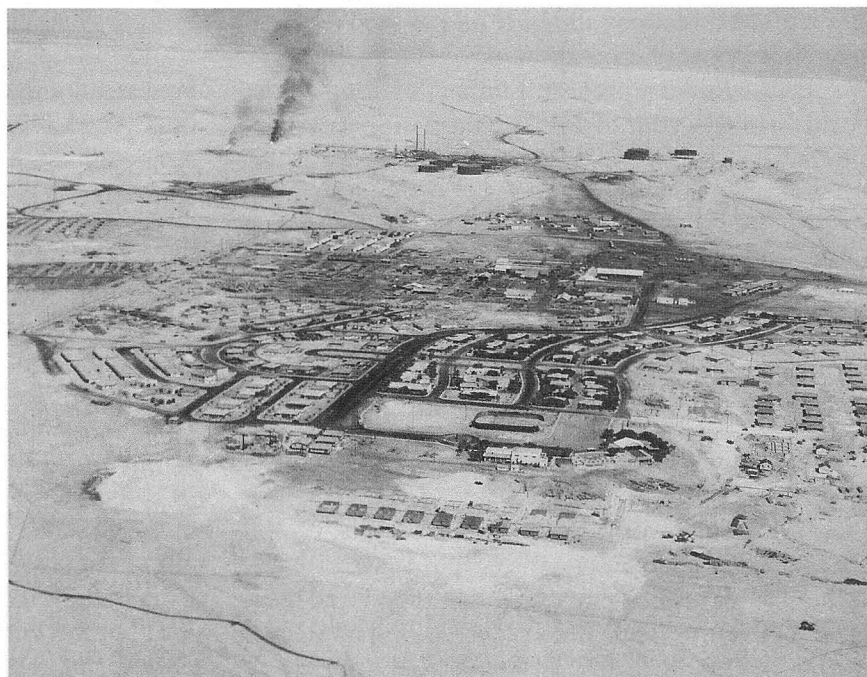


Oil Politics

The contest for European control of the Middle East during and after World War I was driven largely by oil. The war effort had been powered mostly by coal, but far-sighted military strategists understood that the next major war would be fueled by oil. Oil was quickly becoming the lifeblood of economies around the world.

“I am quite clear that it is all-important for us that this oil should be available.”

—Lord Balfour, British foreign secretary, 1918



R. S. Leonard/Saudi Aramco World/PADIA. Used with permission.

SOCAL changed its name to ARAMCO in 1944. This aerial photograph of the ARAMCO headquarters and workers' community in Dhahran, Saudi Arabia was taken in 1947.

How did the United States become involved in the oil politics of the Middle East?

Compared to the European Allies, the United States was a latecomer to the oil politics of the Middle East. Unlike Britain and France, the United States was an oil giant and produced roughly two-thirds of the world's oil output during World War I. Nonetheless, U.S. policy makers encouraged U.S. oil companies to begin looking overseas for new oil reserves.

To maintain good relations with the United States in the 1920s, the British agreed to allow U.S. oil companies to participate in the development of the Middle East's oil resources. At the time, the two main centers of oil production in the region were northern Iraq and the Iranian side of the Persian Gulf.

Serious oil exploration in Saudi Arabia and Kuwait did not take place until the 1930s. Leading members of the Saudi royal family were reluctant to open their country to foreign oil firms in the 1920s because they were worried that their traditional way of life would be disrupted.

But the Saudis also wanted to increase their wealth and reduce poverty in their kingdom. In 1933, they signed a sixty-year agreement with Standard Oil of California (SOCAL). In exchange for \$175,000 up front and the promise of royalty payments on any oil produced, SOCAL was permitted to explore 360,000 square miles of eastern Saudi Arabia (an area larger than Texas and Oklahoma combined). SOCAL invested \$10 million before making a major discovery in 1938. At about the same time, a British-American partnership also struck oil in Kuwait.

What was the first oil war?

World War II illustrated the geopolitical importance of oil. The eruption of war in 1939 dashed hopes of turning a quick profit from the newly-discovered oil fields of the Middle East. Instead of expanding production, U.S. and British leaders tried to prevent the energy resources of the Middle East from falling into the hands of Nazi Germany. In 1941, British and Soviet troops jointly occupied Iran to block German ambitions. Technicians even

made plans to destroy the oil wells of the Persian Gulf in case Germany invaded the region. World War II had a profound impact on the position of the Middle East in international affairs.

As strategists in World War I had foreseen, oil was essential for the armies of World War II. The decisive weapons of the conflict—airplanes, tanks, and military trucks—all ran on fuels derived from oil. The war aims of the leading Axis powers, Germany and Japan, were shaped by their quests for oil resources.

The United States was the industrial engine of the Allied victory in World War II. Protected from enemy attack by two oceans, U.S. industry boomed. By the end of 1942, U.S. military production surpassed the output of Germany and Japan combined. During the next year, U.S. factories turned out roughly 100,000 warplanes. The United States was also blessed with abundant oil reserves. In 1940, for example, the United States produced 63 percent of the world's oil (compared to less than 5 percent from the Middle East). The United States' wartime leaders feared that demand would soon outstrip supply. Like their British and French counterparts in World War I, U.S. officials in World War II wanted to secure their country's access to oil.

***“If there should be a World War III
it would have to be fought with
someone else's petroleum, because
the United States wouldn't have it.”***

—Henry Ickes, U.S. secretary of the
interior, 1943

Why was Saudi Arabia so important to the United States?

The U.S. strategy included fresh attention to Saudi Arabia. Before 1939, the United States did not have a single diplomat in the country. But in 1943, President Franklin Roosevelt (1933-1945) began providing aid to the Saudi monarchy, which was on the verge of financial collapse because of the war. Over the next decade U.S. involvement in Saudi Arabia increased dramatically as U.S. citizens consumed more gasoline in their cars and

industry boomed. SOCAL's 1938 discovery of a huge oil field brought increased cooperation between Saudi Arabia and the United States. (SOCAL changed its name to ARAMCO, or Arab-American Oil Company, in 1944.) Since then, oil has been at the center of U.S. policy in the Middle East.