lucrative concession next door in Kuwait. Although the tiny sheikdom at the head of the Persian Gulf lay outside Gulbenkian's red line, the British had exercised a protectorate over Kuwait since 1899 and were not eager to open the door to U.S. multinationals. Gulf Oil, however, was extremely well connected on both sides of the Atlantic. Andrew Mellon, the firm's principal shareholder, served as ambassador to Great Britain during the Hoover years and had little trouble securing State Department support for Gulf's initiative during the early 1930s. Shortly after Mellon returned home, Whitehall permitted Gulf Oil to undertake a fifty-fifty joint venture with Anglo-Persian in Kuwait. Gulf's persistence paid off in 1938 when its engineers discovered an enormous pool of oil in southeastern Kuwait. Although its British partners insisted on keeping Kuwaiti crude off the market indefinitely, Gulf Oil had gained what Andrew Mellon had wanted all along: access to an almost limitless supply of Middle Eastern petroleum.[10]

By 1941 five U.S. multinationals—Jersey Standard, Socony, Socal, Texaco, and Gulf—had moved through the open door to drill oil wells in the Middle East. With occasional assistance from the State Department, they had sunk nearly a billion dollars into petroleum concessions in Iraq, Saudi Arabia, and Kuwait. The United States, with its immense domestic reserves in Texas, Oklahoma, and California, imported little oil on the eve of the Second World War, but U.S. multinationals expected eventually to see hefty earnings from the sale of Middle Eastern crude to consumers in Europe and Asia. Even as the war clouds loomed, the Roosevelt administration preferred to leave both the problems and the profits of Persian Gulf oil in private hands. Indeed, when CASOC executives pleaded for U.S. financial help to shore up their Saudi Arabian concession, FDR suggested that Whitehall might be better suited to this task than the White House. "Will you tell the British I hope they can take care of the King of Saudi Arabia," Roosevelt instructed one of his advisers on 18 July 1941. "This is a little far afield for us!"[11] The White House would feel very differently during the years to come.

Oil, War, and National Security, 1941–1947

America's rapidly expanding energy needs during the Second World War highlighted the crucial link between oil and national security and persuaded the Roosevelt administration that decisions about the petroleum of the Persian Gulf were too important to be left entirely in the hands of private enterprise. Well before the sneak attack on Pearl Harbor, top U.S. officials had realized that Japan's imperial ambitions in the South Pacific and the Indian Ocean were fueled largely by its determination to control the oil-rich Dutch East Indies and by its desire to win access to Middle Eastern crude. Nor could FDR and his

advisers fail to notice that Adolf Hitler's drive to the east stemmed to a very great degree from a Nazi obsession with solving Germany's energy woes by conquering the oil fields of Romania and Russia and, perhaps, of Iraq and Iran as well.[12]

In order to clarify America's strategic oil policy in the Persian Gulf and elsewhere, Roosevelt asked Secretary of the Interior Harold Ickes to head the newly created Petroleum Administration for War in late 1942. A world-class curmudgeon and legendary New Deal bureaucratic infighter, Ickes believed that only by gaining the upper hand over Wall Street and Whitehall in the Middle East could the U.S. government secure access to the oil it needed to win the war and ensure the peace that would follow. At first U.S. businessmen and U.K. diplomats welcomed Ickes's activist approach to foreign oil problems. Convinced that unless Washington helped Ibn Saud solve his war-related financial woes, his "independent kingdom, and perhaps the entire Arab world, will be thrown into chaos," CASOC lobbyists had repeatedly urged the Roosevelt administration to provide Saudi Arabia with substantial economic assistance since early 1941.[13] U.K. policymakers likewise worried that financial chaos inside the House of Saud, which controlled the Muslim holy places at Mecca, might reverberate through Britain's imperial outposts from Palestine to India. Shortly after taking over at the Petroleum Administration for War, Ickes took the lead in winning FDR's approval on 18 February 1943 for a controversial ruling that made Saudi Arabia, a nonbelligerent state, eligible for a multimillion-dollar U.S. aid package under the auspices of the wartime Lend Lease Act.[14]

Long before the war was over, however, Ickes had worn out his welcome on Wall Street and at Whitehall. The trouble started in June 1943, when he persuaded Roosevelt to establish the Petroleum Reserves Corporation (PRC), a government agency empowered to expand U.S. oil supplies by seeking concessions overseas. Determined that the United States should acquire a formal stake in Middle Eastern petroleum analogous to the British government's controlling interest in Anglo-Persian, Ickes approached Socal and Texaco executives two months later about selling their Saudi Arabian subsidiary to the PRC. Rebuffed by both firms, neither of which had any interest in encouraging the creation of a state-owned oil company, Ickes unveiled an even more ambitious scheme in February 1944. Would Britain, he wondered, be willing to turn over its 50 percent interest in the Kuwait oil fields as partial repayment for U.S. Lend Lease assistance?[15]

The short answer was clearly no. The British government and Gulf Oil, which owned the other half of the concession in Kuwait, rejected the proposal out of hand and warned that Ickes's bureaucratic maneuvering risked disrupting the war effort. Undaunted, the unreconstructed New Dealer bounced back

later that spring with yet another innovative plan for a 1,000-mile pipeline to carry Saudi and Kuwaiti crude to the Eastern Mediterranean, where the PRC would establish a huge storage facility. Although U.S. multinationals and U.K. officials found Ickes's latest scheme more attractive than his earlier projects, smaller domestic oil firms feared that the government-owned pipeline would flood U.S. markets with cheap Persian Gulf crude and put them out of business. So did senators and congressmen from Texas and Oklahoma, who forced Ickes to withdraw the pipeline proposal in June 1944.[16]

Ickes's failed quest to secure a government stake in Persian Gulf oil evoked mixed emotions among his bureaucratic rivals at the State Department. Secretary of State Cordell Hull, an aging Tennessee Democrat who had spent a lifetime preaching the gospel of free enterprise and the open door, questioned most PRC projects on the grounds that they were likely to stimulate the growth of exclusive spheres of economic influence inimical to the expansion of international trade and investment. Like Ickes, however, Hull and his top advisers agreed that foreign oil reserves in general, and the 26 billion barrels of crude estimated to lie beneath the Middle East in particular, were critically important not only to the successful prosecution of the war but also to postwar national security. Without secure access to those reserves, State Department economic adviser Herbert Feis warned Hull in March 1943, "the United States will be in hazard (a) of having to pay an economic or political toll to secure the oil, or (b) [of] actually fail[ing] to secure it."[17] After all, PRC geologist E. L. De Golyer pointed out in early 1944, "the center of gravity of world oil production is shifting from the Caribbean area to the Middle East—to the Persian Gulf."[18]

Yet while Hull and Feis may have shared Ickes's diagnosis of America's looming oil woes, they rejected his prescription. Convinced that deeper government involvement in Middle Eastern petroleum would inevitably evoke fierce criticism from small business at home and nationalist leaders abroad, the State Department pressed instead for an Anglo-American oil agreement designed to hold the door open for U.S. private enterprise. In pursuing a petroleum pact with Whitehall, Hull and his advisers had strong support from the man in the White House, who was "disturbed by the rumor that the British wish to horn in on Saudi Arabian oil reserves," and from U.S. multinationals, whose concessions were vulnerable to U.K. poaching.[19]

To this end Hull and Roosevelt arranged a series of meetings in Washington, where U.K. and U.S. petroleum experts, assisted by oil executives, hammered out a compromise. Signed with much fanfare on 8 August 1944, the Anglo-American Oil Agreement affirmed the sanctity of existing concessions and acknowledged Whitehall's preeminence in the Middle East while, at Hull and Roosevelt's insistence, applying the "principle of equal opportunity" to

any U.S. petroleum firm seeking to enter the region. State Department officials and multinational oilmen tried to sell the Anglo-American pact as a relatively cheap way to protect and promote U.S. interests in the Middle East, but domestic petroleum producers and their friends on Capitol Hill charged that the Roosevelt administration was proposing to create, in the words of Sun Oil's Joseph Pew, a "super-state cartel" whose costs would be borne primarily by small business and middle-class consumers.[20] In the face of stiff congressional opposition, Hull's successor, Edward R. Stettinius, reluctantly scuttled the Anglo-American Oil Agreement in January 1945.[21]

Critics on Capitol Hill may have killed Roosevelt's plan for a formal petroleum agreement between Washington and London during the final months of the Second World War, but the domestic oil lobby could not prevent the Truman administration from seeking to integrate Persian Gulf crude into America's Cold War strategy. Although few Americans during early 1945 expected a serious postwar petroleum shortage, top State Department and Pentagon officials felt that the United States, which had provided 85 percent of the 7 billion barrels of crude consumed by the Allied armed forces since 1941, must have secure access to foreign oil supplies to offset its depleted domestic reserves. John Loftus, the chief of the State Department's Petroleum Division, spelled out the implications of this line of reasoning later that spring. U.S. national security, he pointed out on 31 May 1945, required "a relative increase in the rate of exploitation in the Eastern Hemisphere (particularly Middle Eastern) petroleum reserves, and a relative decrease in the rate of exploitation in the Western Hemisphere." To this end Loftus recommended that the Truman administration seek "a cessation of British political interventionism in the process of obtaining petroleum concessions" in the Persian Gulf so that U.S. multinationals could operate more freely in the region.[22]

American efforts to utilize Middle Eastern oil reserves more effectively were complicated by the rapid disintegration of the wartime Grand Alliance, whose demise rekindled simmering commercial rivalries with Britain and ignited explosive political and economic clashes with Russia. U.K. officials, for example, proved quite willing to rely more on the Persian Gulf and less on the Western Hemisphere to meet the energy needs of European consumers, but Whitehall was reluctant to open the door any wider for U.S. oil firms seeking to enter the Middle East. To make matters worse, evidence was also mounting that the Soviet Union, which had exercised enormous influence in Tehran during the Second World War, might soon attempt to wrest control of Iranian oil from Britain. This, U.S. ambassador to Iran Wallace Murray warned Washington on 25 September 1945, "would mean extension of Soviet influence to the shores of the Persian Gulf creating a potential threat to our immensely rich oil holdings in Saudi Arabia, Bahrain, and Kuwait."[23]

The deepening great power rivalry in the Persian Gulf highlighted the strategic importance of the region's petroleum in the eyes of top U.S. policymakers. "If we ever got into another world war it is quite possible that we would not have access to reserves held in the Middle East," Secretary of the Navy James Forrestal pointed out on 5 April 1946, "but in the meantime the use of those reserves would prevent the depletion of our own, a depletion which may be serious within the next fifteen years."[24] With postwar U.S. oil consumption up 20 percent from prewar levels and with America's proven reserves up only 7 percent, national security did seem increasingly to hinge on the expansion of Middle Eastern petroleum output. Although the United States still produced more oil than it consumed, the State Department's John Loftus prophesied that "within a few years we shall of necessity be as a nation a significant net importer of petroleum." To minimize its vulnerability, the United States had to tap "the oil rich areas of the Middle East" and reduce the "drain upon Western Hemisphere reserves which has characterized the pattern of world oil trade in the past." This would mean "diplomatic assistance to and support of American oil companies in their various dealings with foreign governments" in the Persian Gulf.[25]

Washington, Wall Street, and Middle Eastern Oil, 1947–1954

By the spring of 1947 the Truman administration and the largest U.S. multinational oil firms had established what amounted to an informal partnership based on a mutual conviction that national security and corporate profitability required expanded American access to the petroleum reserves of the Middle East. Among the first steps toward securing such access was the abrogation of the IPC consortium's Red Line Agreement, which for nearly twenty years had prevented a pair of U.S. petroleum giants—Jersey Standard and Mobil, as Socony was now known—from expanding their operations inside the former Ottoman Empire. When the two multinationals proposed erasing the red line in late 1946, their British-controlled partners inside the Iraqi concession—Anglo-Persian and Royal Dutch Shell—acquiesced. But the French-owned CFP balked, as did "Mr. Five Percent," Calouste Gulbenkian. When French officials charged that they were being unceremoniously crowded out of Middle Eastern oil, the State Department unfurled the tattered banner of the open door and retorted that the Red Line Agreement or any other petroleum pact based on "restraint of competition" would henceforth be regarded as "incompatible with the economic foreign policy" of the United States.[26] Frustrated by Washington's position, CFP and Gulbenkian initiated a lengthy legal battle with their IPC partners before settling out of court in November 1948.[27]

Having escaped the red line in Iraq with help from Foggy Bottom, Jersey Standard and Mobil were free to pursue plans to join forces with Socal and Texaco, which were seeking an infusion of capital to expand their operations next door in Saudi Arabia. Eager to increase both the revenues and the royalties generated by their recently rechristened subsidiary, the Arabian-American Oil Company (ARAMCO), Socal and Texaco unveiled plans in mid-1945 for a pipeline to carry Saudi crude from Dhahran to the Mediterranean coast. To help finance the $200 million Trans-Arabian Pipeline (TAPLINE), ARAMCO's parents offered Jersey Standard and Mobil a minority interest in the Saudi concession in early 1946. Neither firm was willing to join the ARAMCO cartel, however, unless the Truman administration waived prosecution under the antitrust laws. The Justice Department obliged in March 1947 by announcing that it had "no legal objections to the deal." Eighteen months later Jersey Standard and Mobil accepted the offer from Socal and Texaco and became full partners in ARAMCO.[28]

Truman and his advisers waived the antitrust laws and acquiesced in the cartelization of Saudi Arabian oil because they regarded both ARAMCO and TAPLINE as critically important to U.S. national security during the first years of the Cold War. While Socal, Texaco, Jersey Standard, and Mobil were preparing to pool their resources at Dhahran, U.S. policymakers were putting the finishing touches on what would become the Marshall Plan, a multibillion-dollar program to help reconstruct war-torn Western Europe. To fuel the European Recovery Program that Secretary of State George Marshall unveiled in June 1947, the Truman administration intended to rely not on the oil fields of east Texas or Venezuela but, rather, on the 300,000 barrels of Saudi crude that ARAMCO would soon be pumping through TAPLINE each day. When the domestic oil lobby and its friends on Capitol Hill renewed their refrain that cheap Middle Eastern petroleum would put U.S. producers out of business, James Forrestal, who had just taken over the newly created Department of Defense, reiterated the strategic and economic importance of the pipeline project. TAPLINE would carry oil "mostly to Europe and the Far East," he told a Senate committee in January 1948. "To the extent to which the Middle East oil is made available to Europe, it lifts the burden from us."[29] If this burden were not lifted, the secretary of defense confided in his diary, "within ten years" U.S. automakers would "be faced with the conversion to 4 cylinder cars."[30]

To ensure that Rovers, Citroens, and Volkswagens continued to roll along the highways of Western Europe and that V-8s continued to roll off the assembly lines in Detroit, the Truman administration was already clearing the path for TAPLINE. Political and topographical feasibility studies suggested that the pipeline should run west-northwest from Dhahran across the Saudi desert through Jordan's panhandle and Syria's Golan Heights to the Lebanese coast.[31]

U.S. officials and ARAMCO executives worked closely together to secure the necessary rights-of-way. Their task was easiest in Lebanon, where the pro-Western regime signed off on a deal calling for ARAMCO to pay an annual fee of £150,000 for the right to build a pipeline terminus and refinery complex at Sidon, forty miles south of Beirut. A hundred miles to the east in Amman, the Emir Abdullah likewise proved amenable to routing TAPLINE through his realm once ARAMCO offered to pay him a transit fee of £60,000 per year. Next door in Damascus, however, neither U.S. diplomats nor businessmen could make any headway with President Shukri Quwatly, a militant Arab nationalist who believed that TAPLINE needed Syria much more than Syria needed TAPLINE. Frustrated by two years of wrangling over the pipeline, the Truman administration secretly encouraged Syrian army chief of staff Husni Zaim to overthrow the Quwatly regime on 31 March 1949. Six weeks later Zaim granted ARAMCO its elusive right of way, removing "the last major barrier to the building of the long-pending Trans-Arabian pipeline."[32]

Once the path through Syria, Jordan, and Lebanon was cleared with help from Washington, ARAMCO completed the pipeline on schedule in December 1950. Almost immediately TAPLINE paid huge dividends for European consumers, the Truman administration, and the House of Saud. Each day 320,000 barrels of Saudi crude coursed through the 1,100-mile steel tube from Dhahran to Sidon, where a fleet of tankers stood by to ferry it to refineries in France and Italy. This in turn reduced European reliance on oil from the Western Hemisphere and enabled U.S. strategic planners to build up petroleum reserves from Texas to Venezuela for eventual domestic consumption. By linking the Dhahran oil fields more directly to Western markets, TAPLINE helped trigger a 60 percent increase in Saudi production from 477,000 to 770,000 barrels per day and a whopping 135 percent jump in royalties flowing to King Ibn Saud. By 1954 ARAMCO payments to the House of Saud totaled more than a quarter-billion dollars, four times what the firm had paid just five years earlier.[33]

The sharp rise in oil revenues received by the Saudi government, however, stemmed not merely from TAPLINE but also from changes in ARAMCO's financial relationships with Riyadh and Washington. Under the terms of the original concession, ARAMCO was obligated to pay Ibn Saud royalties amounting to 12 percent of its net profits. Although the cash-hungry king frequently pressed the firm to sweeten the deal, he did not insist on renegotiating financial arrangements with ARAMCO until November 1948, when Venezuelan oil minister Juan Pablo Perez Alfonso announced that his country had forced subsidiaries of Jersey Standard and Royal Dutch Shell to split their profits fifty-fifty with the government in Caracas. Few in Washington expected Ibn Saud to overlook the implications of Perez Alfonso's action. "The Saudis knew the Venezuelans

were getting 50/50," Assistant Secretary of State for Near Eastern Affairs George McGhee recalled long afterward. "Why wouldn't they want it too?"[34]

The king and his oil experts soon made it clear that they did want a larger percentage and pressed ARAMCO to accept a profit-sharing formula modeled on Venezuela's. The firm's executives were willing to accommodate the House of Saud, provided that Uncle Sam approved a tax break. According to Internal Revenue Service (IRS) regulations, U.S. corporations operating overseas could not claim a foreign tax credit for royalties paid to local governments. If ARAMCO received a credit offsetting increased royalty payments, however, it would split its profits fifty-fifty, Venezuelan style, with the Saudis. Although a few policymakers "expressed some concern over what in effect would amount to a subsidy of Aramco's position in Saudi Arabia by U.S. taxpayers," in November 1950 State and Treasury Department officials agreed that the foreign tax credit made sense in terms of U.S. national security.[35] Having secured the Truman administration's blessing for an arrangement that critics dubbed "the golden gimmick," ARAMCO signed an agreement guaranteeing Ibn Saud one-half of its profits in late December. Five years later the IRS formally confirmed that the scheme was legitimate, a ruling that eventually saved the firm over a billion dollars in U.S. taxes.[36]

The same concerns about U.S. national security that had prompted the Treasury and State Departments to support ARAMCO's golden gimmick in Saudi Arabia would soon lead the White House to bend the antitrust laws to accommodate U.S. multinationals operating throughout the Middle East. Following a three-year investigation of U.S. corporations producing oil in the Persian Gulf, the Federal Trade Commission issued a scathing report in mid-1952 recommending criminal antitrust proceedings against five firms—Jersey Standard, Mobil, Socal, Texaco, and Gulf—for price gouging and other unfair business practices. The multinationals, led by Jersey Standard, countered by claiming that such litigation would undermine America's national security. "Jersey believes that the current attack against the oil companies has in fact already prejudiced American petroleum interests in the Middle East," a corporate spokesman warned U.S. Attorney General James P. McGranery in late 1952. "Deserted and repudiated by their own Government, as they appear to be in the Middle East mind, the American companies are marked as fair game for attacks and hostile action by different nationalist, Communist, or religious factions, which would not occur if the companies were thought to have the full backing and confidence of their Government."[37] The Justice Department was unmoved, however, and pressed ahead with its antitrust case against Jersey Standard and the four other multinationals.[38]

With a grand jury on the verge of handing down indictments, on 6 January

1953 State, Defense, and Interior Department officials urged President Harry Truman to shield the oil companies from criminal prosecution. The three departments reminded the man in the Oval Office that by "giving strength to the claim that the American system is one of privilege, monopoly, private oppression, and imperialism," the Justice Department's antitrust suit would disrupt plans for the economic recovery of Western Europe, dash hopes for the economic development of the Middle East, and play into the hands of the Soviet Union.[39] The Justice Department responded with a report of its own urging Truman to allow the antitrust suit to go forward as scheduled.[40] The president settled the matter at an NSC meeting three days later. The State, Defense, and Interior Departments "emphasized the damaging effects to our national security," while "Justice on the whole presented a rather weak case." After hearing both sides Truman agreed "that considerations of national security were overriding" and instructed the attorney general to "terminate the criminal suit" against the multinationals and prepare instead for "a civil action."[41]

Truman's eleventh-hour decision to halt criminal antitrust proceedings came as welcome news to U.S. oil companies, which could now turn their attention from battling the Federal Trade Commission and the Justice Department at home to facing down a nationalist regime halfway around the world in Iran, where an assault on British petroleum operations boded ill for Americans doing business in the region. For nearly a half-century Britain's recently rechristened Anglo-Iranian Oil Company (AIOC) had held an exclusive concession in Iran, pumping a billion barrels of Persian Gulf crude into the Royal Navy's strategic petroleum stockpile and huge profits into Whitehall's sterling reserves while paying royalties amounting to just $35 million per year. After smoldering for decades, Iranian resentment against the British oil monopoly flared into full-scale confrontation during the early 1950s when Mohammed Mossadegh, a fiery nationalist, called for legislation forcing AIOC to split its profits with Iran fifty-fifty, as ARAMCO had recently done across the Persian Gulf in Saudi Arabia. Terming Mossadegh's proposal outrageous, the British firm refused to budge, confident that the shah of Iran, whose pro-Western proclivities were well known, could arrest the drift toward nationalization. Following a series of anti-British riots and assassinations in early 1951, however, the Iranian parliament passed a tough new national petroleum law in mid-March and forced the shah to appoint Mossadegh prime minister a month later.[42]

Before the end of 1951 the new prime minister stunned Whitehall by issuing a decree expropriating AIOC without compensation and requiring all British business and military personnel to leave the country as soon as possible. Having tried for months to persuade the British that a profit-sharing arrangement modeled on those in Venezuela and Saudi Arabia was inevitable in Iran, top U.S. officials were frustrated by the AIOC's head-in-the-sand approach to Middle Eastern oil. "Never had so few," Secretary of State Dean Acheson growled long afterward, "lost so much so stupidly and so fast."[43] Any remaining hope for a negotiated settlement evaporated once Mossadegh moved forward with his plans to establish a state-owned National Iranian Oil Company in late 1951. Well aware that Mossadegh's strong-arm tactics would set a dangerous precedent jeopardizing U.S. petroleum concessions throughout the Middle East, State Department officials quietly encouraged Jersey Standard and other U.S. multinationals to assist AIOC in organizing a worldwide boycott of Iranian crude. By the time Harry Truman turned the White House over to Dwight Eisenhower in January 1953, Iranian oil exports had plummeted from 666,000 to 20,000 barrels per day.[44]

Hard pressed for revenue, Mossadegh pleaded for U.S. financial help during the spring of 1953 and hinted that the boycott might eventually force him to seek markets inside the Soviet bloc for Iran's oil. Troubled by signs that left-wing political influence was mounting in Tehran, the Eisenhower administration rejected Mossadegh's plea and worked instead behind the scenes to arrange his overthrow in August 1953 by right-wing Iranian officers loyal to the shah. Convinced that Iranian oil must rapidly find its way back into the international marketplace if the shah and other pro-Western elements were to retain the upper hand over the long haul, Washington moved swiftly to secure a compromise between AIOC and the government of Iran. The key figure in these negotiations was Herbert Hoover Jr., an international petroleum expert whose father had sat in the Oval Office a quarter-century earlier. After shuttling between Tehran and London, Hoover managed to broker a settlement before the year was out whereby AIOC would receive $90 million for relinquishing three-fifths of its exclusive concession to its U.S. rivals and for agreeing to allow the National Iranian Oil Company to oversee day-to-day operations in the Iranian oil fields.[45]

Because Hoover's proposal to transform AIOC's Iranian monopoly into a multinational consortium called for the participation of several big U.S. oil firms, the Eisenhower administration, like its predecessor, had to weigh national security considerations abroad against antitrust regulations at home. The State Department favored bending the rules, but the Justice Department did not. After a brief discussion at an NSC meeting on 14 January 1954, Ike sided with Foggy Bottom and "agreed to advise the Attorney General that the security interests of the United States require that United States petroleum companies participate in an international consortium to contract with the Government of Iran, within the area of the former A.I.O.C. concession."[46] Nine months later the shah formally approved an oil consortium in which AIOC retained a 40 percent interest, five U.S. firms—Jersey Standard, Mobil,

Socal, Texaco, and Gulf—shared another 40 percent, and Royal Dutch Shell received 14 percent, with the remaining 6 percent going to the French CFP.[47]

Thanks to close cooperation between Washington and Wall Street, by late 1954 Iran had joined the growing list of Middle Eastern nations whose oil fields were integrated into America's national security empire. By clearing the path for TAPLINE and facing down intransigent nationalists from Damascus to Tehran, public policymakers helped private enterprise shift the burden of fueling the economic recovery of Western Europe during the decade after 1945 from the Western Hemisphere to the Persian Gulf. By stretching the IRS tax code and waiving the antitrust laws, the Truman and Eisenhower administrations believed they had converted U.S. multinational oil companies into informal instruments of American foreign policy in the Middle East.

OPEC and Creeping Nationalization, 1955–1967

The partnership between businessmen and diplomats that had helped consolidate U.S. control over Middle Eastern crude after the Second World War would be sorely tested during the decade after 1955 thanks to profound changes in the international petroleum industry and in the policies of the oil-producing states. The movement of smaller and more aggressive U.S. firms overseas and the discovery of rich new reserves in North Africa meant rising competition, falling prices, and declining revenues for the House of Saud and other oil-rich regimes that rimmed the Persian Gulf, who banded together in September 1960 to establish OPEC. The rapid expansion of Middle Eastern oil production during the early 1960s to meet rising demand not only in Western Europe and Japan but also in America raised the possibility that OPEC and the largest oil companies might eventually establish an informal partnership of their own, to the detriment of U.S. national security interests in the Persian Gulf.

Perhaps the last time that corporate interests and national security converged fully in the Middle East was late 1956, when Washington and Wall Street managed to prevent the Suez crisis from wreaking havoc on international oil markets. After a series of bitter diplomatic exchanges with Britain and the United States, on 26 July 1956 Egypt's president Gamal Abdel Nasser had nationalized the Suez Canal, through which passed three-quarters of the oil consumed in Western Europe. When Britain and France, with Israel's help, resorted to armed intervention in early November to retake the canal, Nasser scuttled a dozen ships in the narrow waterway while his allies in Syria dynamited the pipelines carrying Iraqi crude to Lebanon for transshipment to European refineries. "If we really get the Arabs sore at us," Dwight Eisenhower grumbled as the showdown at Suez reached its climax, "they could embargo all oil" and touch off an energy crisis.[48]

Averting such a grim scenario was likely to require close collaboration among the U.S. petroleum giants in violation of Justice Department guidelines. More convinced than ever that national security must trump antitrust considerations, in early November Eisenhower authorized the creation of the Middle East Emergency Committee, a standing group composed of U.S. policymakers and multinational executives who juggled oil contracts and prepared to divert Western Hemisphere petroleum across the Atlantic. Should participation in the Emergency Committee mean that "the heads of these oil companies landed up in jail or had to pay a big fine," Eisenhower told his advisers with a smile on 8 November, "he would pardon them (laughter)." Once Britain had pulled its troops out of Egypt in early December, Jersey Standard and other U.S. firms launched a massive "oil lift" under Emergency Committee auspices that averted a full-scale energy crisis in Western Europe.[49]

By dramatizing how easily anti-Western leaders could disrupt the flow of Persian Gulf crude to European consumers, the Suez crisis prompted U.S. policymakers to seek more secure means of supply. One alternative under active consideration was the construction of a new pipeline from Iraq and Iran through Turkey to the Mediterranean coast, bypassing the pro-Nasser regime in Syria.[50] Because such a pipeline would do little to reduce Western dependence on petroleum shipments passing through the Suez Canal, however, top U.S. officials had recommended as early as November 1956 that "a super tanker program should be carried out in American shipyards" to build giant vessels capable of carrying Middle Eastern oil safely around the Cape of Good Hope to Western Europe.[51] By late 1957 the State Department was confident that with "the completion of the tanker fleet presently in the shipyards or on the drawing boards, the West should be in a much stronger position" regarding Persian Gulf oil.[52]

The discovery of rich new oil fields in Libya and Algeria during the late 1950s promised to reduce Western dependence on canals, pipelines, and supertankers still further. Lower in sulfur and a thousand miles closer than Persian Gulf oil, Libyan and Algerian crude seemed tailor-made to meet Europe's expanding energy needs in the coming decade. In times of crisis, U.S. officials were quick to point out in August 1959, Libya in particular, with the pro-American King Idris in control, "affords a more readily accessible emergency oil reserve than do the areas east of the Suez canal." Once Libyan oil began to reach European consumers in commercial quantities in the mid-1960s, Western Hemisphere reserves could be devoted exclusively to supplying the rapidly growing U.S. domestic market.[53]

King Idris hoped to prevent the big multinationals from gaining monopoly control by inviting smaller U.S. firms to invest in his realm. The crude-short Continental Oil Company (Conoco) obliged by working nonstop during 1959 and 1960 to pump as much oil as possible from beneath the Libyan desert.