			170	9.3
Caribbean	1,195	3,650			2,450	67.1
Other Western Hemisphere	2,105	1,325	770	36.6		
Western Europe	14,205	435	13,735	96.7		
Middle East	1,145	17,975			16,830	93.6
North Africa	370	3,745			3,375	90.1
West Africa	200	2,085			1,885	90.4
East and South Africa, South Asia	975	86	880	90.3		
South East Asia	1,430	1,295	125	8.7		
Japan	4,800	143	4,765	99.3		
Oceania	635	306	300	47.2		
USSR, Eastern Europe, China	7,990	8,865			880	9.9
TOTAL	52,695	52,925				

SOURCE: The Petroleum Economist, March, 1974.

TABLE 14
ESTIMATED OIL EXPORTS AND REVENUES OF
MAJOR OPEC COUNTRIES

A. Government Oil Revenues		millions of U.S. dollars			
Saudi Arabia	1,200	2,149	3,107	5,100	20,000
Kuwait	895	1,400	1,657	1,900	7,000
Iran	1,136	1,944	2,380	4,100	17,400
Iraq	521	840	575	1,500	6,800
United Arab Emirates	233	431	551	900	4,100
Qatar	122	198	255	400	1,600
Libya	1,295	1,766	1,598	2,300	7,600
Algeria	325	350	700	900	3,700
Nigeria	411	915	1,174	2,000	7,000
Venezuela	1,406	1,702	1,948	2,800	10,600
Indonesia	185	284	429	900	3,000
	7,729	11,979	14,374	22,800	88,800
B. Oil Exports		millions of barrels			
Saudi Arabia	1,359	1,707	2,163	2,850	3,060
Kuwait	1,082	1,169	1,176	1,078	905
Iran	1,318	1,562	1,752	2,037	2,072
Iraq	545	594	382	705	670
United Arab Emirates	253	339	384	555	614
Qatar	133	156	176	208	189
Libya	1,188	989	813	794	547
Algeria	358	276	373	382	350
Nigeria	376	531	628	715	785
Venezuela	1,288	1,206	1,133	1,170	998
Indonesia	265	273	345	426	460
	8,165	8,802	9,325	10,920	10,650
C. Government Oil Revenues per barrel of exports		U.S. dollars			
Saudi Arabia	.883	1.259	1.437	1.789	6.535
Kuwait	.828	1.197	1.409	1.763	7.734
Iran	.862	1.246	1.358	2.023	8.397

TABLE 14--Continued

Iraq	.957	1.415	1.507	2.127	10.149
United Arab E. Emirates	.920	1.272	1.434	1.621	6.677
Qatar	.915	1.264	1.445	1.923	8.465
Libya	1.090	1.786	1.966	2.896	13.893
Algeria	.907	1.268	1.877	2.356	10.571
Nigeria	1.093	1.722	1.870	2.797	8.917
Venezuela	1.092	1.411	1.719	2.393	10.621
Indonesia	.698	1.040	1.243	2.112	6.521
Average per Barrel Revenues All Countries	.946	1.360	1.541	2.087	8.338

SOURCE: The Petroleum Economist, March, 1974.

TABLE 15

SUPPLY OF CRUDE OIL FROM ARAB AND NON-ARAB SOURCES
TO SELECTED OECD COUNTRIES BY THE FIVE U. S. MAJORS,
EMBARGO PERIOD COMPARED WITH BASE PERIOD
(thousands of barrels daily unless otherwise noted)

	Base Period (December, 1972 through March, 1973)	Embargo Period (December, 1973 through March, 1974)	Difference be- tween Embargo Period and Base Period, as a Per Cent of Base Period
United States			
Arab	395	35	-91
Non-Arab	<u>966</u>	<u>1,104</u>	<u>14</u>
Total	1,359	1,137	-16
Japan			
Arab	661	817	24
Non-Arab	<u>898</u>	<u>689</u>	<u>-23</u>
Total	1,558	1,506	-3
United Kingdom			
Arab	516	794	54
Non-Arab	<u>148</u>	<u>62</u>	<u>-58</u>
Total	663	857	29
France			
Arab	410	442	8
Non-Arab	<u>46</u>	<u>31</u>	<u>-33</u>
Total	455	472	4
West Germany			
Arab	721	721	0
Non-Arab	<u>117</u>	<u>109</u>	<u>-7</u>
Total	837	827	-1
Netherlands			
Arab	701	18	-97
Non-Arab	<u>131</u>	<u>430</u>	<u>228</u>
Total	831	447	-46

SOURCE: U. S. Department of Commerce, April 8, 1974.

TABLE 16

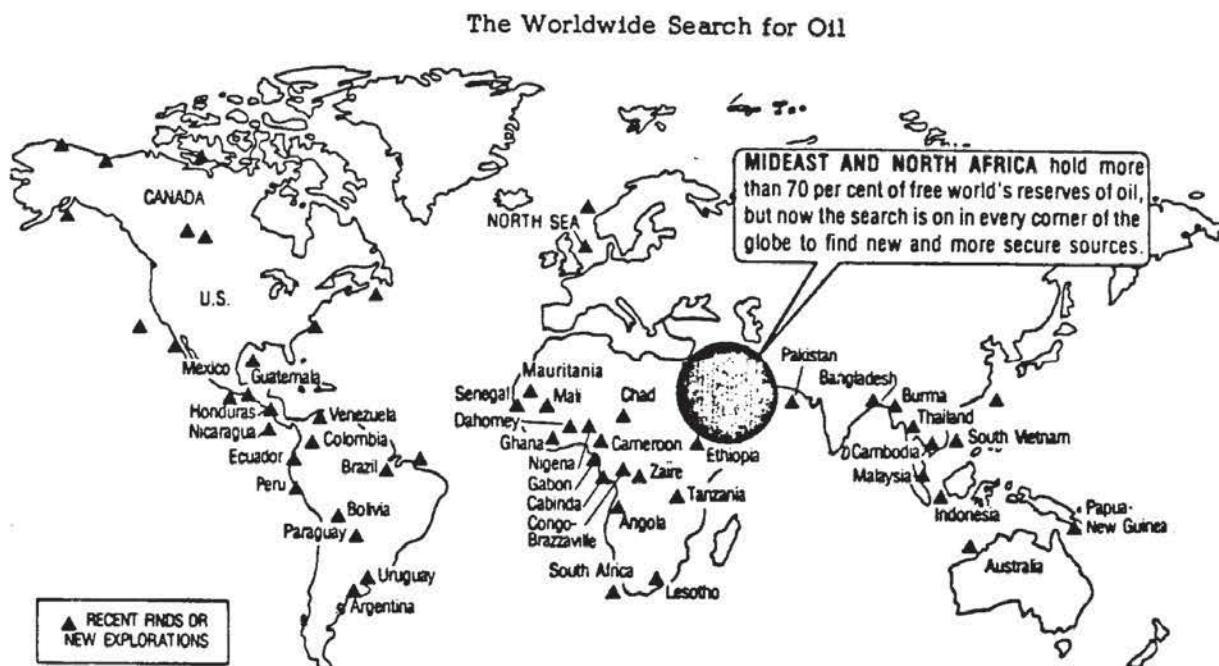
U.S. IMPORTS OF CRUDE OIL BY COUNTRY OF ORIGIN,
 BASE PERIOD COMPARED WITH AUGUST-SEPTEMBER
 1973 AND JANUARY-FEBRUARY 1974
 (thousands of barrels daily unless
 otherwise noted)

Country of Origin	Base Period (Dec. 1972 through March 1973)	Aug. - Sept. 1973	Jan. - Feb., 1974	Difference Between Columns 2 and 3	
	(1)	(2)	(3)	Absolute	Per Cent
Total	3,190	4,114	2,885	-1,229	-30
Total, Arab States	730	1,203	19	-1,184	-98
Total, Non-Arab States	2,460	2,911	2,886	- 45	- 2
Venezuela	516	633	493	- 140	-22
Canada	1,116	1,082	960	- 122	-11
Nigeria	334	524	462	- 62	-12
Iran	113	229	230	201	88
Indonesia	126	237	275	38	16
All other Non-Arab	206	206	246	40	19

SOURCE: U.S. Department of Commerce, April 8, 1974.

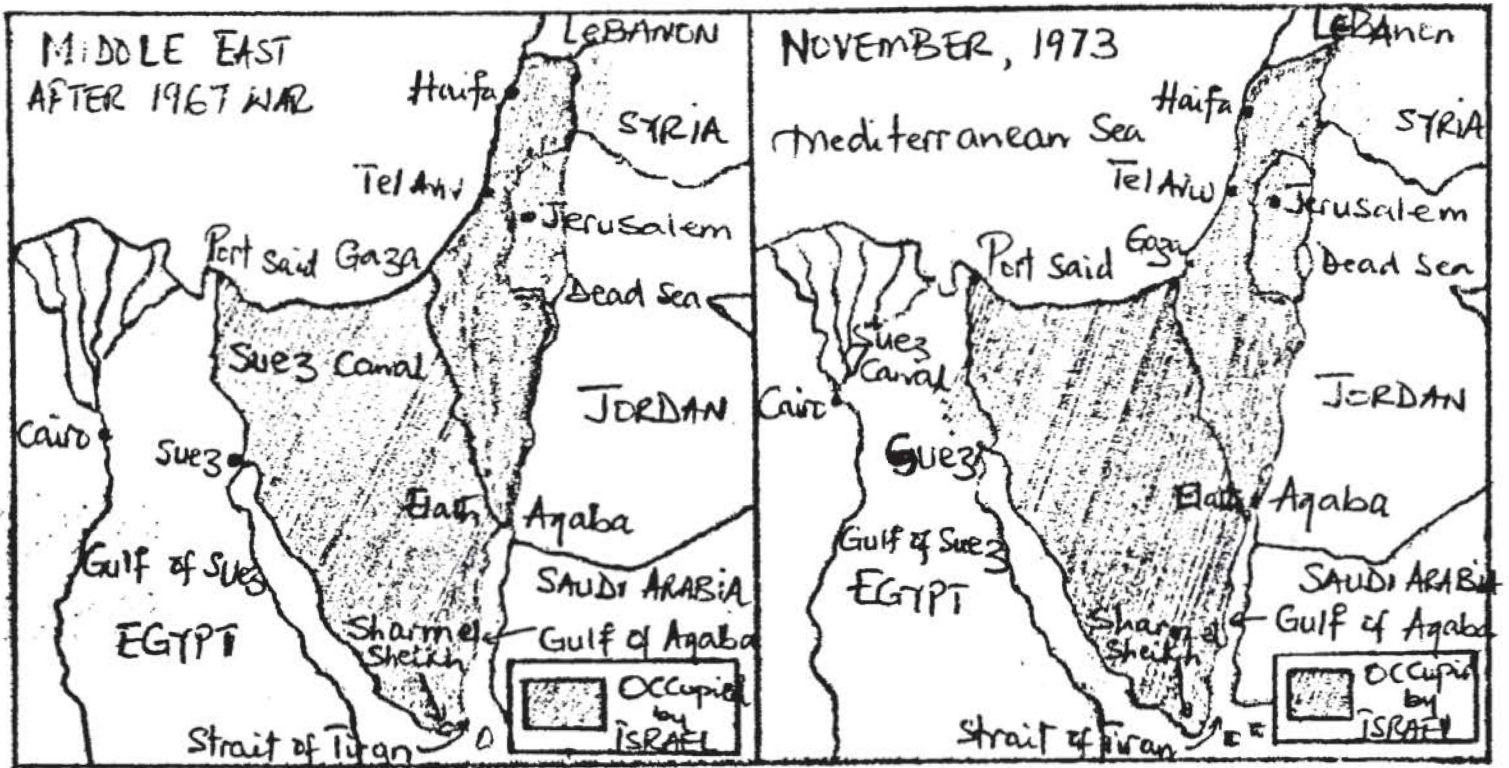
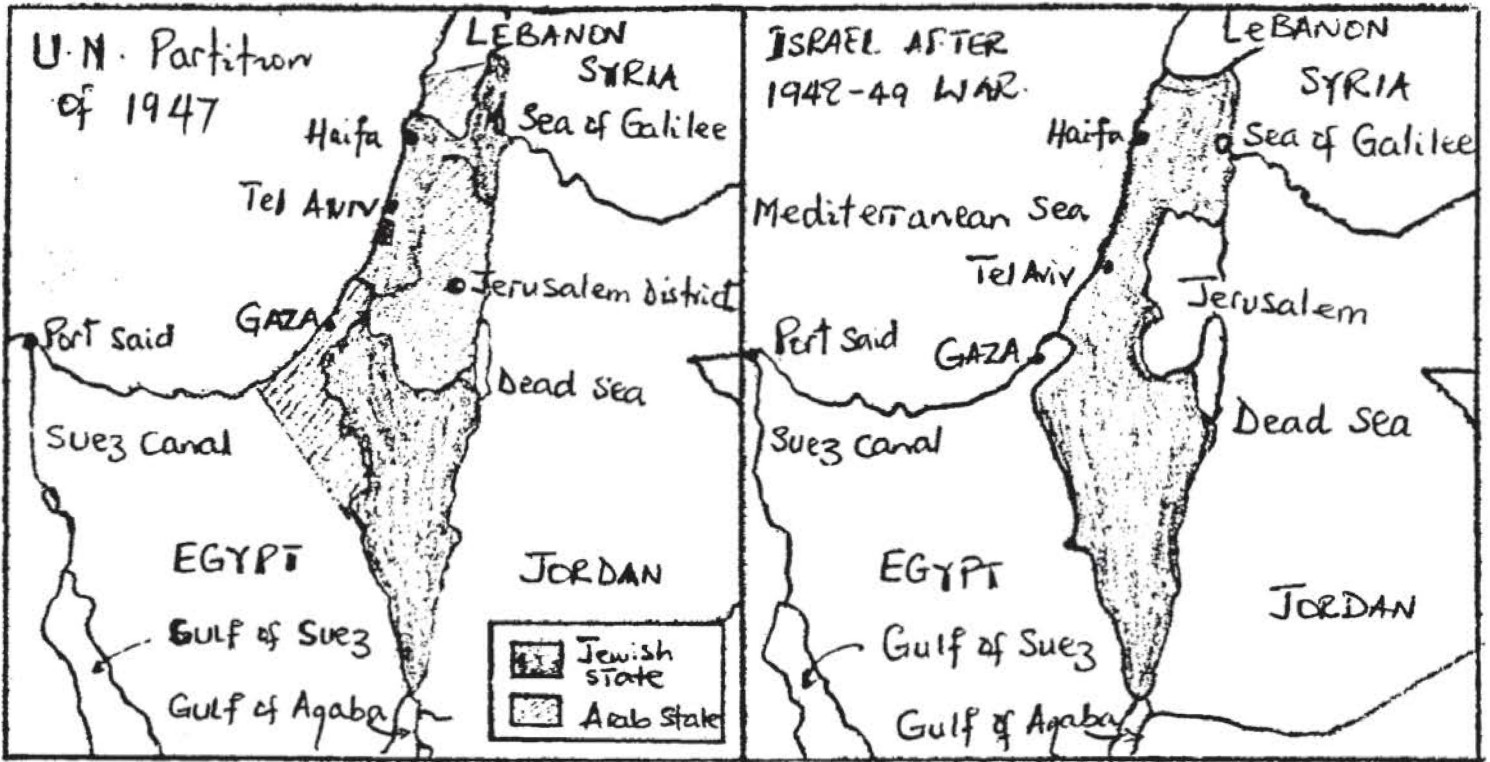
APPENDIX B
(MAPS)

MAP 3



Source: U.S. News & World Report, December 30, 1974.

MAP 4: ARAB-ISRAELI WARS



APPENDIX C

CHRONOLOGY OF THE OIL CRISIS

Date	Location	Event
1973		
Sept. 1	Tripoli	Libya nationalizes 51 percent of the interests of Esso Libya/Sirte, Mobil, Shell, Gelsenberg, Texaco, Standard Oil of California, Libyan-American (Atlantic Richfield), and Grace.
Sept. 5-9	Algiers	Conference of less-developed countries approves forming "producers' associations," calls for withdrawal of Israeli forces from occupied Arab lands.
Sept. 15-16	Vienna	35th OPEC conference designates Abu Dhabi, Iran, Iraq, Kuwait, Qatar, and Saudi Arabia (the Gulf Six) to negotiate collectively with the companies over prices. Other OPEC members to negotiate individually.
Oct. 6	Sinai and Golan	Beginning of the Arab-Israeli War.
Oct. 7	Baghdad	Iraq nationalizes the holdings of Exxon and Mobil in the Basrah Petroleum Company, corresponding to 23,75 percent equity in the company.
Oct. 8-10	Vienna	OPEC ministerial committee of the Gulf Six meets with oil companies' representatives to discuss revision of the 1971 Teheran agreement and oil prices. Negotiations fail.
Oct. 16	Kuwait	The Gulf Six unilaterally raise the posted price of Saudi market crude from \$3.011 to \$5.119 per barrel.

Date	Location	Event
Oct. 17	Kuwait	Arab oil ministers agree on the use of oil weapon in the Arab-Israeli conflict, a mandatory cut in exports, and a recommended embargo against unfriendly states.
Oct. 19-20	Riyadh et. al.	Saudi Arabia and other Arab states proclaim an embargo on oil exports to the United States
Oct. 23-28		Oil embargo extended to the Netherlands by Arab States.
Nov. 4-5	Kuwait	Arab oil ministers agree to cut production by 25 percent of the September level, the cutback to include volumes embargoes to the unfriendly states; Arab oil policy to be explained in consumer countries by special emissaries.
Nov. 18	Vienna	Arab oil ministers cancel the scheduled 5 percent cut in production for EEC.
Nov. 19-20	Vienna	OPEC's 36th conference endorses decisions for the Gulf Six.
Nov. 23	Algiers	Arab summit conference adopts open and secret resolutions on the use of the oil weapon. Embargo extended to Portugal, Rhodesia, and South Africa.
Dec. 9	Kuwait	Arab oil ministers announce a further production cut of 5 percent for January; friendly countries exempted.
Dec. 22-24	Teheran	OPEC ministerial committee of the Gulf Six decides to raise posted price of marker crude to \$11,651 per barrel effective January 1, 1974.
Dec. 24-25	Kuwait	Arab oil ministers cancel the 5 percent production cut scheduled for January and agree on a change in the production cut from 25 to 15 percent of the September level.

Date	Location	Event
1974 Feb. 12-14	Algiers	Heads of state of Algeria, Egypt, Syria, and Saudi Arabia discuss oil strategy in view of the progress in Arab-Israeli disengagement.
March 13	Tripoli	Arab oil ministers agree to end the embargo against the United States and to restore production to pre-October levels. Formal announcement to be postponed.
March 17	Vienna	Arab oil ministers announce end of the embargo against the United States.
June 1-3	Cairo	Arab oil ministers decide to end most restrictions on exports of oil, but continue embargo against the Netherlands, Portugal, South Africa and Rhodesia.
July 10-11	Cairo	Arab oil ministers lift the embargo against the Netherlands.

SOURCE: Daedalus, Fall 1975.

ENDNOTES

¹Congressional Quarterly, "The Middle East: U.S. Policy, Israel Oil and the Arabs," Washington, D.C.: Congressional Quarterly, April 1974, p. 64.

²Sheikh Rustum Ali, Saudi Arabia and Oil Diplomacy (New York: Praeger Publishers, 1976), p. 3.

³Ibid., p. 3.

⁴Norman C. Walpole et al., Area Handbook for Saudi Arabia, rev. ed. (Washington, D.C.: The American University, 1971), p. 133.

⁵Ramon Knauerhase, The Saudi Arabian Economy (New York: Praeger Publishers, 1975), p. 32.

⁶Ibid., p. 49.

⁷Ibid.

⁸Benjamin Shwadran, The Middle East, Oil and the Great Powers (New York: John Wiley's Sons, 1973), p. 309.

⁹Ibid., p. 349.

¹⁰Zuhayr Mikdashi, A Financial Analysis of Middle Eastern Oil Companies: 1901-65 (New York: Praeger, 1966), p. 180.

¹¹Shwadran, op. cit., p. 369.

¹²Rustum Ali, op. cit., p. 10.

¹³David Shireff, "Saudi Arabia, A Special Report," Middle East Economic Digest, December 1976, p. 19.

¹⁴Shwadran, op. cit., p. 499.

¹⁵The companies were unwilling to face law suits threatened by the AIDC if they were to buy and sell oil of contested ownership.

¹⁶Actually Iraq penalized itself automatically because, by seizing over 99 percent of the concession area, it precluded further exploration and expansion by the company.

¹⁷George Lenczowski, "The Oil Producing Countries," Daedalus, Fall 1975, p. 60.

¹⁸Ibid.

¹⁹Ibid.

²⁰For more details, see George Lenczowski, "Arab Bloc Realignments," Current History, December 1967.

²¹For King Faisal's interview with Nicholas C. Proffitt, see Newsweek, September 10, 1973.

²²Lenczowski, op. cit., p. 62.

²³Ibid.

²⁴Ibid.

²⁵H. st. John B. Philby, Arabian Jubilee (New York: John Day, 1953), pp. 212-213.

²⁶Ibid.

²⁷William Eddy, F. D. R. Meets Ibn Saud (New York: American Friends of the Middle East, 1954), p. 36.

²⁸Rustum Ali, op. cit., p. 68.

²⁹Fred K. Khouri, The Arab-Israeli Dilemma (Syracuse: Syracuse University Press, 1968), p. 70.

³⁰Sydney N. Fisher, The Middle East (New York: Alfred A. Knoff, 1959), p. 583.

³¹Congressional Quarterly, op. cit., p. 66.

³²United Nations, General Assembly, Doc. A/Pv. 1555 (New York: July 17, 1967).

³³Ibid.

- ³⁴Newsweek, April 9, 1973.
- ³⁵Rustum Ali, op. cit., p. 71.
- ³⁶Ibid.
- ³⁷George A. Lipsky, Saudi Arabia: Its People, Its Society, Its Culture (New Haven: HRAP [Human Relations Area Files] Press, 1969), p. 141.
- ³⁸Rustum Ali, op. cit., p. 73.
- ³⁹Ibid.
- ⁴⁰Malcom H. Kerr, The Arab Cold War (London: Oxford University Press, 1971), p. 139.
- ⁴¹Time, April 7, 1975.
- ⁴²New York Times Magazine, March 24, 1974, p. 52.
- ⁴³Nadau Safran, "The War and the Future of the Arab-Israeli Conflict," Foreign Affairs, October 1974, p. 221.
- ⁴⁴George Lenczowski, The Middle East in World Affairs (Ithaca, N. Y.: Cornell University Press, 1968), p. 549.
- ⁴⁵Benjamin Shwadran, The Middle East, Oil and the Great Powers (New York: Frederick A. Praeger, 1955), pp. 339-340.
- ⁴⁶Dana Adams Schmidt, Armageddon in the Middle East (New York: John Day Co., 1974), pp. 93-94.
- ⁴⁷Congressional Quarterly, op. cit., p. 66.
- ⁴⁸Allan T. Demaree, "Aramco is a Lesson in the Management of Chaos," Fortune, February 1974, p. 58.
- ⁴⁹Rustum Ali, op. cit., p. 82.
- ⁵⁰Demaree, op. cit., pp. 58-59.
- ⁵¹Ray Vicker, The Kingdom of Oil (New York: Charles Scribner's Sons, 1974), p. 104.
- ⁵²Washington Post, August 25, 1974.

⁵³Washington Post, June 9, 1974.

⁵⁴Time, October 14, 1974.

⁵⁵Fuad Itayin, "Arab Oil--The Political Dimension," Journal of Palestine Studies, Vol. III, no. 2, Winter 1974, p. 85.

⁵⁶Ibid., p. 86.

⁵⁷Ibid., p. 87.

⁵⁸Technically, Abu Dhabi was the first to proclaim an embargo against the United States on October 18, 1973, while Algeria was the first to impose a ban on exports to the Netherlands over the weekend of October 20-21.

⁵⁹George Lenczowski, "The Oil Producing Countries," Daedalus, Fall 1975, p. 65.

⁶⁰Ibid.

⁶¹Saudi concern centered largely on the ill effects of cutbacks on the economy of Japan with whom Saudi Arabia maintained increasingly friendly relations.

⁶²Text of EEC resolutions in the Times (London), November 7, 1973.

⁶³The chronology of meetings is listed in the Appendix of Daedalus, Fall, 1975.

⁶⁴In the case of South Africa and Rhodesia this, however, was merely a reaffirmation of the earlier decisions taken by the United Nations.

⁶⁵Lenczowski, op. cit., p. 66.

⁶⁶For details and text of the Algiers resolutions, see the Arab World (Beirut), November 28, 29 and December 4, 1973.

⁶⁷New York Times, November 23, 1973.

⁶⁸Ibid.

⁶⁹J. Akins, "The Oil Crisis: This Time the Wolf is Here," Foreign Affairs 51, April 1973, pp. 462-464.

⁷⁰Richard Nixon, "State of the Union Message," Presidential Documents 10, no. 5, February 4, 1974, pp. 123-125, Washington, D. C.: U.S. Government Printing Office.

⁷¹George A. Lincoln, Background to the U.S. Energy Revolution (New York: Praeger Publishers, 1976), p. 25.

⁷²Ibid., p. 34.

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