A VENTURE INTO IMPERIALISM

The United States Congress and the Oil Deals with Saudi Arabia (1943-1948)

Archibald De Coster

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"There is nothing that men and nations will not do to gain control of it. They have been known to bribe kings and potentates, to foment revolutions, to overthrow governments. Purely individual rights and interests have frequently been of very little moment in the struggle for petroleum."

Senator O'Mahoney.

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Introduction

"When our Chief Executive exchanges correspondence with the executives of other sovereign states on matters of public business which are not concerned with our national security such letters should not be made the property of private files."[1] With these words, Republican representative Mundt expressed his concern over the increasing amount of personal letters that were exchanged between American President Franklin D. Roosevelt and 'Abd al-' Aziz, king of Saudi Arabia.[2] The letters were only published after Roosevelt's death, on the 12th of April 1945. 'Abd al-' Aziz and Roosevelt's written exchanges increased after the two heads of state met during the month of February 1945 on board the *USS Quincy* in the Suez Canal after Roosevelt came back from the Yalta conference. Congress regretted that the content of those letters was being kept secret from Capitol Hill and the American public.[3] The same thing can be said about the meeting the two men held on the *USS Quincy*. One thing is known for certain; the issue of Palestine and a Jewish homeland was discussed. But there is one topic of which the official record of is surprisingly silent about, one that could not have been left aside, a subject of which even the account of William E. Eddy, who organised and presided the meeting between the two leaders, is silent about; the oil of Saudi-Arabia.[4]

Oil was first discovered in Saudi Arabia in March 1938 by the California-Arabian Standard Oil Company (CASOC), a subsidiary of two giants of the American oil industry: Standard Oil of California (Socal) and Texaco. But The United States and Saudi Arabia would

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[1] Rep. Mundt (SD), "King ibn-Saud's Letter to President Roosevelt and the President's Reply to the King", *Congressional Record 91*, May 22, 1945, A4559.
[2] 'MUNDT, Karl Earl | US House of Representatives: History, Art & Archives', accessed 27 August 2018, http://history.house.gov/People/Detail/18675.
[3] Rep. Mundt (SD) King ibn-Saud's Letter to President Roosevelt and the President's Reply to the King", *Congressional Record 91*.
[4] 'Eddy, William A. (09 March 1896–03 May 1962) | American National Biography', accessed 27 August 2018, http://www.anb.org/view/10.1093/anb/9780198606697.001.0001/anb-9780198606697-e-0700854.

only enter into official diplomatic relations in February 1940.[5] In April 1941, James A. Moffet, the Chairman of the board of directors of the Bahrein Petroleum Company (Bapco), another subsidiary created by Socal, and a man who also represented CASOC issued a letter to President Roosevelt.[6] CASOC was out of money; the company had run out of means to finance the kingdom through royalties to 'Abd al-' Aziz, in addition, the commercial uncertainties that came with the Second World War was a factor that private companies also needed to take into account.[7] Government support was needed, so CASOC and James A. Moffet turned to Washington. The result of these correspondences and their consequences mark the beginning of the policy of "solidification", undeviating involvement by the United States government in the territory of Saudi Arabia.[8]

With Saudi oil being the final objective, some participants such as the private oil companies had already made steps to this end before everyone else; the State Department only took position after CASOC reached out to the executive branch of government. Others, such as Secretary of the Interior, Harold L. Ickes, devised a strategy on their own. One player however was not consulted, as expressed by Representative Mundt; Congress.

Senators and representatives debated actively on America's growing relation with Saudi Arabia in the 1940s, and Capitol Hill also discussed the endeavours the Roosevelt and Truman administration were engaged in with the private oil companies in the kingdom. The war and its conclusion had consequences which ramified in the United States and the Middle East. According to Aaron David Miller, a State Department historian and analyst on Middle-Eastern issues, the interest from the United States government in Saudi oil during the 1940s

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[5] Sen. Wiley (WI) "Chronology of United States Foreign Policy, 1935-41", *Congressional Record 87*, September 29, 1941, 1733.
[6] Marius S. Vassiliou, *Historical Dictionary of the Petroleum Industry* (Scarecrow Press, 2009), 71.
[7] *Foreign Relations of the United States*, Diplomatic Papers, Volume III, The British Commonwealth; The Near East and Africa, 1941, eds. Francis C. Prescott and Kieran J. Carroll, (Washington: Government Printing Office, 1959), Document 645.
[8] Daniel Yergin, *The Prize: The Epic Quest for Oil, Money & Power* (Simon and Schuster, 2011), 379.

happened in three different phases.[9] The first phase ends in 1943 and can be described as CASOC's quest to obtain government aid for Saudi-Arabia and when the United States tried to find a place for itself amidst the complex division of Middle-Eastern oil. During this period, Great-Britain's role was paramount in influencing America's future policies towards Saudi Arabia. The second phase can best be summarized as unfavourable and doomed United States' government projects, such as the Petroleum Reserve Corporation, this phase closes with the end of World War II. The final phase touches on the immediate post-war years during which the United States protected its valuable resources in Saudi Arabia and elsewhere against the potential threats that came with the emergence of the Cold War.[10]

This thesis focuses on Congress' position during these three phases, particularly from 1943 onwards, when Capitol Hill's perspective on the oil of Saudi Arabia was beginning to take shape. The studied period ends in 1948 with the Aramco merger when the matter was left in private hands with diplomatic support from Washington, when a series of economic and political interests converged. By examining Congress' position on the oil of Saudi Arabia in the 1940s, this thesis will demonstrate that Capitol Hill was increasingly suspicious and eventually heavily opposed to any type of cooperation between the United States government and American oil companies that were established in Saudi Arabia on the grounds that this would not benefit the oil industry within the United States.

The first question that needs answering is what were Congress' constitutional foreign policy powers at the time? One of the first difficulties one encounters when reading the United States Constitution, is that the document deals with very few of the many aspects of American foreign policy. The elements that are mentioned concern treaties, ambassadors, war

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[9] 'CNN Profiles - Aaron David Miller - Global Affairs Analyst', CNN, accessed 17 September 2018, https://www.cnn.com/profiles/aaron-david-miller.
[10] Aaron David Miller, *Search for Security: Saudi Arabian Oil and American Foreign Policy, 1939-1949* (University of North Carolina Press, 1980), XV.

and commerce. Nothing is mentioned about immigration, territory regulation or many other elements.[11] This, according to historian David Pletcher, was due to the main concern of the members of the 1787 constitutional convention: the division of powers between the federal government and the states.[12] But that does not mean that there was no debate on the foreign powers of the Executive and Congress. The outcome of those discussions is centred on three facets of foreign policy, which can all be associated in one way or another to the oil of Saudi Arabia; military affairs, treaties and commerce.[13]

While Saudi Arabia and the United States were never in a state of war between each other, the oil resources of the Arab country played a key role in resource distribution during and after the Second World War during which the United States acted as main supplier for the allied forces. Treaties are more straightforward, as the executive has the right to make treaties with other nations provided that two thirds of the Senate concurs. An example of such a treaty is the Anglo-American Oil Agreement of 1944. In 1787, an arrangement proved difficult to reach between the states and the federal government regarding foreign trade and commerce, but eventually, a compromise was reached.[14] Commercially in the 1940s, oil was a valuable resource as it was needed to fuel the war apparatus but also to get nations back on their feet once the conflict was over. To summarize, the words used in the Constitution regarding foreign policy are vague, imprecise and thus open to different interpretation. Edward Corwin summarized the Constitution as "an invitation to struggle for the privilege of directing American foreign policy."[15]

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[11] David Pletcher "What the Founding Fathers Intended: Congressional-Executive relations in the Early American Republic" In *Congress and the United States Foreign Policy: Controlling the Use of Force in the Nuclear Age,* ed. Michael A. Barnhart (SUNY press, 1987), 127.
[12] Ibid.
[13] Ibid. p. 129.
[14] David Pletcher "What the Founding Fathers Intended: Congressional-Executive relations in the Early American Republic", 129.
[15] Edward Samuel Corwin, *The President, Office and Powers: 1787-1948; History and Analysis of Practice and Opinion* (New York University Press, 1948), 204.

It can therefore be seen as no surprise that presidents and executive officials used this vague language to their own advantage and to assertively direct the foreign policy of the United States towards the direction they most saw fit. This is especially true with regards to Saudi petroleum as this thesis will demonstrate. After all, the president could almost instantly make decisions regarding foreign policy, whereas Congress had to debate the matter which often took a considerable amount of time. But that does not mean that Congress' influence in foreign policy is to be underestimated. By reason of its constitutional powers to approve treaties, allocate money, and confirm or not certain appointments Congress can directly influence what the President can do or not.[16]

Because of this vague constitutional language and the assertiveness of certain heads of state, the bibliography around America's foreign endeavours focuses more on presidential administrations.[17] A lot has been written about America's petroleum endeavours abroad in the 20th century and the bibliography about the history of United States' involvement in the Middle-East is extensive, especially when it comes to the particular relationship the country has forged over time with Saudi-Arabia. But the general trend of this historiography is towards the executive branch of government and its relation to the region and its leaders. Presidents, the State Department and other members close to the administration are more often than not the main focal point when it comes to the study of American involvement in the Mashriq. With Congress, it is different, Stephen J. Randall, an oil policy expert; argues that historians tend to neglect Congress' participation in the wartime oil debate.[18] According to political scientist Richard Fenno, the objectives of representatives and senators are threefold:

[16] David Pletcher "What the Founding Fathers Intended, 135.
[17] Marie T. Henehan, *Foreign Policy and Congress An International Relations Perspective* (Ann Arbor: University of Michigan Press, 2000), 2.
[18] Stephen J. Randall, 'Harold Ickes and United States Foreign Petroleum Policy Planning, 1939-1945', *The Business History Review* 57, no. 3 (1983): 384, https://doi.org/10.2307/3114049.

winning re-election, gaining influence in the institution and making good policy.[19] Because of Congress' hunt for these objectives the focus of both houses lies more on the defence of the interest of the people they represent, and not on the directing of foreign policy itself, leaving that in the hands of the State Department, the Pentagon and even in some cases, the private sector.[20] As Charles Cusham writes: "Most members of Congress derive limited electoral benefits from working on foreign affairs—unlike defense, which is enormously helpful for members with bases and contractors in their districts."[21] Because of this, it could be argued that Congress lends its powers to the executive and only acts when foreign policy initiatives are jeopardizing the interests of the constituents that congressmen represent, thus reacting with some delay once the effects of these initiatives are felt at home.[22] In addition, Democrats held the majority of both houses, with the sole exception of the 80th Congress (1947-1949). But that does not necessarily mean Democrats in the House or Senate agreed with Roosevelt or Truman's Middle-Eastern policies.

The *Congressional Record* and other legislative documents such as congressional hearings and committee reports are the most valuable sources to examine how the Senate and the House of Representatives debated about being left out of this decisive period in American foreign policy history. These documents will be at the centre of this thesis and will therefore be used as the main sources to get a better understanding as to what Congress' standpoint was on the issue of Saudi oil, the events that evolved from this enterprise and how Congress used its constitutional powers to influence the United States' foreign policy in that part of the world. The *Foreign Relations of the United States* will also be used side by side with congressional documents to see how the executive powers attempted to deal with the oil of

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[19] Charles Cusham in, Gordon Adams and Shoon Murray, *Mission Creep: The Militarization of US Foreign Policy?* (Georgetown University Press, 2014), 74.
[20] Ibid.
[21] Ibid.
[22] Ibid.

Saudi Arabia compared to legislative powers. All these primary sources will be supported by additional literature based mainly on the history of the oil industry in the Middle-East as well as the accounts of American involvement in the region. To get a better comprehension of the congressional debates and their consequences, a brief overview of the historical situation will be provided in every chapter to understand why these debates took place.

The first chapter of this thesis will provide a chronological overview of the events that helped shape America's involvement in the quest for the oil of Saudi Arabia; up until 1943. Chapter two will look at Congress' stance during Miller's second phase; which closes with the end of the Second World War. The last chapter will study Congress' position in the immediate aftermath of World War II when new foreign policy objective took shape with the emergence of the Cold War.

The First Oil Deals with Saudi Arabia

This chapter covers the history of oil and the rise of the petroleum industry in Saudi-Arabia. It is essential for this thesis to clarify how the United States got involved in Saudi oil matters as significant consequences of this engagement are felt throughout the 1940s.

Birth of a geopolitical oil labyrinth

While 'Abd al-' Aziz took his homeland back from the British supported Hashemite dynasty in the 1920s, the distribution of Middle Eastern oil was taking shape. After conquering back his native territory, 'Abd al-' Aziz declared himself king of the Hejaz and the Nejd in 1926, before establishing the modern kingdom of Saudi Arabia four years later.[23] Great-Britain understood the importance of the newly formed country as a crossroad between Africa, Asia and Europe but there was no desire from the British to control a country covered by sand and surrounded by British protectorates. [24] Therefore, 'Abd al- 'Aziz enjoyed more favourable treaties and liberties than other countries under British influence in the Middle-East such as Iraq or Iran.

During and immediately after World War I, the control over foreign reserves was achieved through two different steps. The first one was via jointly owned subsidiary companies created by larger corporations who joined forces and assets to exploit oil in a certain location; the seven biggest companies in the Middle-East at that time were all connected to each other by jointly owned subsidiary companies.[25] Once a subsidiary was put

[23] Alexei Vassiliev, *The History of Saudi Arabia* (London: Saqi Books, 1998), 541.
[24] Abdullah F. Alrebh and Toby A. Ten Eyck, 'Covering the Birth of a Nation: The Rise of Saudi Arabia in The London Times, 1927–1937', *The Social Science Journal* 51, no. 1 (1 March 2014): 133, https://doi.org/10.1016/j.soscij.2013.05.005.
[25] U.S. Congress. Senate. Select Committee on Small Business. Subcommittee on Monopoly. *The International Petroleum Cartel.* Staff Report to the Federal Trade Commission. 82nd Cong., 2nd sess. Washington, D.C.: Government Printing Office, 1952, 45.

in place, it was time to negotiate for a long term contract; because of the amount of oil involved, the volatile nature of oil prices, the sale conditions, and provisions that restricted the marketing of certain quantities of oil, long term contracts provided more assurance and were therefore essential for big oil companies.[26]

When the Ottoman Empire fell apart after the First World War, the victors wasted no time in distributing the Ottoman resources in San Remo in 1920.[27] The petroleum developments in the region, Saudi-Arabia included, were supervised by the Turkish Petroleum Company (TPC), jointly owned by the Compagnie Française des Pétroles (CFP) (25%), the Anglo-Persian Oil Company, in which the British Government was a majority shareholder at 51% (47.5%) and Anglo-Saxon Petroleum, a subsidiary of Royal Dutch Shell, and also partly owned by the British (22.5%). The remaining 5% were in the hands of Calouste Sarkis Gulbenkian, an Armenian civil engineer who was instrumental in bringing the European companies together; a share in the company was given to him for life for his efforts.[28] Of the upmost importance for the companies, was the self-denying clause the partners pledged themselves to; they could not venture into oil expeditions elsewhere in the former Ottoman Empire except in association with the TPC.[29]

The Coming of the Americans

Due to a number of interwoven events the United States found itself involved in the labyrinth of Middle-Eastern oil. There was a genuine concern in the 1920s of an oil shortage hitting the United States. World War I had shown how important oil was as a strategic necessity for war; in addition global consumption was on the rise in the years that followed

[26] Ibid.
[27] Yergin, *The Prize*, 179.
[28] Irvine H. Anderson Jr, *Aramco, the United States, and Saudi Arabia: A Study of the Dynamics of Foreign Oil Policy, 1933-1950* (Princeton University Press, 2014), 13.
[29] Ibid. 12.

the war, and as the top oil producer, the United States was unsure it could meet this growing demand. The director of the Bureau of Mines, the government agency responsible for the scientific research and information processing of mineral resources in the United States, Van H. Manning, urged for a closer cooperation between the State Department and the oil companies when looking for oil abroad.[30] Eventually, petroleum was found in considerable quantities in Oklahoma in 1924, ending the "oil panic".[31] Coincidently, when Manning made his plea, Walter C. Teagle, President of the Standard Oil Company of New Jersey,[32] had attempted more than once to get a piece of the Middle-Eastern oil pie.[33] Unfortunately for him, British authorities prevented him from doing any geological survey in the region because of the presence and interests of Royal Dutch Shell and the Anglo-Persian Oil Company, who were also complicit in not letting the Americans in. As a result, and as Manning hoped, Teagle looked to the State Department for help. State supported American companies abroad via the 'open door' policy, which aimed to pursue equal commercial opportunities for all countries everywhere in the world.

After the British refused the Americans access to the oil of the Middle East, the companies enjoyed backing from a few legislators in the Senate. Senator Phelan from California, argued for the creation of the United States Oil Corporation, a government controlled oil company, much like Anglo-Persian.[34] But the State Department and the Department of Commerce were convinced that a coordinated private endeavour could probably be as effective as Phelan's proposition.[35] In early 1921, Senator McKellar introduced a bill, which would in short; prevent the exportation of oil from the United States to countries

[30] John A. DeNovo, ‘The Movement for an Aggressive American Oil Policy Abroad, 1918-1920’, *The American Historical Review* 61, no. 4 (1956): 862, https://doi.org/10.2307/1848821.
[31] Jr, *Aramco, the United States, and Saudi Arabia*, 14.
[32] Andrew Alexander Bruce, ‘The Supreme Court and the Standard Oil Case’, *Central Law Journal* 73 (1911): 114. Standard Oil was dissolved in 1911 by the U.S. Supreme Court for monopolizing the oil industry, breaking antitrust laws. The company was eventually split into several competing firms.
[33] Jr, *Aramco, the United States, and Saudi Arabia*, 14.
[34] "Bills and Joint Resolutions Introduced", *Congressional Record 59*, May 17, 1920, 7144.
[35] DeNovo, ‘The Movement for an Aggressive American Oil Policy Abroad, 1918-1920’, 873.

that prevented American nationals to acquire oil resources in such foreign countries, this was aimed at Britain as between 80 and 90% of the oil imported by the British came from the United States.[36] McKellar called the exclusion of American oil companies in the Middle East "a discrimination that this Government ought not to stand for" given that the United States was producing 60% of the world oil production.[37] It was unacceptable for the senator from the Volunteer State that Britain invested the necessary funds to "go into the markets of the world and buy up the oil supply of the world", but at the same time ignoring the repayment of her debt and loan to the United States which, according to McKellar, guaranteed the survival of the British Empire.[38] Though the bill was backed by Senator Phelan, McKellar's proposal did not fit into the beliefs of the 'open door' policy and did not enjoy much support in Washington. It was clear that for policymakers; the promotion of private enterprise was seen as a better alternative than a government controlled petroleum company, or an oil embargo on Britain.[39]

As a result of State's support for private commercial endeavours abroad six other American companies looked to get a share of the TPC deal. Those were, Standard Oil of New York (Socony), The Texas Company (Texaco), the Gulf Oil Corporation, the Sinclair Consolidated Oil Company, the Atlantic refining Company and finally the Pan American Petroleum and Transport Company.[40] As the pressure from the American companies to join the deal grew, and when the San Remo agreement and TPC became public, the British, urged by Gulbenkian, eventually invited the Americans to the table.[41] Negotiations lasted for eight

[36] Sen. McKellar (TN) "Acquisition of Oil Lands by Foreign Governments", *Congressional Record 59,* January 6, 1920, 1032.
[37] Ibid. 1333.
[38] Ibid. 1334.
[39] DeNovo, ‘The Movement for an Aggressive American Oil Policy Abroad, 1918-1920’, 872.
[40] Yergin, *The Prize*, 179.
[41] Jr, *Aramco, the United States, and Saudi Arabia*, 18.

years, during which Texaco and Sinclair backed out. In July 1928 an agreement was finally reached; the way the TPC shares were split can be seen in the table below.[42]

	Company	Ownership
British	D'Arcy Exploration Co, Ltd. (subsidiary of Anglo-Persian)	23.75%
Dutch/British	Anglo-Saxon Petroleum (Subsidiary of Royal Dutch Shell)	23.75%
French	Compagnie Francaises des Petroles	23.75%
American	Near East Devolopment Corporation	23.75%
	Standard Oil of New Jersey	25%
	Standard Oil of New York	25%
	Gulf Oil Corporation	16.66%
	Atlantic Refining Company	16.66%
	Pan American Petroleum and Transport Company	16.66%
	Calouste S. Gulbenkian	5%

[42] Ibid 42.

Gulbenkian and the French insisted that the self-denying clause be maintained; even among the new partners.[43] Symbolically, the Armenian drew on a map of the region a red line around Turkey, Lebanon, Iraq, Syria, Transjordan, Palestine, Cyprus, and all of the Arabian Peninsula with the exception of the sheikdom of Kuwait.[44] The red line drawn by Gulbenkian demarked the TPC and the area in which the self-denying clause was in effect.[45] (Annex A). The agreement became known from then on as the Red Line Agreement. The Red Line Agreement and its self-denying clause will prove to be an element of major consequence and dispute for the Middle-Eastern oil endeavours to come. During the negotiations, the State Department had urged the American Companies to avoid restrictive agreements such as the self-denying clause to preserve the principles of the open door policy.[46] As negotiations dragged on, the European powers would not give in and the self-denying clause was maintained. Gulbenkian later wrote: "Never was the open door so hermetically sealed."[47] In 1929 the TPC was renamed the Iraq Petroleum Company (IPC), after oil was found in Iraq.[48]

While the red line was drawn, the global events of the end of the 1920s put the newly formed kingdom of Saudi Arabia to the test. The main revenue source of the kingdom before the oil discovery was the money that came in from the *Hajj*, the annual Muslim pilgrimage to Mecca. As the effects of the 1929 financial crisis were felt throughout the world, 'Abd al-' Aziz saw the number of pilgrims tumble. While about 100.000 Muslims travelled to the country in 1930, only 20.000 made the trip in 1933.[49] Eventually, at the beginning of the

[43] Yergin, *The Prize*, 188.
[44] The small country ,held close ties to Britain during its fight for independence against the Ottoman Empire; as a result Britain decided that Kuwait was not to be part of the 'open door' policy negotiated with the United States Richard Muir "Kuwait" in H. Arbuthnott, T. Clark, and R. Muir, *British Missions around the Gulf, 1575-2005* (Brill, 2008), 196.
[45] Jr, *Aramco, the United States, and Saudi Arabia*, 19.
[46] Ibid.
[47] U.S. Congress. Senate. Committee on Foreign Relations. Subcommittee on Multinational Corporations. *Multinational Oil Corporations and United States Foreign Policy*, 93rd Cong. 2nd Sess. Washington D.C.: Government Printing Office, 1975, 36.
[48] Marius S. Vassiliou, "Iraq Petroleum Company" in *Historical Dictionary of the Petroleum Industry* (Scarecrow Press, 2009), 274.
[49] Madawi Al-Rasheed, *A History of Saudi Arabia* (Cambridge: Cambridge University Press, 2010), 89.

1930s the king was in serious debts to his creditors.[50] But 'Abd al-' Aziz was in luck, in June 1932 oil was found in the nearby island country of Bahrein by a subsidiary of Standard Oil of California (Socal); the Bahrein Petroleum Company (Bapco).[51] Socal's main area of operation and oil reserves exploration during World War I was west of the Rocky Mountains but the 1920s 'oil panic' led them to ventures oversees.[52] When Gulf Oil was denied its concession in Bahrein because of its ties to IPC and the Red Line Agreement, Socal took over the concession.[53] This company was not a participant in the Red Line Agreement and was therefore not bound to the self-denying clause. If petroleum was found in Bahrein, surely it would be found in nearby Saudi Arabia?

The news of this discovery soon reached 'Abd al-' Aziz. The king was made aware of the potential wealth lying beneath his feet by his personal friend Harry St. John Philby, a British Arabist, traveller and merchant in the kingdom who converted to Islam under the tutelage of 'Abd al-' Aziz.[54] The idea of a concession took shape when Karl S. Twitchell, a mining engineer from Vermont, was sent by Philby to look for water in the country. But Twitchell found the soil at al-Hasa in eastern Saudi Arabia, to be favourable for oil explorations.[55] When oil was struck in Bahrein, Twitchell and Philby immediately put themselves at intermediaries between the interested oil companies and the Saudi government which was in truth the king himself. Twitchell travelled to the United States, to Texaco, Gulf and Socal.[56] Texaco declined his offer and Gulf was in no position to move with the self-denying clause of the Red Line agreement they were bound to with its IPC partners.[57] Socal showed interest in a Saudi concession at al-Hasa and the company was encouraged by its

[50] Vassiliev, *The History of Saudi Arabia*, 637.
[51] Jr, *Aramco, the United States, and Saudi Arabia*, 9.
[52] Ibid. 21.
[53] Ibid.
[54] Yergin, *The Prize*, 270.
[55] Karl Saben Twitchell, *Saudi Arabia: With an Account of the Development of Its Natural Resources*, 3rd ed.. (Princeton N.J.: Princeton University Press, 1958), 10.
[56] Yergin, *The Prize*, 272.
[57] Ibid.

recent findings in Bahrein.[58] Philby was aware of the financial state his friend 'Abd al-' Aziz was in, and when interest in the petroleum of Saudi Arabia became known to the king in 1930, Philby was determined to find the best possible deal for his friend.

The Brit was not fond of British policy methods in the Middle-East, particularly how the French and the British divided the Ottoman territory for themselves, instead of keeping their promise of self-determination to the Arabs.[59] The admiration Philby had for his royal companion, convinced him to play the British and the Americans against each other to get the best deal possible for the person he was most loyal to: 'Abd al-' Aziz.[60] He took on an advisory role for Socal, but kept in touch with IPC, with the ultimate goal of thwarting British influence in the region.[61] 'Abd al-' Aziz made it very clear that what he was after was upfront payment for a concession to ease his debts. IPC did not need any more oil than what they already had in other areas in the Middle-East, but Socal showed more interest. IPC eventually left the negotiation table, giving Socal all the liberty it needed to get a deal for the concession. By the end of May 1933 a deal was reached and signed. Socal had to make an initial loan of £30.000 in gold or its equivalent that was to be paid in advance along with £5.000 for the first year's royalty.[62] If the agreement lasted for 18 months another sum of £20.000 was to be loaned.[63] The loans were not reimbursable and had to be recovered by deductions of royalty payments.[64] If oil was discovered on the 360.000 square miles of the allocated territory, Socal would pay an extra £100.000 if it was found in commercial quantities.[65] The company would

[58] Constance Eileen Chaffin Lewis, ‘From Concession to Nationalization: Saudi Arabia and the Arabian American Oil Company, 1933-1988’ (M.A., Northeast Missouri State University, 1990), 10, http://search.proquest.com/docview/303932363/abstract/2E3D05AD0AF64A85PQ/1.
[59] H. J. J. Sargint. North American Newspaper Alliance, ‘Philby Says Britain Rejected His Arab Plan That Would Have Averted Trouble in Iraq’, *New York Times,* 1941.
[60] Yergin, *The Prize. 273.*
[61] Ibid.
[62] U.S. Congress. Senate. Select Committee on Small Business. Subcommittee on Monopoly. *The International Petroleum Cartel,* 114.
[63] Ibid.
[64] Ibid.
[65] Ibid.

also not interfere with the internal workings of the kingdom.[66] Finally, Socal would get preferential treatment to acquire other concessions if it could match other offers made to the king.[67] The deal was to last for a period of 66 years.[68] As usual, the concession was held under a subsidiary company of Socal; The California-Arabia Standard Oil Company (CASOC), which would later be known as Aramco. 'Abd al-' Aziz had the cash payment he so desperately needed to ease his debt.

There is still some discussion as to why the king chose an American and not a British company. Irvine Anderson Jr. argues that the king's desperate need for cash and Socal's willingness to pay the sum that was asked made Abd al-' Aziz choose the Americans instead of the British who did not seemed to be that interested in a concession in Saudi Arabia.[69] Aaron David Miller on the other hand argues that although Socal's offer for gold tipped the scales in their favour, the king's trust in Philby and the anti-British feelings the man had, certainly played a role. In addition, Miller argues that Abd al-' Aziz might also have been influenced by British and American objectives in the region, no American government official was present during the negotiations, and the king knew that the British had supported the Hashemites, and that they were still supporting his former enemies in Transjordan and Iraq, and both countries were disturbingly close to his own.[70] Daniel Yergin's Pulitzer winning book *The Prize*, concurs with Anderson, but Yergin also points out that IPC did manage to get a concession in Saudi Arabia in 1936 in the western part of the country, but even after years of searching they never found what they were looking for.[71] Philby himself, in his accounts of the events, writes that 'Abd al-' Aziz favoured a British company, but not his advisors.[72] The

[66] Ibid.
[67] U.S. Congress. Senate. Select Committee on Small Business. Subcommittee on Monopoly. *The International Petroleum Cartel*, 114.
[68] Ibid.
[69] Ibid.
[70] Jr, *Aramco, the United States, and Saudi Arabia*, 25.
[71] Yergin, *The Prize*, 275
[72] Harry St John Bridger Philby, *Arabian Oil Ventures* (Middle East Institute, 1964), 88.

Brit on the other hand favoured the Americans since "their record at that time was entirely free of any imperialistic implications."[73] Nevertheless, the role of Philby is certainly not to be underestimated.

With Socal acquiring the first concession in Saudi Arabia, another problem came knocking at the door of the oil company in San Francisco. With the Bahrein findings of 1932, Socal built a refinery four years later to transform crude oil into commercial products (gasoline, diesel, kerosene…). However, Socal did not have any markets or transportation facilities in the Asia-Pacific; it had to look for someone to do this for them.[74] Initially, Socony marketed all of Socal's products in the Far East, but that market was closed to the California-based company with the self-denying clause of the Red Line Agreement Socony was bound to.[75] Texaco on the other hand was not bound by the Red Line Agreement, and although the company exported its Texas oil to the Far East, it had no refinery or commercial oil wells in the region.[76] The merger was therefore beneficial to both parties, and so in 1936 Texaco bought 50% of the CASOC concession of Saudi Arabia, and 50% of Bapco in Bahrain for $21 million.[77] The joint-venture became known as the California-Texas Company (Caltex).[78] In exchange, Socal would get access to all of Texaco's market facilities East of Suez.[79]

The complexity of the Red Line Agreement is best explained via Gulf Oil's situation in the late 1920s. Gulf had gained an option in a Bahrein concession in 1927, but it had already signed the Red Line Agreement before exploration could start.[80] Because of the self-denying clause Gulf's plans for Bahrein met a challenge; if oil was found, they had to share it with its

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[73] Ibid. 86.
[74] U.S. Congress. Senate. Select Committee on Small Business. Subcommittee on Monopoly. *The International Petroleum Cartel,* 115.
[75] Ibid.
[76] Ibid.
[77] Lewis, ‘From Concession to Nationalization’, 14.
[78] Yergin, *The Prize,* 282.
[79] U.S. Congress. Senate. Select Committee on Small Business. Subcommittee on Monopoly. *The International Petroleum Cartel,* 116.
[80] Jr, *Aramco, the United States, and Saudi Arabia*, 22.

associates in IPC.[81] Gulf could only give up the option to a company not bound by the Red Line Agreement or step out from the agreement itself if they wished to pursue their Bahrein enterprises independently. They eventually gave the concession to Socal, who was not bound by the 1928 agreement, and promised to go into Bahrain without interfering politically within the country, to reassure the British.[82]

Socal's involvement in Bahrain also shows that companies not bound by the Red Line Agreement were not excluded from exploring for oil in the Middle East. Composed of the most dominant oil companies in the region at the time, there was no real reason to think that other companies would challenge IPC. In addition, Saudi Arabia was not under British control, unlike other regions under the Red Line Agreement like Iraq or Iran. In the early 1930s, Gulf, the Atlantic Refining Company and the Pan American Petroleum and Transport Company all sold their shares to Standard Oil of New-Jersey and Standard Oil of New-York (Socony) leaving the two companies with each a 50% share in the American interests of IPC.[83]

Oil was struck in Saudi Arabia in March 1938 at Dammam. Companies from all over the world rushed to 'Abd al-' Aziz to get a concession from him, particularly Germany and Japan, and of course IPC.[84] But CASOC, with its preferential treatment clause got the winning bid.[85] From then on, money came pouring into the country, 'Abd al-' Aziz was on the road to fortune and the country no longer depended solely on the *Hajj* and the coming of the

[81] U.S. Congress. Senate. Select Committee on Small Business. Subcommittee on Monopoly. *The International Petroleum Cartel*, 72.
[82] U.S. Congress. Senate. Committee on Foreign Relations. Subcommittee on Multinational Corporations. *Multinational Oil Corporations and United States Foreign Policy*, 36.
[83] Ibid.
[84] Ibid. 116.
[85] Ibid.

faithful.[86] The road lay open for closer cooperation between American oil companies and Saudi Arabia, and Washington would soon join the negotiation table.

The Challenges of the 1940s

Although the discovery of commercial quantities of oil lightened the financial burden of the kingdom, the outbreak of the Second World War brought new economic woes to Saudi Arabia. Pilgrimage revenues tumbled at the outbreak of the war in 1939, and pilgrimage from India and the Dutch East Indies, which brought the most pilgrims and therefore a considerable revenue sources, was cut off two years later.[87] With the amount of pilgrims entering the country in decline, so too were customs revenues.[88] In addition, there were reports of crop failures and the money 'Abd al-' Aziz owed to tribal leaders for their loyalty along with the cost of imported vital needs increased.[89] The king pressured the oil companies, for more money, but the Americans were not sure they had the necessary funds to come to the king's aid.[90]

It was in this context that CASOC executives approached James A. Moffet, the former chairman of the board of Bapco and Caltex and who was close to President Roosevelt, to ask for government aid through the Lend-Lease act of 1941.[91] In exchange for an annual sum of $5 or $6 million for a period of five years, the US government would get access to oil far below the market price.[92] Secretary of State Cordell Hull approved the deal.[93] Moffet made it

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[86] Yergin, *The Prize*, 283.
[87] U.S. Congress. Senate. Special Committee Investigating the National Defense Program. *Petroleum Arrangements with Saudi Arabia, Appendix*, pt. 41. 80th Cong., 1st sess. Washington, D.C.: Government Printing Office, 1948, p. 25380.
[88] Ibid.
[89] Ibid.
[90] Miller, *Search for Security*, 37.
[91] Ibid. 38.
[92] U.S. Congress. Senate. Special Committee Investigating the National Defense Program. *Petroleum Arrangements with Saudi Arabia, Hearings*, pt. 41. 80th Cong., 1st sess. Washington, D.C.: Government Printing Office, 1948, 24809

clear in a memorandum to Roosevelt that oil was not the reason why the agreement should be backed by Washington, as the United States was pumping more than enough petroleum out of the ground.[94] It had more to do with the fact that the king was pro-ally but more importantly because "No other man in the Arab countries, nor among Moslems the world over, commands prestige equal to his", as the house of Saud was in control of Mecca and Medina, the two holiest cities in Islam.[95]

CASOC executives on the other hand believed that there were also political gains behind the "Moffet deal". Britain was financing the kingdom through the obtained concession of 1936 in the western part of the country where it was still searching for oil, and they could keep 'Abd al-' Aziz in power with the means they had at their disposal through British government involvement in the IPC. But the American oil companies feared that if they could not provide the king with the required financial means, he would look to the British for additional money and help, which in turn would diminish American control over the king and the concession.[96] Miller argues that the way in which the British were portrayed to the State Department by CASOC, was "expressly manufactured" as a power that could heavily influence the king and his entourage, and therefore a force to be reckoned with. The American oil companies did not want the kingdom to only rely on British money.[97]

In fact, CASOC would use this false representation of Britain time and time again in the future to push Washington to be more and more involved in the region.[98] In 1944, the chairman of the board of directors of Texaco, W.S.S. Rodgers, claimed that by October 1941, British influence in the monetary affairs of the Saudi Government had reached "alarming

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93 Miller, *Search for Security*, 39.
94 Yergin, *The Prize*, 360.
95 *Foreign Relations of the United States*, Document 645.
96 Jr, *Aramco, the United States, and Saudi Arabia*, 30.
97 Miller, *Search for Security*, 50
98 Ibid.

proportions."[99] Yet according to Anderson Jr.; "Nowhere in the accessible British archives is there any evidence of a British plan in the 1940s to actually displace the American concessionaire."[100] This fear is solely based on past British activities in the region, the close cooperation between the British oil companies and the British government - the same kind of cooperation American oil companies did not benefit from, the commercial rivalry, but most of all because of 'Abd al-' Aziz. The king constantly played the two powers against each other by manipulating their fears to get the best possible financial arrangement, no matter where it came from.[101]

President Roosevelt was initially in favour of Moffet's proposal and suggested that the oil purchased from the deal could be used by the US Navy. But in May 1941, Secretary of the Navy Frank Knox sent a letter to Roosevelt; the Navy would not buy the oil from Saudi Arabia because it was not suitable for Navy use.[102] Additionally, there was no authority to loan out the required $5 to $6 million to Saudi Arabia, furthermore, Lend-Lease was only authorized by Congress to "democratic allies" and Saudi Arabia was by no means a democracy.[103] [104] Hull and Roosevelt hoped that the British could take care of the matter, with the President making clear that 'Abd al-' Aziz' problems were "a little far afield for us!"[105] It is important to remember that in the summer of 1941 the United States was still neutral in the war, the President was afraid of the political repercussions an agreement with Saudi Arabia

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[99] U.S. Congress. Senate. Special Committee Investigating the National Defense Program. *Petroleum Arrangements with Saudi Arabia, Hearings*, 25382.
[100] Jr, *Aramco, the United States, and Saudi Arabia*, 40.
[101] Ibid.
[102] *Foreign Relations of the United States,* Diplomatic Papers, Volume III, The British Commonwealth; The Near East and Africa, 1941, eds. Francis C. Prescott and Kieran J. Carroll, (Washington: Government Printing Office, 1959), Document 652.
[103]Yergin, *The Prize*, 376.
[104] At that time, the USSR, which was also far from democratic, obtained lend-lease aid through the Moscow Protocol under which only a certain amount of materials were to be furnished to the USSR.
Bureau of the Budget, *Historical Reports on War administration,* The United States at War: Development and Administration of the War Program by the Federal Government, Washington, D.C.: Government Printing Office, 1946, p.82.
[105] *Foreign Relations of the United States,* Diplomatic Papers, Volume III, The British Commonwealth; The Near East and Africa, 1941, eds. Francis C. Prescott and Kieran J. Carroll, (Washington: Government Printing Office, 1959), Document 661.

might have at home, particularly of a reaction from the isolationists.[106] Nevertheless, an agricultural mission was sent to the country along with an official permanent representative in Jeddah in 1940, something the companies had urged Washington to do long before Moffet's proposal.[107]

Washington's position changed just before America's entry into the war with the findings of Secretary of the Interior, Harold Ickes. In October 1941, Ickes made a study which concluded that there will come a time in the near future where the proven domestic reserves of the United States will not be able to provide the necessary oil quantities for domestic consumption.[108] The United States was destined to become a net importer of oil if a solution was not found. In addition, the Special Committee Investigating the National Defense Program (Truman Committee), a committee created in 1941 designed to fight the production waste and corruption caused in the country by the war, estimated that in 1944 the United States had produced 70% of the oil used for the allied war effort.[109] Oil needed to be found abroad; luckily the United States had CASOC in the Middle-East with a promising concession in Saudi Arabia, which, as the war raged on in Europe, was where Washington would turn to.[110]

A more important reason as to why Washington looked to the Middle-Eastern oil fields was transportation. With U-boats harassing American transport ships in the Atlantic to help the war effort in Europe, the United States was urgently in need of oil reserves closer to their European allies to reduce the weight and pressure of the Western Hemisphere reserves of the United States, Mexico and Venezuela. The latter was recognized as an area of strategic

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[106] Miller, *Search for Security*, 44.
[107] Ibid. 52.
[108] Jr, *Aramco, the United States, and Saudi Arabia*, 36.
[109] U.S. Congress. Senate. Additional Report of the Special Committee Investigating the National Defense Program. *Resolutions Authorizing and Directing an Investigation of the National Defense Program*. 78th Cong., 2nd sess. Washington, D.C.: Government Printing Office, 1944, 509.
[110] Jr, *Aramco, the United States, and Saudi Arabia*, 38.

importance to the United States, since Venezuelan oil could be used to supplement the exports and American reserves as well.[111]

Again, Great Britain and its Middle Eastern involvement was a hindrance that needed to be taken into account. Whilst the "Moffet deal" was under consideration and before it was ultimately rejected by the White House, the British had provided 'Abd al- 'Aziz with about $2 million, with the promise that money would keep coming.[112] Washington could not intervene directly. But what about indirect aid through Lend-Lease aid to the British? Just as the "Moffet deal" was rejected, negotiations for $400 million Lend-Lease loans to Great-Britain were underway, the British agreed to transfer part of those funds to 'Abd al-' Aziz. And so by 1943, the British had advanced a bit less than $34 million to Saudi Arabia with American dollars.[113] At the beginning of the year, Washington, as CASOC executives hoped, overestimated the capabilities of the British in the region. This convinced Roosevelt to contact Edward Stettinius, his Lend-Lease administrator in February 1943, to "arrange for Lend-Lease aid to the Government of Saudi Arabia" as the President found that "the defense of Saudi Arabia is vital to the defense of the United States."[114]

The Roosevelt policy on Saudi oil evolved in the form of three distinct approaches.[115] The first was derived from the British government shareholding in Anglo-Persian. This took shape with the creation of the Petroleum Reserve Corporation (PRC), the main objective of which was to obtain oil reserves abroad. This option was favoured by Secretary of the Interior Harold Ickes and Roosevelt. The second option was to work out a plan with the British to ensure that Middle Eastern oil would be equally distributed. This took form in the Anglo-

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[111] Miller, *Search for Security,* 57.
[112] Yergin, *The Prize*, 376.
[113] U.S. Congress. Senate. Committee on Foreign Relations. Subcommittee on Multinational Corporations. *Multinational Petroleum Companies and Foreign Policy. Hearings.* pt. 7, 93rd Cong. 2nd Sess. Washington D.C.: Government Printing Office, 1974, 81.
[114] *Foreign Relations of the United States*, Diplomatic Papers, Volume IV, The Near East and Africa, 1943 eds. E. Ralph Perkins and Ralph R. Goodwin, (Washington: Government Printing Office, 1964), Document 893.
[115] Jr, *Aramco, the United States, and Saudi Arabia*, 42.

American Petroleum Agreement of March 1944. This road was favoured by Secretary of State Hull and the big oil companies.[116] Finally, the last option was to give free rein to private enterprise with political backing from Washington, who would ensure equitable access to foreign reserves and guard American enterprise overseas from harm.[117] With the war hitting the United States, it brought with it doubt and confusion over the oil shortage question. In the Middle East stability was needed and that, according to the oil companies, could only be found in Washington.[118]

Between the two World Wars, the geography of the Middle East had changed dramatically, a new country, enveloping the majority of the Arabian Peninsula, came into existence and the distribution of the much coveted oil resources of the former Ottoman Empire was organized. During this allocation of resources, British influence prevented the Americans from joining in as well. For Congressmen like McKellar and Phelan, this was unacceptable, but their ideas of a government controlled oil company or an oil embargo on its British ally did not fit with the spirit of the 'open door' policy the Wilson administration aimed to pursue. Nevertheless, the Americans joined in and thanks to the support of Washington, oil companies from across the Atlantic joined the negotiation table of the 1928 Red Line agreement. Contrary to its European associates, the Americans were not backed by their government, this gave them free reins to negotiate for various concessions across the region as they saw fit, provided that these companies were not part of IPC. But the potential oil reserves of the new country of Saudi Arabia was a desired prize for all players, and with a country under financial pressure, that prize would only go to the player that would pay the most. Socal put more money on the table than its Red Line counterparts and soon with Texaco's help and the creation of CASOC, oil was found and the potential of Saudi reserves became known to

[116] Ibid.
[117] Ibid.
[118] Yergin, *The Prize*, 378.

the outside world. The choice of Saudi Arabia as a source for "extraterritorial reserves" was logical; it was closer to America's allies in Europe, a continent at war, where the American oil was exported. In addition, the most promising concession in Saudi Arabia was in the hands of American oil companies. Washington had no desire to let this petroleum treasure slip from its grasp. But After Moffet's visit to Washington, smaller independent oil companies were concerned that their government might cooperate with the great American oil companies that were engaged in the Middle-East and looked to their representatives and senators for support.

The Final Years of World War II & the Conquest of Saudi Oil

The purpose of this chapter is to study Congress' position on Saudi oil during the final years of World War II. As explained in the previous chapter, the executive's interest in the oil of Saudi Arabia started when Secretary of the Interior Ickes published a report in late 1941. It concluded that the United States would find itself importing oil in the near future if usage of American oil kept on going at the current consumption rate. With scarcity of oil as a starting point for the executive, the legislature's position on this issue will be examined in the first part of this chapter before Congress' stand on the eventual solution to this challenge proposed by the members of the Roosevelt Administration: Saudi oil.

Congress & the Oil Shortage

Congress' initial reaction to the oil scare of 1941 was the creation of the Special Committee to Investigate Gasoline and Fuel-Oil Shortages. Chaired by Democratic Senator Maloney from Connecticut, it was meant to investigate the shortage of gasoline, fuel oil, and other petroleum products in the country.[119] Though the Committee lasted till 1944, Senator Maloney submitted its findings and reports to his fellow Senators on a number of occasions, the first time in September 1941 two months before Congress declared war on Japan. Maloney reported that initially, there was no shortage of petroleum products but that "the issue boiled down to the question of locating enough transportation facilities for the carrying of oil", more specifically to the Atlantic seaboard area.[120] In addition, the committee concluded that "unnecessary alarm" was caused by some high members of the petroleum

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[119] U.S. Congress. Senate. Special Committee to Investigate Gasoline and Fuel-Oil Shortages. *Hearings.* 77th Cong., 1st sess. Washington, D.C.: Government Printing Office, 1941, II.

[120] Sen. Maloney (CT) "Preliminary Report of Special Committee to Investigate Shortage of Gasoline, Fuel Oil, etc. (Rept. No. 676)", *Congressional Record 87*, September 11, 1941, 7397.

administration of the country, among them Secretary of the Interior Harold Ickes.[121] However, after hearings from John J. Pelley, President of the Association of American Railroads, and Ralph Budd, Transportation Commissioner of the Advisory Commission to the Council of National Defense, the committee determined that there was no shortage of transportation facilities, like it initially thought.

It is worth pointing out that although the testimony of Pelley and Budd convinced the members of the committee, Ickes, was reluctant to agree with the two men's statements. Maloney summarized the first findings of the committee as follow:

> “Our conclusions may best be summed up by stating that there is no shortage of petroleum products-nor a shortage, as of this date, of transportation facilities but that the whole frightening picture, from the standpoint of the Coordinator's Office, seems to lie in the fact that the shortage, which has excited the activity of the Coordinator, is really a "shortage" in a large surplus which is desired.”[122]

The December attack on Pearl Harbour, which prompted the United States into war, changed the committee's position. In February 1943 Maloney returned to the Senate with twenty points laying out the panel's conclusion of the oil deficit situation. In short, improvement of the shortage situation was not to be expected in the winters to come as the military demand that came with the war would absorb the additional petroleum quantities that were being shipped to the north-eastern part of the country, ideally reserves needed to be found abroad.[123]

The Maloney committee also urged for a closer centralization of authority when it came to petroleum matters, something Ickes was happy to provide. Two months before Maloney's twenty points, the office of Petroleum Coordinator for War (PCW) was abolished in favour of the Petroleum Administrator for War (PAW), which Ickes took charge of. The Vice President

[121] Ibid.
[122] Ibid.
[123] Sen. Maloney (CT) "Additional Report of Special Committee to Investigate Gasoline and Fuel Oil Shortages (Rept. No.69)", *Congressional Record 89*, February 22, 1943, 1182.

of the PAW was to be Ralph Davies, President of Socal.[124] The PAW was responsible for the allocation and development of petroleum resources of all kind to meet the wartime oil needs at home.[125] As head of the PAW and Secretary of the Interior, Ickes was now in a dominant position. But his powers were not infinite, as around forty other Federal agencies had their share of decision-making when it came to America's petroleum matters, and Ickes' PAW was constantly in disagreement with a number of them.[126] Nevertheless, as Maloney's report urged for a central authority on petroleum matters, the PAW initially enjoyed a great amount of support and means to solve the oil shortage issue that the entry of the United States into World War II had provoked.[127]

Other congressmen however argued that the government should look within its own borders for the solution to the oil deficit. Senator Thomas Connally, a Democrat from Texas, and Chairman of the Foreign Relations Committee, a man with considerable influence, advocated for the improvement of drilling techniques in order to encourage the domestic oil industry.[128] As a prominent member of the Truman Committee, Connally argued that the United States had a technological advantage compared to other countries. More importantly, the United States government had previously allowed for private companies to flourish domestically, which allowed the industry to find its own innovating and progressive techniques of meeting the considerable civilian demand for oil.[129] During the New Deal era, the Texan was firmly opposed to Federal regulation of the oil industry although he sponsored the "Hot Oil" Federal Act of 1935 prohibiting the excess oil quotas from Texas to be shipped

[124] Ibid.
[125] United States Petroleum Administration for War, *A History of the Petroleum Administration for War, 1941-1945* (U.S. G.P.O., 1946), 375.
[126] Yergin, *The Prize*, 359.
[127] Ibid.
[128] Sen. Connally (TX) "What Shall We Do About Oil?", *Congressional Record 90,* June 19, 1944, A3146.
[129] Ibid.

illegally to other states.[130] It was unusual for Connally to disapprove of government mediation abroad; as he was, throughout his voting record a convinced supporter of government intervention overseas.[131]

But Connally was isolated in his approach. Representative Randolph, a Democrat from West Virginia, had already convinced the House of Representatives via a thoroughly conducted presentation that something needed to be done quickly to address America’s growing oil shortage.[132] The problem became so great that eventually, even Republican congressmen who were heavy promoters of America's private enterprise turned to the executive branch of government to look at foreign oil concessions.[133]

The Petroleum Reserve Corporation and "Solidification"

Everette Lee DeGolyer, the most eminent geologist of his time, and a figure everyone in the American oil industry listened and looked up to, was asked, in 1943, by Ickes' PAW to make an assessment on site of the potential petroleum reserves of the Middle East.[134] At the time, the reserves of Saudi Arabia alone were estimated at 750 million barrels, when DeGolyer came back, he conservatively estimated that those reserves amounted to 5 billion barrels.[135] But the geologist imagined that the reserves were probably exceptionally larger than that; the outrageous number he had in mind was 300 billion barrels for the whole Middle East with 100 billion barrels for Saudi Arabia alone.[136] By comparison, the United States

[130] ‘Connally, Thomas Terry (1877-1963), U.S. Senator and Congressman | American National Biography’, accessed 14 May 2018, http://www.anb.org/view/10.1093/anb/9780198606697.001.0001/anb-9780198606697-e-0700061.
[131] Thomas E. Hachey, ‘American Profiles on Capitol Hill: A Confidential Study for the British Foreign Office in 1943’, *The Wisconsin Magazine of History* 57, no. 2 (1973): 145.
[132] Rep. Randolph (WV) "Synthetic Liquid Fuels from Coals and Other Substances", *Congressional Record 90,* February 15, 1944, 1701.
[133] Yergin, *The Prize*, 377.
[134] Ibid. 374.
[135] Ibid. 375.
[136] Ibid.

proven reserves in 1944 amounted to 20 billion barrels.[137] The first step was assuring financial stability to the kingdom which was provided through Lend-Lease assistance in February 1943. But how would the government manage the Saudi oil concessions in the hands of private oil companies?

The answer came with the creation of the Petroleum Reserve Corporation (PRC) in June 1943. It was created under the authority of the Reconstruction Finance Corporation with at its head the ever-present Harold Ickes.[138] The creation of the PRC was also urged by the military that was faced with an insufficient supply of crude oil to meet the required standards for the Armed Services at home and abroad.[139] The PRC was specifically established to obtain foreign oil reserves, though its immediate objective was "the acquisition of a controlled interest in the concessions now held in Saudi Arabia by the California Standard Oil Company (CASOC)."[140] This marks the beginning of what Yergin calls America's "Solidification" policy: direct involvement by the United States government in Saudi Arabia.[141]

Ickes did not wait long to put the PRC into action. In the summer of 1943, the Secretary of the Interior convened the presidents of Socal, Harry C. Collier, and Texaco, William S. Rodgers to Washington for a private meeting. With oil outputs rising in Saudi Arabia, CASOC was in need of a refinery closer to its Saudi oil wells to keep up with its production numbers, the refinery in Bahrein was not enough.[142] According to Anderson Jr, "It was possible government funding for this project that Ickes used as bait to lure the companies into

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[137] *Petroleum Facts and Figures,* (American Petroleum Institute, 1971), 183.
[138] U.S. Congress. Senate. Committee on Foreign Relations. Subcommittee on Multinational Corporations. *A Documentary History of the Petroleum Reserves Corporation 1943-1944*, 93rd Cong. 2nd Sess. Washington D.C.: Government Printing Office, 1974, 3.
[139] *Foreign Relations of the United States,* Diplomatic Papers, Volume IV, The Near East and Africa, 1943, eds. E. Ralph Perkins, Ralph R. Goodwin and Laurence Evans. (Washington: Government Printing Office, 1964), Document 990.
[140] U.S. Congress. Senate. Committee on Foreign Relations. Subcommittee on Multinational Corporations. *A Documentary History of the Petroleum Reserves Corporation 1943-1944*, 4.
[141] Yergin, *The Prize*, 379.
[142] Jr, *Aramco, the United States, and Saudi Arabia*, 116.

selling the government an interest in the Saudi concession."[143] Ickes initial plan was for the United States government to buy the entirety of CASOC from Texaco and Socal, this plan was approved by Secretary of State Cordell Hull, the Secretary of War Henry Stimson and acting Secretary of the Navy, James Forrestal.[144]

Socal and Texaco on the other hand, could not agree to this. As Yergin writes, "The companies had wanted assistance not assimilation."[145] Both parties eventually settled on the following arrangements: The PRC would acquire one third of CASOC shares for a price of $40 million, this sum was to be used to construct the needed refinery at Ras Tanura which would have an output of 100,000 barrels/day, in addition, the government would be allowed to buy 51% of CASOC shares in peacetime and 100% during times of war.[146] The rest of the American oil industry was quick to react; to them having the government as a direct competitor was unacceptable, and some even saw this as the first steps towards the nationalization of America's oil industry.[147] This resistance eventually convinced Ickes to drop the deal in the final months of 1943 to preserve the solidarity the American oil industry was showing during the war, but the President of the PRC blamed Socal and Texaco for being too greedy.[148] This averted initiative however did not mean the end of Ickes' solidification policy.

Government-backed Monopolies

The PRC's stock purchase plan showed that Ickes sought close cooperation with oil companies, particularly those with the most promising oil reserves abroad like Socal and

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[143] Ibid.
[144] U.S. Congress. Senate. Committee on Foreign Relations. Subcommittee on Multinational Corporations. *A Documentary History of the Petroleum Reserves Corporation 1943-1944* 11.
[145] Yergin, *The Prize*, 380.
[146] U.S. Congress. Senate. Committee on Foreign Relations. Subcommittee on Multinational Corporations. *A Documentary History of the Petroleum Reserves Corporation 1943-1944*, 33.
[147] Yergin, 380.
[148] Ibid.

Texaco in Saudi Arabia. The PAW and the PRC were both led by Secretary of the Interior Harold Ickes, and both had the same end: ease the burden of America's oil shortage, though both entities used different means. Soon, and with help from the White House, the PAW managed to secure an anti-trust exemption from the Justice Department so that oil companies could start working together to solve America's shortage problem.[149]

Ickes also insisted that it was necessary for the executive and technical management of the PAW to be composed of more than three quarters of prominent individuals from the oil industry, which troubled the small oil independents and politicians from Capitol Hill.[150] Especially in September 1943 with the introduction, by Ickes' PAW, of Petroleum Directive n° 70.[151] As Democratic Representative Voorhis from California summarized, this particular directive allowed the Foreign Operations Committee of the PAW to determine how much oil each allied country would get and through which companies it would be receiving it.[152] The said committee would also determine how much oil each country could export or import.[153] Representative Voorhis showed the large powers that this directive gave to the PAW, but also how certain companies would reap more benefits than others with this particular directive. The congressman pointed out that, in addition to the PAW's Vice-President; Socal's President Ralph Davies, the entire Foreign Relations Committee of the PAW was composed of twelve important figures of the American oil industry.[154] One of them for instance was W.S.S. Rodgers, President of Texaco.[155]

Voorhis was familiar with monopolistic practices from the American oil industry. In May 1943, he addressed Congress to denounce the purchase of the Elk Hill Navy oil reserve

[149] Yergin, *The Prize,* 260.
[150] Ibid. 360.
[151] "Foreign Petroleum Operations; Petroleum Directive n° 70", 203 *Federal Register,* 8, 24th September 1943, 13983-13985, 13983.
[152] Rep. Voorhis (CA) "Special Order", *Congressional Record 89,* October 28, 1943, 8872.
[153] Ibid.
[154] Ibid.
[155] Ibid.

by Socal because the agreement would give the company exclusive and privileged drilling rights.[156] At that time, the Elk Hill reserve was considered to be the second biggest oil reserve in the world after the one in Saudi Arabia.[157] For the representative of California, the agreement "gives to one of the largest of the major oil companies of America a monopoly of the largest reserve in America."[158] With pressure from Congress and the Justice Department, which judged that the agreement "exceeded the authority granted by law", the contract was eventually terminated by Frank Knox, the Secretary of the Navy.[159]

Voorhis' main preoccupation was a specific duty attributed to the PAW's Foreign Relation Committee:

> The Foreign Operations Committee and its committees shall maintain such staff and appoint such persons as may be necessary or requisite to discharge the responsibilities, duties and functions under this Directive. Operating expenses of all such committees shall be met from a fund to which voluntary contributions may be made by persons engaged in the petroleum industry and such funds may be solicited by the Foreign Operations Committee.[160]

As Voorhis demonstrated to his fellow legislators, Congress' powers were bypassed. Capitol Hill would not be consulted for the allocation of money to the PAW's Foreign Relation Committee and the use of that money or the actions of the committee could not be reviewed by Congress as the funds were coming from private hands. This allowed the PAW to control the movement of oil in American hands around the world without congressional control. Voorhis ends his address by appealing to his fellow congressmen to keep investigating this committee as an "entire interlocking directorate of major oil-company

[156] Rep. Voorhis (CA) "Elk Hill Oil Reserve", *Congressional Record 89*, May 21, 1943, 4760.
[157] Ibid.
[158] Ibid. 4761.
[159] Robert De Vore Post Staff Writer, 'Standard Oil Had Received Sole Right To Fuel Field: Contract Entitles Corporation to Draw 27 1/2 Million Barrels From Navy Reserve Knox to Cancel Navy Deal With Standard Oil Corporation', *The Washington Post (1923-1954); Washington, D.C.*, 18 June 1943.
[160] "Foreign Petroleum Operations; Petroleum Directive n° 70", 203 *Federal Register*, 13984.

executives who now hold in their hands the key to the industrial and military future of our country - namely, petroleum." [161]

The politician from the Golden State came back to the house in May 1944 to urge Congress to do something about the private influence within the United States' government.

> "Oil we must and will have. But the rules of the game as to how must be determined by Congress; and administration of those rules must be placed in the hands of people serving the country and not the major oil companies. The Members of Congress will certainly be very far from discharging their duty to the people if they permit national policy to be dictated exclusively by parties at interest in the matter, under the cloak of Government authority. We in Congress will fail in our duty if we do not assert in every way within our power the public interest of all the American people in the oil problem."[162]

Voorhis went even so far as claiming that the major oil companies themselves were partially responsible for the oil deficit the United States was suffering from. He argued that it was the policy of the oil companies to restrict production in such a way that they would prevent small competitors to get into the petroleum business.[163] There were, according to him, more than 48,000,000 acres of undeveloped lands in the hands of the biggest oil companies of the country.[164] The representative from California understood the importance oil would play in the years to come, but was sceptical about the government's solution to find oil so far away in Saudi Arabia, believing, like Connally, that there was more to find at home. He urged his fellow representatives to start an independent governmental investigation without the interference of any major oil company with interests abroad or tied to the government to find out what the actual oil reserves of the United States were before looking for petroleum abroad.[165]

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[161] Rep. Voorhis (CA) "Special Order", *Congressional Record 89*, 8872.
[162] Rep. Voorhis (CA) "Petroleum and America's Future", *Congressional Record 90,* May 8, 1944, 4151.
[163] Ibid. 4153.
[164] Ibid. 4155.
[165] Ibid.

Congressional Opposition to 'American Imperialism' in the Middle-East

In Saudi Arabia, the priority of both the oil companies and the government was oil production. Both parties did their best to avoid any cultural clashes between members from Saudi society and American employees of CASOC. As Anderson Jr. writes: "Both sides did their part in reducing cultural conflict and letting the main work of getting production under way go forward with maximum speed."[166] In January 1944, a name change was seen as a fitting way to symbolize the strong growing relationship between the American oil companies and Saudi Arabia. The proposed name was American Arabian Oil Company, but since such a name might not please 'Abd al-' Aziz, the order was reversed to Arabian American Oil Company and Aramco was born on the 31 January 1944.[167] It quickly paid off, as the king saw Aramco as his personal tool to modernize and achieve his own goals in Saudi Arabia.[168] From 1950 onwards, upon their arrival in the country, American employees were given a manual called *The Aramco Handbook*, the purpose of this 300 page guide was to familiarize the newcomer with the Arab country he'd be working in and the American company he'd be working for.[169] Such a guide was needed; in 1941 there were only 111 American employees in Saudi Arabia, that number quickly went up to 961 in 1944, and 2,390 in 1950.[170]

As the number of employees grew, so too did the oil production; from 1,357 barrels per day in 1938 to 21,296 in 1944.[171] It soon became clear that the refinery in Bahrein would not suffice to transform these enormous quantities of crude Saudi oil; a new refinery was needed in Saudi Arabia. The moment proved to be fortuitous, as this is when the PRC's objective of solidification was put in motion through the stock purchase plan. Consequently, the meeting between Ickes, Collier (Socal) and Rodgers (Texaco) was arranged (see aforementioned).

[166] Jr, *Aramco, the United States, and Saudi Arabia*, 114.
[167] Ibid.
[168] Jr, *Aramco, the United States, and Saudi Arabia*, 115.
[169] Arabian American Oil Company and Roy Lebkicher, *Aramco Handbook*, (New York, 1960), 2.
[170] Ibid. 211.
[171] Ibid. 171.

When the deal eventually fell apart, Socal and Texaco went on with their own plans of a 50,000 barrels/day refinery as this was more compatible with their predicted post-war needs, and by 1944 construction was underway.[172]

With the creation of a new refinery, another issue was addressed: marketability. Where would Aramco sell these considerable oil quantities? And how could such quantities be brought to said market? The answer to both questions was a pipeline from the oil fields of the Arabian Peninsula to the Mediterranean, to efficiently transport the oil to Europe.[173] As Ickes initial plans to acquire a majority share in the Saudi concession were thwarted, he saw the construction of a pipeline as another motive for a US government presence in Saudi Arabia. A deal was eventually struck between the American oil companies in the Arabian Peninsula (Gulf Oil was included as the pipeline would have to go through Kuwait) and Ickes' PRC. Between $135 million and $165 million would be freed by PRC to transport the oil from Kuwait, through Saudi Arabia to the Mediterranean via the Trans-Arabian pipeline (Tapline), from its endpoint in at the shores of the Mediterranean, the oil would be shipped to America's allies in Europe, and if needed the United States themselves. In return, the oil companies (Gulf, Socal and Texaco) would provide a reserve for the American military amounting to one billion barrels of oil and to be purchased at a 25% deduction rate from the market price in the Persian Gulf or the United States, whichever was lower. The Tapline itself would be reimbursed by the companies over twenty-five years and with interest, but the government would still own the pipeline after that period.[174]

Congress and the small independent oil companies wasted no time to denounce this new arrangement as they saw in this deal the premises towards American imperialism. One of the

[172] Ibid.
[173] Jr, *Aramco, the United States, and Saudi Arabia*, 115.
[174] Rep. Lea (CA) "Mr. Ickes Urges Persian Gulf Oil Reserves", *Congressional Record 90*, February 19, 1944, A1755.

first congressmen to denounce the project was Representative Voorhis in February 1944, pointing towards the British obstacle the Tapline had to traverse: Kuwait. The country was under British influence and Representative Voorhis concluded that the British could therefore influence the course of the negotiations and turn the construction of the Tapline to their own benefit as their oil policy differed from that of the United States.[175] The politician from California argued that with the construction of such a pipeline, the United States' government would create and support an oil cartel formed by the British and American oil companies of the region. [176]

According to Congress, the Second World War in Europe was started by economic rivalry and imperialistic endeavours; if America's oil shortage issue was to be resolved by Ickes Tapline plan, both these policies would dominate the trade agreements in the region. [177] There was interest in the Tapline to help supply Europe after the war, but the price of that oil could form a problem. If petroleum coming from the Arabian Peninsula was more expensive than that coming from the United States, Europe would turn to the United States for oil supplies, which would not lighten America's oil burden. Additionally, Ickes' Tapline deal did not mention price arrangements, and so that power was left with the various British and American oil companies of the region.[178]

Opposition also came from the executive secretary of the Oil City Chamber of Commerce, Leon Gavin.[179] In 1860 Oil City became one of the major oil centres of the Oil Region together with Titusville, a historic location in the American oil industry as the Oil

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[175] Rep. Voorhis (CA) "American Oil Pipelines in Foreign Countries", *Congressional Record 90*, February 21, 1944, 1930.
[176] Ibid.
[177] Ibid. 1931
[178] Rep. Voorhis (CA) "Oil of Araby", *Congressional Record 90*, March 6, 1944, A1115.
[179] 'GAVIN, Leon Harry - Biographical Information', accessed 15 May 2018, http://bioguide.congress.gov/scripts/biodisplay.pl?index=G000102.

Region was where the first commercial well of the United States was drilled in 1859.[180] Aside from being the executive secretary of the Oil City Chamber of Commerce, Leon Gavin was also a Republican Representative to the United States House of Representatives and Gavin was also firmly opposed to the construction of the Tapline. He argued that such project went against the principles of American foreign policy and led the United States to the course of imperialism:

> "I used the word "imperialism" in the title of this speech. That is what I think it is. Imperialism is a policy of extending the domain or control of a nation. It is the kind of policy this Nation has always avoided. Uncle Sam has never attempted to gain sovereignty over other nations. I don't think you want to see him dress up in a turban now."[181]

But there were other issues apart from the potential formation of a British-American oil cartel. First, the construction period of the pipeline would outlive the war, as Congress did not thought the war would last two more years, so the Tapline could not be used to support the allied war effort in Europe.[182] Second, the Arabian Peninsula was a hostile environment to anyone who was not familiar to it, let alone American engineers and constructors, there were no roads, railways or settlement from which to direct the project through the desert, all this had to be built beforehand.[183] Third, some politicians on Capitol Hill were afraid that another conflict would break out after World War II, with the Arabian Peninsula in the middle of it all.[184] Gavin claimed that if an armed conflict were to break out anywhere between the British territories of Gibraltar and Singapore, the Tapline would find itself right in the midst of it, forcing the United States to deploy armed troops in the region to defend America's assets.[185] This argument was backed by Senator Nyes, who mentioned the contest between Russia and Great-Britain for influence and dominance in the region; the new pipeline would be at the

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[180] Yergin, *The Prize*, 17.
[181] Rep. Gavin (PA) "The Arabian Pipe Line-A Proposed Venture into Imperialism", *Congressional Record 90*, May 9, 1944, A2245.
[182] Ibid.
[183] Ibid.
[184] Ibid.
[185] Ibid.

extremities of both countries' sphere of influence as both nations had claims on either sides of the Persian Gulf.[186] Another regional struggle that needed to be taken into account was that between Arab nationalism and the quest for a Jewish national home. With Haifa as the proposed endpoint at the eastern shores of the Mediterranean in Palestine, the United States would be compelled to choose a side in this struggle to defend its interests, staying neutral was not an option according to the senator from North Dakota.[187]

But more importantly, because a commercial agreement was directly negotiated with the oil companies and the American government, Congress' constitutional powers were also violated according to Representative Gavin;

> "At the outset, they attempted to buy in the name of the Government and with taxpayers' money, the properties of the companies in Arabia. Mind you, this was not submitted to Congress it never has been to this day. Congress, I believe, is supposed to appropriate money and to have some say in what is spent at least, the Constitution says that is the case. The Senate's consent to treaties is required and treaties with the King of Arabia and the Sheik of Kuwait, which, in the latter instance, really means Great Britain, would be necessary to get the rights-of-way for a pipe line. No, Congress was not asked whether it might agree to this "Arabian Nights"."[188]

Some congressmen even went a step further than calling out the PRC for its imperialistic and unconstitutional practices. One month after Ickes' meeting with Rodgers and Collier, Oklahoman Senator Moore, who made a fortune in the small independent oil industry before defending these businesses in Congress, introduced a joint legislation to abolish Ickes' PRC, together with Senator Brewster from Maine. [189] [190] Senator Brewster was one of the five senators who went on a global inspection tour of the wartime petroleum operations for the Truman Committee in 1943. Brewster came back distressed over the exhaustion of America's

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[186] Sen. Nyes (ND) "The Arabian Oil Project", *Congressional Record 90,* April 12, 1944, A1743.
[187] Ibid.
[188] Rep. Gavin (PA) "The Arabian Pipeline Project", A2245.
[189] 'Moore, Edward Hall | The Encyclopedia of Oklahoma History and Culture', accessed 15 May 2018, http://www.okhistory.org/publications/enc/entry.php?entry=MO015.
[190] Sen. Moore (OK) "Liquidation and Dissolution of Petroleum Reserve Corporation", January 21, 1944, 497.

oil reserves.[191] The senatorial expedition concluded that "a heavy responsibility for consideration and final approval of this Nation's petroleum policy rests upon the Congress of the United States."[192] Brewster would also become chairman of the Truman Committee in 1947.

Senator Moore and Brewster's joint legislation was based around three arguments. First, the imperialistic nature of the PRC's projects with as its final objective the participation of the American government in oil experiments abroad was "a violation of the principles of law and tradition on which this Government was founded and on which it has so gloriously prospered."[193] Second, the PRC was on course to "destroy the greatest industrial nation on the face of the earth" by engaging the government into the field of private trade which will eventually destroy the private oil enterprise.[194] Finally, there was the legality of the PRC which was created under the Reconstruction Finance Corporation Act (RFC) of 1932. The RFC was expanded during the war to financially aid the sectors of agriculture, commerce and industry. Through the act, tin companies could for instance purchase extra amounts of tin if it was needed during the war. The PRC was originally created for the acquisition of petroleum but not for the business of producing, transporting, refining, and marketing of oil and petroleum products. [195]

Moore, like Representative Voorhis and Senator Conally proposed look within the borders of the United States for a solution. The senator indicated that if small and private oil corporations within the United States were given the money and the motivation mixed with the increasing industrial progress the oil industry had shown throughout its history, the

[191] Jr, *Aramco, the United States, and Saudi Arabia*, 97.
[192] U.S. Congress. Senate. Special Committee Investigating the National Defense Program. *Report of the Subcommittee Concerning Investigations Overseas, Section 1, Petroleum Matters*, 78th Cong. 2nd Sess. Washington D.C.: Government Printing Office, 1944, 518.
[193] Sen. Moore (OK) "The Oil Situation", *Congressional Record 90,* February 3, 1944, 1135.
[194] Ibid.
[195] Ibid.

reserves of the United States could go from 20 billion barrels to 25 to 35 billion barrels.[196] About Ickes, the senator from Oklahoma said: "In one breath he is socialistic and in the next he is imperialistic" claiming that "Ever since the socialistic and communistic-minded New Dealers took over, they have had their eyes on the oil industry as one of the choice plums to be picked."[197] This comment was a reaction to Ickes' *American Magazine* article in which the Secretary firstly stated that the oil of the world should be for everyone, before claiming that in order to safeguard peace, "uncivilized nations would be permitted to have oil only for current needs."[198] In the eyes of Moore, and many other representatives and senators, the oil shortage was "man-made" in order to discourage small oil companies so that through the consequential "repression of prices" the industry would be in hands of a few big companies like Socal and Texaco "which can be easily taken over or governmentally controlled, and will at the same time arouse public opinion in support of engaging this Nation in the oil business abroad."[199]

Six days later and three days after Ickes made his Tapline deal with Socal, Texaco and Gulf public, Senator Brewster and Senator Moore's joint resolution evolved into the Special Committee to Investigate Petroleum Resources, which was meant to study the PRC, the Tapline project and "all similar proposals from top to bottom."[200] Brewster questioned Senator McKellar, the Chairman of the Appropriation Committee, one of the most powerful committees in the Senate since it had the authority to write the legislations that allocates annual federal funds to the many government agencies, departments, and organizations.[201] Brewster asked if whether or not the Appropriations Committee had provided the necessary funds for the Tapline Project, McKellar, who had urged for an oil embargo on Britain in 1921,

[196] Ibid.
[197] Ibid.
[198] Ibid.
[199] Ibid.
[200] Sen. Brewster (ME) "Investigation of Government Activity in the Oil Industry – Petroleum Reserve Corporation", *Congressional Record 90,* February 9, 1944, 1466.
[201] ‘U.S. Senate Committee on Appropriations’, 13 October 2005, https://web.archive.org/web/20051013065730/http://appropriations.senate.gov/jurisdiction/jurisdiction.htm.

responded in the negative.[202] Again, Brewster argued, Congress' constitutional powers were bypassed.

The Special Committee to Investigate Petroleum Resources' first chairman was Senator Maloney; the senator was accustomed to America's oil matters as he chaired the Special Committee to Investigate Gasoline and Fuel-Oil Shortages. When the end of the war in Europe was in sight after D-Day, the military dropped its support for PRC plans and the alliance of critics and opponents of the PRC and the Tapline were eventually successful in dismantling the PRC after the war, which prompted the abandonment of the Tapline project altogether.

To conclude this chapter, the initial report of the Special Committee to Investigate Gasoline and Fuel-Oil Shortages showed that there was no need to be worried about America's oil position in the world. That changed with Congress' declaration of war against Japan on the 8 December 1941, since engaging the United States in the Second World War had to take into account the armed forces' considerable petroleum consumption. Between 1941 and 1945, America's yearly oil production increased with more than 360 million barrels.[203] Senator Maloney urged for the creation of a central authority to manage America's petroleum resources, and the PAW together with the PRC would be that central authority under the leadership of Harold Ickes, also the serving Secretary of the Interior. Ickes' stock purchase plan backfired as soon as the deal became public, urging the creation of Senator Brewster and Moore's Special Committee to Investigate Petroleum resources. At the same time negotiations for the Tapline proposal were underway and led by Ickes, timing could not have been worse. Additional congressmen, who were familiar with the oil industry, came forward to denounce the Tapline plan and Ickes' practices. Opposition in Congress came from

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[202] Sen. McKellar (TN) "Investigation of Government Activity in the Oil Industry – Petroleum Reserve Corporation", *Congressional Record 90,* February 9, 1944, 1468.

[203] *Petroleum Facts and Figures*, 5.

different angles; questions were raised about the PAW, its functioning and close ties with Socal and Texaco in Saudi Arabia, but also how its endeavours could impact the oil industry within the United States. Representative Gavin was concerned over the imperialistic nature of the PRC and its proposals. Senator Moore and Brewster, claimed that the PRC was acting unconstitutionally, but senators and representatives agreed that the funds used to support Ickes' plans abroad could be help promote the oil industry at home in order to diminish America's oil deficit. As a result, congressional opposition was essential in the dismantling of the PRC, as the oil companies based in the United States worked with their representatives and senators to defend their interest. To this alliance between Capitol Hill and American based oil companies, having the government as a competitor was simply not an option. The sentiment present in both houses of Congress at the end of the war can best be summarized by Representative Woodruff:

> "The project [Tapline] does definitely put the Government into the oil business. It is a big step forward toward Government-owned, Government-controlled, and Government-regimented industry, and toward a national economy based on Marxistic economic principles. These principles, which so effectively have enslaved the Old World, we propose to keep off our shores. This is still America, and it is to preserve this America that we went to war-not to fall victims ourselves to the ills of dying Europe."[204]

[204] Rep. Woodruff (MI) "The Mystery of the Arabian Pipe Line", *Congressional Record, 90,* March 24, 1944, A1469.

Congress and the Post-War Petroleum Order

With the Second World War drawing to a close, chapter three of this thesis examines Capitol Hill's standpoint on Saudi oil in the immediate years after the war, up until 1948, when the Aramco merger was finalized.

The Anglo-American Oil Agreement

In 1943, the British were in control of 81% of Middle East oil production while 14% was in American hands.[205] With these numbers in mind, Congress disapproved that the United States provided the necessary oil for the allies in Europe.[206] The War Department however approved supplying oil because they feared that if the British were to provide the oil for the war in Europe, more British refineries would have to be built in the Middle East thus strengthening the British position in the region, something the Roosevelt administration wished to avoid, especially after DeGolyer's expedition.[207]

Whereas Ickes looked for a way to include the United States government in the petroleum industry in Saudi Arabia through the stock purchase plan and the Tapline project, State preferred establishing a form of cooperation in the region with the British. The Roosevelt administration looked for a way to "eliminate the restrictive practices (The Red Line Agreement) imposed by the British on American companies operating in the Middle East."[208] By December 1943, shortly after the creation of Ickes' PRC, Secretary of State Cordell Hull issued a letter to the British Ambassador to ask to formally open talks on a

[205] U.S. Congress. Senate. Committee on Foreign Relations. Subcommittee on Multinational Corporations. *Multinational Oil Corporations and United States Foreign Policy,* 42.
[206] Ibid.
[207] Halford Hoskins, 'Needed: A Strategy for Oil.', *Foreign Affairs* 29, no. 1 (1950): 230.
[208] U.S. Congress. Senate. Committee on Foreign Relations. Subcommittee on Multinational Corporations. *Multinational Oil Corporations and United States Foreign Policy,* 42.

cooperation agreement regarding post war development on Middle Eastern oil.[209] Ickes disapproved of State being in charge of such an agreement and asked President Roosevelt if he could be the one leading the talks for the American delegation. Ickes was eventually appointed vice-chairman of the American delegation by the President, with everyone assuming that he would eventually lead the negotiations himself.[210] This episode shows that by December 1943, the control of foreign oil policy seemed to be fought out between the State Department and Harold Ickes.

Signed in August 1944, the Anglo-American oil agreement would operate around an International Petroleum Commission composed of eight members, four from each country with close ties to the petroleum companies, this proved to be the major point of discussion in Congress.[211] The commission would estimate and examine the worldwide demands of oil and allocate production quotas to various countries that were in demand, the commission would also advise both governments on the development and promotion of the global petroleum industry.[212] In reality, the purpose of the agreement was to even out the supply chain by managing the exceeding amount of oil that was coming from the Middle East.[213]

The vaguely worded agreement was submitted as a treaty to the Senate by Senator Connally on August 25th so it could give its advice and consent for ratification.[214] George Hill, President of the Houston Oil Company and prominent member of the Independent Petroleum Association, was one of the ten members of the American oil industry named by

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[209] *Foreign Relations of the United States*, Diplomatic Papers, Volume IV, The Near East and Africa, 1943, eds. E. Ralph Perkins, Ralph R. Goodwin and Laurence Evans. (Washington: Government Printing Office, 1964), Document 1008.
[210] Jr, *Aramco, the United States, and Saudi Arabia*, 83.
[211] Yergin, *The Prize*, 384.
[212] Ibid.
[213] Ibid.
[214] Sen. Connally (TX) "Petroleum Agreement with Great Britain and Northern Ireland - Ban of Secrecy Removed", *Congressional Record 90*, August 25, 1944, 7304.

the State Department to advise the American delegation negotiating the agreement.[215] Together with Ralph Zook, the President of the Independent Petroleum Association, Hill made his protest known to the delegation as both men saw this as a legal justification for the American government to control its domestic oil producers.[216] Hill's protests were relayed to the Senate by none other than Senator Moore from Oklahoma.

Hill summarized in ten points why the proposed deal with Britain should be opposed. Because it was a treaty, it could give Congress regulatory powers along with the agreement's commission. Additionally, with the influence of the major oil companies within the commission the small independent oil companies believed that the antitrust laws would not be respected.[217] In a *New York Times* article, Senator Connally stated that the treaty was "unfair for the American oil Industry."[218] The Senate minority leader, Republican Senator White from Maine also came forward, along with Ralph Zook, to oppose the treaty because he did not want an international organization regulating America's oil production.[219]

The Anglo-American Petroleum Agreement was also against the foundations of one of the most important documents of the post-World War II era; the Atlantic Charter. The document, signed by President Roosevelt and Prime Minister Winston Churchill in August 1941, is considered as the starting point of the transition of power over international proceedings from Great Britain to the United States. Commerce was one of the key issues, as illustrated by point four of the charter.[220] Senator Moore shared George Hill's concern on this issue, stating that with the distribution of oil in the hands of the United States and Britain, and

[215] Jr, *Aramco, the United States, and Saudi Arabia*, 89.
[216] Ibid.
[217] Sen. Moore (OK) "Anglo-American Oil Agreement", *Congressional Record 90,* September 15, 1944, A4066.
[218] 'PACT WITH BRITAIN ON OIL FACES DOOM: Connally Calls Treaty Signed by Stettinius "Unfair" to Our Petroleum Industry', *New York Times*, 1944.
[219] Ibid.
[220] NATO, '"The Atlantic Charter" - Declaration of Principles Issued by the President of the United States and the Prime Minister of the United Kingdom', NATO, accessed 14 May 2018, http://www.nato.int/cps/en/natohq/official_texts_16912.htm.

with significant influence from both countries biggest oil companies, there was "no hope of any healthy and expanding international trade in the years after the war."[221] Although submitted to the Senate for ratification a vote on the Anglo-American oil agreement never took place.[222]

At Ickes insistence, the agreement was modified immediately after the war, more precisely, the language describing the powers of the International Petroleum Commission was changed to try and convince its fiercest opponents.[223] The commission was restricted to studies and reports, governments did not have to comply with the commission's findings and the agreement would not stand in the way of importation legislations of either country.[224] The Foreign Relations Committee voted in favour of ratification by the Senate by 11 to 1 with only Senator Connally voting against it, as the Texas independents were the ones who were primarily opposed to the revised version of the treaty and looked to their Senator for support.[225] At the same time, Ickes threatened to resist President Truman's appointee as Undersecretary of the Navy; Edwin Pauley, a member of the Californian oil industry.[226] Ickes threatened to resign, believing that this would put pressure on Truman and thus forcing the President to agree with the Secretary, Ickes used this strategy before and with success under President Roosevelt during the war.[227] But the war was over, and Roosevelt and Truman were not the same, President Truman accepted Ickes' resignation, and the Anglo-American Petroleum Agreement was left without government support. It was still submitted to the

[221] Sen. Moore (OK) "Anglo-American Oil Agreement", *Congressional Record 90,* A4070.
[222] U.S. Congress. Senate. Committee on Foreign Relations. Subcommittee on Multinational Corporations. *Multinational Oil Corporations and United States Foreign Policy,* 43.
[223] Jr, *Aramco, the United States, and Saudi Arabia*, 130.
[224] Ibid. 131.
[225] Ibid. 132.
[226] Yergin, *The Prize*, 388.
[227] Ibid.

Senate for ratification where it was never voted on, before it was finally killed by the State Department in 1952.[228]

The question of who would manage the global allocation of Middle Eastern oil was still open, and with the failure of the Anglo American Petroleum Agreement, it became clear that the oil companies of the world would find the answer to that question.[229]

The Truman Doctrine & the Aramco Merger

Vice President Harry S. Truman took over the presidency after Franklin Roosevelt's death in April 1945; the Missourian was immediately challenged from all sides. Shortages and rationings followed immediately after the war and Truman also got rid of some prominent New Dealers he inherited from his predecessor.[230] In the wake of the 1946 midterm elections Truman even managed to alienate the unions, the backbone of Democratic candidates.[231] Needless to say, Republicans were eagerly waiting for Election Day.

The GOP was victorious and won the majority in both houses for the first time in 15 years.[232] In California's 12th district, House Representative Jeremiah Voorhis lost to none other than future president Richard Nixon.[233] Though both candidates could not have been further apart ideologically, Nixon's over 15,000 vote victory shows the consequences of Truman's domestic policies.[234] For Owen Brewster, the senator who believed that Congress had a vital role to play in the distribution of American oil both at home and abroad after his

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228 Jr, *Aramco, the United States, and Saudi Arabia*, 132.
229 Ibid.
230 William E. Leuchtenburg, 'New Faces of 1946', *Smithsonian* 37, no. 8 (November 2006): 48–54.
231 Ibid.
232 'Congress Profiles | US House of Representatives: History, Art & Archives', accessed 22 November 2018, https://history.house.gov/Congressional-Overview/Profiles/80th/.
233 Glenn Fowler, 'Jerry Voorhis, '46 Nixon Foe', *The New York Times*, 12 September 1984, sec. Obituaries, https://www.nytimes.com/1984/09/12/obituaries/jerry-voorhis-46-nixon-foe.html.
234 'Voorhis, Horace Jeremiah (1901-1984), Congressman | American National Biography', accessed 22 November 2018, http://www.anb.org/view/10.1093/anb/9780198606697.001.0001/anb-9780198606697-e-0700628.

voyage around the world for the Truman Committee, the elections had a different outcome as he was re-elected as Senator of the Pine Tree State.[235]

Tensions between the allies were palpable in the months following the end of World War II. The first challenge came during the Potsdam conference where the Soviet Foreign Minister, Molotov wanted to form a joint Turkish-Soviet defence pact of the Dardanelles and the Bosporus, which was meant to allow the construction of Russian fortifications along the straits.[236] Turkey refused, and Ankara looked to the Americans for support while the Soviets were reportedly assembling troops at the Bulgarian border and in the Caucasus.[237] At the same time, Nikos Zachariadis, the leader of the Greek Communist Party was back in Greece after a short stay in Moscow to revive the revolutionary struggle in his homeland declaring that "no power, including the Anglo Saxons will stop this advance."[238] The scenes in both countries differed, but because of their geography they were very close to American interests not only in Europe but also in the Middle East. As the situation in Turkey further deteriorated, the Secretaries of War, Robert P. Paterson, and Navy, James Forestall presented a memo to President Truman in which they claimed that the Soviet Union would not retreat by the means of "skilful arguments and appeal to reason", but only through " the conviction that the United States is prepared, if necessary, to meet aggression with force of arms."[239] The President responded in the affirmative, declaring that he was prepared to pursue the matter "to the

[235] 'BREWSTER, Ralph Owen - Biographical Information', accessed 16 May 2018, http://bioguide.congress.gov/scripts/biodisplay.pl?index=B000816.
[236] Barın Kayaoğlu, 'Strategic Imperatives, Democratic Rhetoric: The United States and Turkey, 1945-52', *Cold War History* 9, no. 3 (August 2009): 324, https://doi.org/10.1080/14682740902981403.
[237] Ibid. 325.
[238] Eduard Mark, 'The War Scare of 1946 and Its Consequences', *Diplomatic History* 21, no. 3 (1 July 1997): 395, https://doi.org/10.1111/1467-7709.00078.
[239] *Foreign Relations of the United States*, Diplomatic Papers, Volume VII, The Near East and Africa, 1946, ed. Everett Gleason, (Washington: Government Printing Office, 1969), Document 659.

end."[240] In addition, in early 1947, Britain asked the United States to take over their responsibility of supporting the Greek economy.[241]

Truman addressed a joint session of Congress on March 12, 1947 to ask Capitol Hill for $400 million dollars of aid to Greece and Turkey with a more reserved choice of words:

> "I believe that it must be the policy of the United States to support free peoples who are resisting attempted subjugation by armed minorities or by outside pressures. I believe that we must assist free peoples to work out their own destinies in their own way. I believe that our help should be primarily through economic and financial aid which is essential to economic stability and orderly political processes."[242]

These words were later used to describe the principles of the Truman doctrine which laid out the foundations of Truman's containment policy. But there is one other phrase that is worth mentioning: "That [Turkish national] integrity is essential to the preservation of order in the Middle East."[243] What "order" exactly means in this context is open for debate. According to David S. Painter, a Cold War and United States foreign policy historian, the word "oil" was voluntarily left out of the agreement to focus on fighting communist expansion in the region, but access to oil remained a critical element of the Truman doctrine.[244]

The next day, Truman got help and support from an unlikely hand: Republican Senator Vandenberg. In a Republican Dominated Congress; Senator Vandenberg wielded considerable influence and power in foreign affairs as he was both the President pro tempore of the Senate and succeeded Senator Connally as chairman of the Senate Foreign Relations Committee.[245] The senator from Michigan spoke to the press the same day President Truman

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[240] Ibid.
[241] Yergin, *The Prize*, 404.
[242] 'Avalon Project - Truman Doctrine', accessed 20 November 2018, http://avalon.law.yale.edu/20th_century/trudoc.asp.
[243] Ibid.
[244] David S. Painter, 'Oil and the American Century', *The Journal of American History* 99, no. 1 (2012): 29, https://doi.org/10.1093/jahist/jas073.
[245] Joseph C. Satterthwaite, 'The Truman Doctrine: Turkey', *The Annals of the American Academy of Political and Social Science* 401, no. 1 (1972): 76, https://doi.org/10.1177/000271627240100109.

made his address, declaring: "The independence of Greece and Turkey must be preserved, not only for their own sakes, but also in defense of peace and security for all of us", before advising his fellow legislators to "carefully determine the methods and explore the details in so momentous a departure from our previous policies."[246]

Congress immediately raised questions about the President's possible hidden objective of protecting the valuable oil resources in the Middle East. While the bill was being discussed, Senator Taylor from Idaho, a Democrat, who opposed the Truman Doctrine, asked: "Can we not detect a rather oily smell here?"[247] Whilst claiming that the protection of Middle Eastern oil reserves as one of the main arguments for aid to Greece and Turkey had persistently been denied.[248] Senator Taylor even declared that the bill was a stratagem from the Navy and Army Department, to secure the access to Middle Eastern reserves, inquiring if "the position of the Army and Navy carries decisive weight in the shaping of our foreign policy?"[249] Both departments were close to the big oil companies present there he claimed, and the Senator believed that these companies had more to gain if the status quo in the region was maintained.[250]

Senator Johnson from Colorado asked for the addition of an amendment to the bill which declared that the government will not try, through this bill, to support the private endeavours American oil companies in the Persian Gulf had with local governments.[251] In an extension of remarks Senator Johnson used past examples, when former presidents, and members of the administration used certain geopolitical situations to other ends. When Henry Cabot Lodge appealed to the administration to stay out of the League of Nations, it was only

[246] Ibid.
[247] Sen. Taylor (ID) "Aid to Greece & Turkey", *Congressional Record 93*, April 15, 1947, 3387.
[248] Ibid.
[249] Ibid. 3388.
[250] Ibid.
[251] Sen. Johnson (CO) "Aid to Greece & Turkey", *Congressional Record 93*, April 15, 1947, 3400.

to secure an oil deal with Colombia, when President Theodore Roosevelt intervened in the nearby Caribbean countries it was only to secure the area for the future Panama Canal.[252]

Another member, Senator Pepper from Florida, took a different approach. He proposed that Middle Eastern oil be distributed according to the principles of point four of the Atlantic Charter, and, that the Soviet Union be allowed free access to the oil fields of the Middle East so that it would not feel excluded like the United States would be with Mexico.[253] He suggested that the straits of the Dardanelles be placed under the supervision of the Security Council of the United Nations, not knowing if the Soviets would be satisfied with such a deal.[254] But there was no support for this proposal.

Certain Members from the House of Representatives saw it differently and supported President Truman's aid plan to Greece and Turkey, not only to support these countries for their fight against Communism, but also for the nearby oil resources. Representative Bolton from Ohio, a Republican, suggested that the demands of 'Abd al-' Aziz should be met to bolster the relations between the United States and Saudi Arabia.[255] Representative Merrow from New-Hampshire, another Republican, argued that the United States should protect the $250,000,000 that had already been invested by private companies so far in the Middle East and prevent a foreign force from threatening the oil supplies that are essential to the security of the United States.[256] Coming to the aid of Turkey and Greece he said will call the Soviet's bluff and prevent a third world war, as according to him, the Soviet Union was not strong enough to prepare for a new conflict, adding: "We must prevent the Mediterranean and the Middle East from falling into the hands of a power who refuses to honor her agreements and

[252] Sen. Johnson (CO) "Hunger, Canals, and Oil Fields in the Near East", *Congressional Record 93*, April 21, 1947, A1801.
[253] Sen. Pepper (FL) "Aid to Greece and Turkey", *Congressional Record 93*, April 17, 1947, 3605.
[254] Ibid.
[255] Rep. Bolton (OH) "Conditions in Europe, the Near East, and the Middle-East", *Congressional Record 93*, December 2, 1947, 1102.
[256] Rep. Merrow (NH) "The United States and Russia", *Congressional Record 93*, April 10, 1947, 3316.

whose policy is, through Moscow-dominated Communist parties, to control the entire world."[257]

On the 22nd of May 1947, President Truman signed the bill to aid Greece and Turkey into law after it was approved by both houses with a considerable majority.[258] The proposed amendments of Senator Johnson were approved by the Senate but not the House of Representatives.[259] With the insistence of Senator Vandenberg, and with the support of other lawmakers, who did not want to bypass the United Nations, the preamble read; "Whereas the United Nations is not now in a position to furnish to Greece and Turkey the financial and economic assistance which is immediately required."[260] The bill also said, in one instance, that American aid would be withdrawn if "the Security Council or the General Assembly finds that United Nations assistance or action makes aid by the United States unnecessary or undesirable."[261] The argument for the Inclusion of the UN in the deal came at the insistence of a number of senators who did not want the project to fail like the League of Nations did.[262]

During Truman's foreign policy commitments, things were moving in Saudi Arabia as well. By 1946 Socal realized that its accumulated $80 million investment into Aramco would have to be augmented to market its ever so increasing oil quantities of Saudi oil.[263] In addition, Socal and Texaco would have to come up with an additional $100 million to construct the pipeline that would transport the oil to European markets.[264] More importantly, if the oil ever reached Europe, how was it going to be marketed? As neither Socal nor Texaco had market shares in that area and fighting for it might be a costly challenge.[265] The situation

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[257] Ibid.
[258] Satterthwaite, 'The Truman Doctrine', 78.
[259] 'CQ Almanac Online Edition', accessed 22 November 2018, https://library.cqpress.com/cqalmanac/document.php?id=cqal47-893-29543-1397927.
[260] An Act to Provide Assisstance to Greece and Turkey, S.R. 938, 80th Cong. (1947).
[261] Ibid.
[262] Satterthwaite, 'The Truman Doctrine', 79.
[263] Yergin, *The Prize*, 393.
[264] Jr, *Aramco, the United States, and Saudi Arabia*, 145.
[265] Yergin, *The Prize*, 393.

was made more difficult when 'Abd al-' Aziz, who was aware of the high quantities of oil coming out of the ground, pushed Aramco for more oil production.[266]

The solution to all these problems was simple: bring other companies into Aramco through a joint venture. Since Congress, the Administration in Washington and the King himself insisted that Aramco remained in American hands and preferably companies that were present in the region, only two companies were qualified: Standard oil of New Jersey and Socony-Vacuum.[267] Talks started in the spring of 1946.[268] The main obstacle was convincing the IPC partners of the Red Line Agreement, which is why Socony and Jersey looked to Washington for support. The oil companies and Washington claimed that the Red Line Agreement was rendered void in June 1940 when France surrendered to Germany and technically became an enemy of Great-Britain, and that as a result, under British law; there was no provision under which the agreement could be maintained.[269] Interestingly, during this meeting, there was no mention of a merger with Aramco.[270] State was only informed of a possible merger in November 1946.[271] Nevertheless, the British agreed to let the Americans go. Convincing Gulbenkian and the French however, proved to be more difficult. After much tense negotiations, the French were given an improved position in IPC in May 1947, but no participation in Aramco, which they initially asked for.[272] Gulbenkian got a higher allocation of oil, which increased his flow of money.[273] The agreement between the four companies was signed in the spring of 1947, before the French and Gulbenkian conceded.

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[266] Ibid.
[267] Ibid. 394.
[268] Ibid.
[269] *Foreign Relations of the United States*, Diplomatic Papers, Volume VII, The Near East and Africa, 1946, ed Everett Gleason, (Washington: Government Printing Office, 1969), Document 14.
[270] Ibid.
[271] Jr, *Aramco, the United States, and Saudi Arabia*, 152.
[272] Yergin, *The Prize*, 389.
[273] Ibid. 400.

Socony and Standard oil of New Jersey paid nearly half a billion dollars to Socal and Texaco.[274] In exchange, New Jersey got 30% of Aramco shares, just like Socal and Texaco, Socony on the other hand agreed to 10% because they did not consider Middle Eastern oil to be safe enough.[275] It should be noted that the Aramco Merger barely encountered any opposition in Congress. Senator Johnson, who asked for a special oil amendment to be included in the bill for Greece and Turkey, relayed the words of the Chairman of the Special Petroleum Committee (the former Special Committee to Investigate Petroleum Resources); Senator O'Mahoney from Wyoming. O'Mahoney was a strong opponent of monopoly capitalism and supported government regulation and supervision of large scale corporations, to protect consumers and small entrepreneurs.[276] Johnson declared that O'Mahoney had previously stated that although the Standard Empire had been dissolved by the United States Supreme Court in 1911 because of anti-trust violations, the Aramco Merger would allow the three Standard Oil companies (New Jersey, Socony, California) to be as they were before 1911 and influence to worldwide flow of oil because of the vast petroleum resources in the Saudi Arabia.[277] O'Mahoney himself intervened to correct the claims made by his fellow senator, affirming:

> "I did not mean to imply by that statement that any of those companies was by that fact violating the antitrust laws, although it is clear that the companies are in a position to make restrictive agreements. I was pointing out the fact that in the modern world the process of organization has gone so far that many corporations have become much larger than most cities and many States, and that in Saudi Arabia and in the Middle East these companies have control of oil reserves much vaster than those of the old Standard Oil trust."[278]

[274] U.S. Congress. Senate. Select Committee on Small Business. Subcommittee on Monopoly. *The International Petroleum Cartel,* 124.
[275] U.S. Congress. Senate. Committee on Foreign Relations. Subcommittee on Multinational Corporations. *Multinational Oil Corporations and United States Foreign Policy,* 117.
[276] ‘O’Mahoney, Joseph Christopher (1884-1962), U.S. Senator | American National Biography’, accessed 18 December 2018, http://www.anb.org/view/10.1093/anb/9780198606697.001.0001/anb-9780198606697-e-0700222.
[277] Sen. Johnson (CO) "Aid to Greece and Turkey", *Congressional Record 94,* April 15, 1947, 3399.
[278] Sen. O'Mahoney (WY) "Aid to Greece and Turkey", *Congressional Record 94,* April 15, 1947, 3399.

O'Mahoney even added that the aid to Greece and Turkey was "anything more than evidence upon the part of the United States of a desire to continue its traditional stand as a defender of the right of self-determination by all peoples and all nations."[279]

The European Recovery Program (ERP)

Almost Immediately after World War II, Europe and Britain's comeback onto the world stage met a setback when it was hit by different challenges. 1946 proved to be coldest winter of the 20th century yet.[280] The outcome of the war also provoked an oil shortage as the oil wells in Eastern Europe were now under Soviet control.[281] The weather and Europe's post war state provoked serious agricultural problems in Belgium, France, Germany and Italy where crops barely reached their pre-war averages.[282] With the energy crisis came a European economic crisis; just like after World War I, Europe did not have enough US dollars to buy the goods it needed to get back on its feet.[283] Added to all that, it became clear to Whitehall that Britain was not the global power it once was; the British mandate of Palestine was handed over to the United Nations in February 1947, Greece's financial situation was passed on to the United States, and India was allowed to become independent in the summer of 1947.[284]

In June 1947 at Harvard University, Secretary of State George Marshall announced a plan for European economic reconstruction; it became known as the European Recovery

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[279] Ibid.
[280] Yergin, *The Prize*, 404.
[281] David S. Painter, 'Oil and the Marshall Plan', *The Business History Review* 58, no. 3 (1984): 361, https://doi.org/10.2307/3114553.
[282] J. Bradford De Long and Barry Eichengreen, 'The Marshall Plan: History's Most Successful Structural Adjustment Program', Working Paper (National Bureau of Economic Research, November 1991), 14, https://doi.org/10.3386/w3899.
[283] Ibid. 21.
[284] 'Indian Independence Act 1947', Text, accessed 22 November 2018, http://www.legislation.gov.uk/ukpga/Geo6/10-11/30.

Program (ERP) also known as the Marshall Plan.[285] The plan was signed into law on April 3rd 1948, under the name: Economic Cooperation Act (ECA), and provided over the course of three years more than $13 billion in aid to Western Europe from 1948 to 1951.[286] Oil proved to be one of the major components of the ERP, as less than twenty percent of the total aid between 1948 and 1951 was spent on petroleum.[287] But oil, according to David Painter, was also one of the more overlooked elements in recent studies of the Marshall Plan.[288] By 1948, the United States was importing more petroleum than they were exporting.[289] It became therefore clear that, with current consumption rates, petroleum could not be shipped from the United States to Europe as section 112 of the ECA demonstrated: "The procurement of petroleum and petroleum products under this title shall, to the maximum extent practicable, be made from petroleum sources outside the United States;…"[290] The question now was; if not oil from the United States, then from where, and how? American oil fields in the Middle East and a pipeline provided the answer to the question.

Convincing Capitol Hill might prove to be a challenge on its own, given the debates on the Tapline in 1944. For that reason, Secretary of the Navy James Forrestal, took the initiative. Forrestal was a key player in bringing Socal and Texaco together in Saudi Arabia in 1936, he had pushed the State Department for more involvement in the Middle Eastern oil fields of Saudi Arabia in 1944 because they were essential to "the supplementing of Western Hemisphere oil reserves as a source of world supply" and "the expansion, or at least the preservation of the continuity, of ownership by United States nationals of oil reserves outside

[285] Painter, 'Oil and the Marshall Plan', 360.
[286] De Long and Eichengreen, 'The Marshall Plan', 2.
[287] Yergin, *The Prize*, 406.
[288] David S. Painter, 'The Marshall Plan and Oil', *Cold War History* 9, no. 2 (2009): 159, https://doi.org/10.1080/14682740902871851.
[289] Jr, *Aramco, the United States, and Saudi Arabia*, 38.
[290] *Economic Cooperation Act*, 1948, s. 112.

of the continental United States."[291] To convince Congress for more American involvement in the region to secure Middle Eastern oil for the Marshall Plan, Forrestal had lunch with the chairman of the Truman Committee; Senator Owen Brewster. During their lunch in May 1947, the secretary argued that Middle Eastern oil was absolutely necessary for the United States not only in war time but also in times of peace to transport the necessary fuel to American allies.[292] Brewster's position changed compared to his fierce opposition of the PRC with Senator Moore. He acknowledged Forrestal's reasoning by declaring that "Europe in the next ten years may shift from a coal to an oil economy and therefore whoever sits on the valve of Middle East oil may control the destiny of Europe."[293] Brewster's preoccupation was with the sending of American forces in the region if the Soviet Union decided to make a move on Arabian oil fields.[294] Forrestal responded that it would never be his intention to send troops so far away, but that it would also never come to that given the Soviet's limited logistical and industrial capabilities.[295]

With new partners and additional funds, Aramco had what it needed to construct the Trans Arabian Pipeline to get the oil to Europe. It was basically the same pipeline proposed by Ickes, but because Gulf Oil was not a part of Aramco there was no intention to let the oil depart from Kuwait. Contrary to 1945 Aramco had to pay for the project without government funding. The project faced two challenges, both at the same time. First there was the Palestine issue. With the British mandate coming to an end in the final months of 1947 and with the United Nations advising for the partition of the state of Palestine, which the United States approved, many Arab countries made sure to express their disapproval towards Washington

[291] *Foreign Relations of the United States*, Diplomatic Papers, Volume V, The Near East, South Asia, and Africa, The Far East, 1944, eds. E. Ralph Perkins, Ralph R. Goodwin and Laurence Evans, (Washington: Government Printing Office, 1965), Document 824.
[292] James Forrestal and Walter Millis, *The Forrestal Diaries* (San Francisco: Lucknow Books, 2014), 272.
[293] Ibid.
[294] Ibid.
[295] Ibid.

by threatening to block the construction of the Tapline which had to go through a number of Arab states, Saudi Arabia was also put under pressure by its Arab allies to cease diplomatic relations with the United States.[296] The Saudi government however, saw no reason to do this as it would not be in the Saudi government's interest to do so.[297] To not undermine his considerable source of wealth and reminiscent of his teachings in international politics in Kuwait, the king successfully distinguished Aramco, a privately owned American oil company which had intentions of its own, from American foreign policy objectives elsewhere in the region.[298]

Aramco was also hesitant on distancing itself from the government as it needed help for the second problem occurring simultaneously with the Palestine debacle; convince Congress to allocate steel for the Tapline project. With a steel shortage in the United States, exports were restricted and the Department of Commerce decided to suspend the export licence in July 1947 while the matter was being analysed, as a result, Aramco officials immediately looked to their allies in the administration for support of the project which was provided by the State and Navy Department.[299] By September, steel was being finally reshipped to the Arabian Peninsula.[300]

However, congressional opposition to the steel allocation remained. Senator Wherry, a Republican from Nebraska, and the chairman of the Senate Small Business Committee, suggested that the 30.000 tons of pipeline steel that were being shipped to Saudi Arabia were useless due to the Palestine issue because troubles there prevented the pipeline from being

[296] *Foreign Relations of the United States*, Diplomatic Papers, Volume V, The Near East and Africa, 1947, ed. Everett Gleason, (Washington: Government Printing Office, 1971), Document 459.
[297] *Foreign Relations of the United States*, Diplomatic Papers, Volume V, The Near East and Africa, 1947, ed. Everett Gleason, (Washington: Government Printing Office, 1971), Document 934.
[298] Yergin, *The Prize*, 408.
[299] Jr, *Aramco, the United States, and Saudi Arabia*, 175.
[300] Ibid. 176.

built.[301] He argued that the steel could have been used to construct pipelines at home to provide petroleum to United States citizens.[302] Pressure from Senator Wherry and the Small Business Committee paid off, in June 1948, the senator from Nebraska called for an executive meeting with Secretary of State Marshall, Secretary of National Defense Forrestal, Secretary of Commerce Sawyer, and Assistant Secretary of the Navy W. John Kenney.[303] Sawyer announced that further steel shipments to the Persian Gulf would be cancelled for the rest of the year due to the first Arab-Israeli war that was dividing the region. [304] As a result, the pipeline was still being constructed with the remaining steel, albeit at a reduced rate.[305]

As expected, Aramco executives resisted this new proposal along with the Office of Near Eastern and African Affairs. The latter issued a letter to the State Department in August encouraging the construction of the Tapline:

> "In the recent setback suffered by all American interests in the Near East as a result of our stand on Palestine American business firms have seemed to suffer less than either US Government or American cultural interests in the area. It may well be therefore, that the oil companies are in a position to recover lost ground in the Near East sooner than US Government or other private interests."[306]

Secretary of State Marshall went back on his decision to support the export limitations by addressing a letter to Secretary of Commerce Sawyer, focusing more on the political and commercial gains of such a project. Marshall pointed towards the importance of oil for the reconstruction of Europe, and the substantial relief that the Tapline would procure to reserves in the Western Hemisphere, before adding that the sustained construction of the Tapline might bring peace to the region and "off-set certain disruptive tendencies conducive to the spread of

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[301] Sen. Wherry (NE) "The Fuel-Oil Shortage", *Congressional Record 94*, January 30, 1948, 776.
[302] Ibid.
[303] Sen. Wherry (NE) "Saudi Arabian Pipeline", *Congressional Record 95*, March 11, 1949, 2222.
[304] Ibid.
[305] Ibid.
[306] *Foreign Relations of the United States*, Diplomatic Papers, Volume V, Part 1, The Near East, South Asia and Africa, 1948, eds,. Herbert Fine, David H. Stauffer (Washington: Government Printing Office, 1975), Document 25.

communism."[307] Sawyer too was now convinced that steel exports should be resumed, and on the 24th of February 1949, a licence to export was approved for Aramco.[308] Wherry still resisted by proposing an amendment to the ECA bill to allow very small businesses, like oil companies to stimulate their participation recovery of Europe.[309] But he was alone in this approach, even Senator Connally, the man who had defended the Texas oil industry, came forward in opposition to this amendment, claiming: "There is no need of stimulation. The oil industry is sufficiently scientific, sufficiently interested, and sufficiently virile to do all these things [production and refinement of oil] without any stimulation on the part of the Government."[310] Construction on the Tapline resumed in Saudi Arabia, undisturbed, before it became operational to supply Europe from its endpoint in Sidon, Lebanon, with the vital oil it needed in November 1950.[311] (Annex B)

As with the PRC, Congress saw in the Anglo-American petroleum agreement another way for the government to get into the oil business by associating itself with the British. In addition, Capitol Hill was quick to come forward to defend the private oil industry within the United States. But the Truman administration realized that its foreign policy objectives in the Middle East could be achieved by the promotion of the Aramco merger between four major American oil companies. Some of the more influential members of Congress, like Senator Brewster and O'Mahoney understood the post war reality and the importance the oil of Saudi Arabia would play in the future, particularly for Europe. Other lawmakers were quick to concur; "Whoever has his hand on the oil valve controlling the oil supply from the Middle

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[307] *Foreign Relations of the United States,* Diplomatic Papers, Volume V, Part 1, The Near East, South Asia and Africa, 1948, eds,. Herbert Fine, David H. Stauffer (Washington: Government Printing Office, 1975), Document 29.
[308] Sen. Wherry (NE) "Saudi Arabian Pipeline", *Congressional Record 95,* 2223.
[309] Sen. Wherry (NE) "Extension of European Recovery Program", *Congressional Record 95*, March 25, 1949, 3198.
[310] Ibid.
[311] Yergin, *The Prize*, 408.

East will dictate the world's oil supply in the future," said a representative from Oklahoma.[312] Two weeks before, Senator Burton mentioned that the oil of the Middle East might be used for the recovery of Europe, Asia and Africa due to its strategic position, at the juncture of those continents.[313] Finally, in the promotion of the private industry in Saudi Arabia, Capitol Hill and the White House finally were on the same wavelength.

[312] Rep. Wickersham (OK) "Congressional Committee on Study Made of General Conditions in Europe, Scandinavian, and Middle Eastern Countries", *Congressional Record 91*, October 15, 1945, 9666.
[313] Sen. Burton (OH) "America Tomorrow", *Congressional Record 91*, June 12, 1945, 5937.

Conclusion

In February 1944, a reporter asked President Roosevelt: "Mr. President, there has been a good deal of interest created by the Petroleum Reserve Corporation's plan for a pipeline in Saudi Arabia. There is a report this morning that there were discussions at Teheran and Cairo on the possibility of Anglo-American-Russian agreement on marketing for oil."[314] Roosevelt denied: "No, it's a shot in the dark," the President concluded his press conference by stating: "We do need supplies [of oil] from the outside for this war, if it keeps on going, and for the future. And I don't think that one can get much of a political issue on those facts."[315]

What Roosevelt failed to mention, was that talks between London and Washington had already started, and that plans for the Tapline were already underway. Roosevelt understood the value of having public opinion on his side, which is why between 1942 and 1944, much of the post-war planning happened behind closed doors, going public was only an option when there was a plan. But the President also acknowledged that public opinion, together with Congress, could form a hindrance to the administration's policies. When he came back from Tehran, Roosevelt declared "It is impossible to get along with the present Congress."[316] And even Secretary of the Interior Ickes claimed that "There is no unity […] Congress is investigating all the time."[317]

Corwin's struggle for the privilege of directing American foreign policy between the Congress and the White House was clearly visible in the 1940s when it came to the oil of Saudi Arabia. Throughout this period, Congress systematically defended the interests of the private oil industry and acted only after the oil industry within the United States was threatened by forms of cooperation between the government and American oil companies in

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[314] Franklin Roosevelt, *Press Conference*, 11th of February 1944.
[315] Ibid.
[316] Ibid.
[317] Yergin, *The Prize*, 360.

Saudi Arabia, like the PRC or the Anglo-American Oil Agreement. Congress used the argument that its constitutional powers were bypassed to abolish the PRC, and used those same constitutional powers to kill the Anglo-American Oil Agreement.

Before Pearl Harbour, the reports from the Maloney Committee show that Congress was initially reluctant to accept that an oil deficit would hit the United States, but that position changed after Congress declared war on Japan.

Still, the proposed solution to look for oil outside of the United States was met with opposition from influential congressmen like Senator Moore, Brewster, Connally, and representatives Voorhis and Gavin, who all knew the American petroleum industry very well. The combination of these lawmakers, who put the interest of their constituents above the government's foreign policy objective, also illustrates that both Republicans and Democrats were in agreement to resist any form of government involvement in Saudi oil. Members of both parties saw the government ventures in Saudi Arabia as unconstitutional because they argued that Congress' constitutional powers were consistently ignored.

The men urged the government to look for more oil within the United States by funding the small independents. Senator Connally, together with the Texas oil independents, was especially adamant that the solution could be found within the borders of the United States. The Lone Star State was the biggest oil producing state during the war, with outputs of more than 745 million barrels of crude oil, which accounted for almost half of the United States overall production, no other state came close.[318]

Though both the Special Committee to Investigate Petroleum Resources, and the Truman Committee agreed that it was essential to protect American reserves within the United States, members of the committees did not approve of Ickes' PRC strategies to look for

[318] *Petroleum Facts and Figures*, 147.

oil in Saudi Arabia.[319] Strategies by Ickes that would involve the American government in the oil industry like the CASOC stock purchase plan, the Tapline proposition, and the Anglo-American oil Agreement were vehemently opposed by Congress which ended in the termination of Ickes' PRC, and the Anglo-America Oil Agreement was never approved as a treaty by the Senate. If those endeavours were to succeed, it would, according to Congress, set the government on the course of imperialism in the region. And American imperialism, more precisely the lack of it, was one of the main reasons why Philby got the Americans in Saudi Arabia in the first place. The termination of the PRC also shows that congressional committees could still influence the government in foreign policy objectives.

Most of all, government control over the petroleum of Saudi Arabia would hamper the private oil industry in the United States. Capitol Hill believed that if these plans were realized, it would remove the "line of demarcation between the industrial and economic function of the people as individual private citizens, and the political function of the Government as agent of all the people."[320] With the end of the war in sight Connally argued:

> "The way to insure sufficient oil for this country is to allow the industry to find its own methods of meeting the large normal civilian demands. In the very processes of carrying on its normal businesses, the industry will automatically insure sufficient oil for military purposes."[321]

Eventually, by the summer of 1945, Congress made it abundantly clear that "outright grants specifically to Saudi Arabia were out of the question."[322]

The end of the war saw weak congressional support for an internationalist agenda.[323] Congress was split between what Eisenhower would later call the "stupid isolationists",

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[319] Randall, 'Harold Ickes and United States Foreign Petroleum Policy Planning, 1939-1945', 385.
[320] Stephen J. Randall, *United States Foreign Oil Policy Since World War I: For Profits and Security* (McGill-Queen's Press - MQUP, 2005), 151.
[321] Sen. Connally (TX) "What Shall We Do About Oil?" *Congressional Record 90*, A3146.
[322] *Foreign Relations of the United States*, Diplomatic Papers, Volume VIII, The Near East and Africa, 1945, eds. E. Ralph Perkins & S. Everett Gleason, (Washington: Government Printing Office, 1969), Document 896.
[323] Rachel Bronson, *Thicker than Oil America's Uneasy Partnership with Saudia Arabia* (New York ; Oxford: Oxford University Press, 2008), 43.

Republicans who did not want to involve the United States further abroad, and the Democratic "crackpot liberals" who wanted international problems to be handed over to the United Nations.[324] But the end of the British mandate in Palestine and financial support to Greece, the Soviet pressure on Turkey, communists emerging in Greece, and a European continent hit by an energy crisis pushed the United States for more involvement abroad. Section 112 of the ECA and the preamble of the Greek-Turkish aid bill, shows that "crackpot liberals" and "stupid isolationists" in Congress still had their share of foreign policy influence.

Eventually, interests converged around the oil of Saudi Arabia when news of the Aramco Merger reached Washington. The merger allowed for more funds to be pumped into Saudi Arabia which provided 'Abd al-' Aziz with more money to govern his country, Jersey and Socony got access to an additional source of supply, and were out of IPC and both companies brought additional markets with them which suited Socal and Texaco as they could not find the markets to distribute the vast quantities of oil.[325] The military was assured that production would be increased to ease the burden of the oil reserves in the Western Hemisphere, and the administration was provided with a stable economic buffer to guard its interests against the threat of communism.[326] For all of this, the American taxpayer would not have to pay a cent.

What about congressional interests in this plan? The only opposition to the Aramco merger came from Senator Johnson, who was afraid that it would revive the Standard Oil trust that was dissolved by the Supreme Court in 1911. But the intervention of Senator O'Mahoney, one of the fiercest adversaries of monopoly capitalism, supporter of government supervision

[324] Ibid.
[325] Jr, *Aramco, the United States, and Saudi Arabia*, 178.
[326] Ibid.

of large corporation, and cosponsor for the creation of the Joint Congressional Economic Committee silenced the anti-trust argument.[327]

Nevertheless, the Standard companies' lawyers used the Webb-Pomerene Act of 1918 to defend the Aramco merger.[328] The act made the coming together of American companies oversees perfectly legal only if it did not obstruct the trade flow within the United States, which it did not, according to the lawyers.[329] And even still, the executives of the companies agreed that it was in their best interest to confirm the merger under the legal rules, which they demonstrated to Senator O'Mahoney as he stated that the companies had shown frankness and honesty, by believing in free trade and competition when discussing their plans with the Special Senate Committee on Petroleum.[330]

On March 12 1947, the executives of Standard Oil of California, Standard Oil of New Jersey, Socony and Texaco met to sign the historic agreement.[331] Coincidentally, that same day, President Truman addressed a joint session of Congress to ask for special aid to Greece and Turkey. On that day, the oil of Saudi Arabia became the point where the promotion of private enterprise, which Congress had so vigorously defended, foreign policy, international economy, national security, came together, creating more than seventy years later, the biggest oil company in the world.

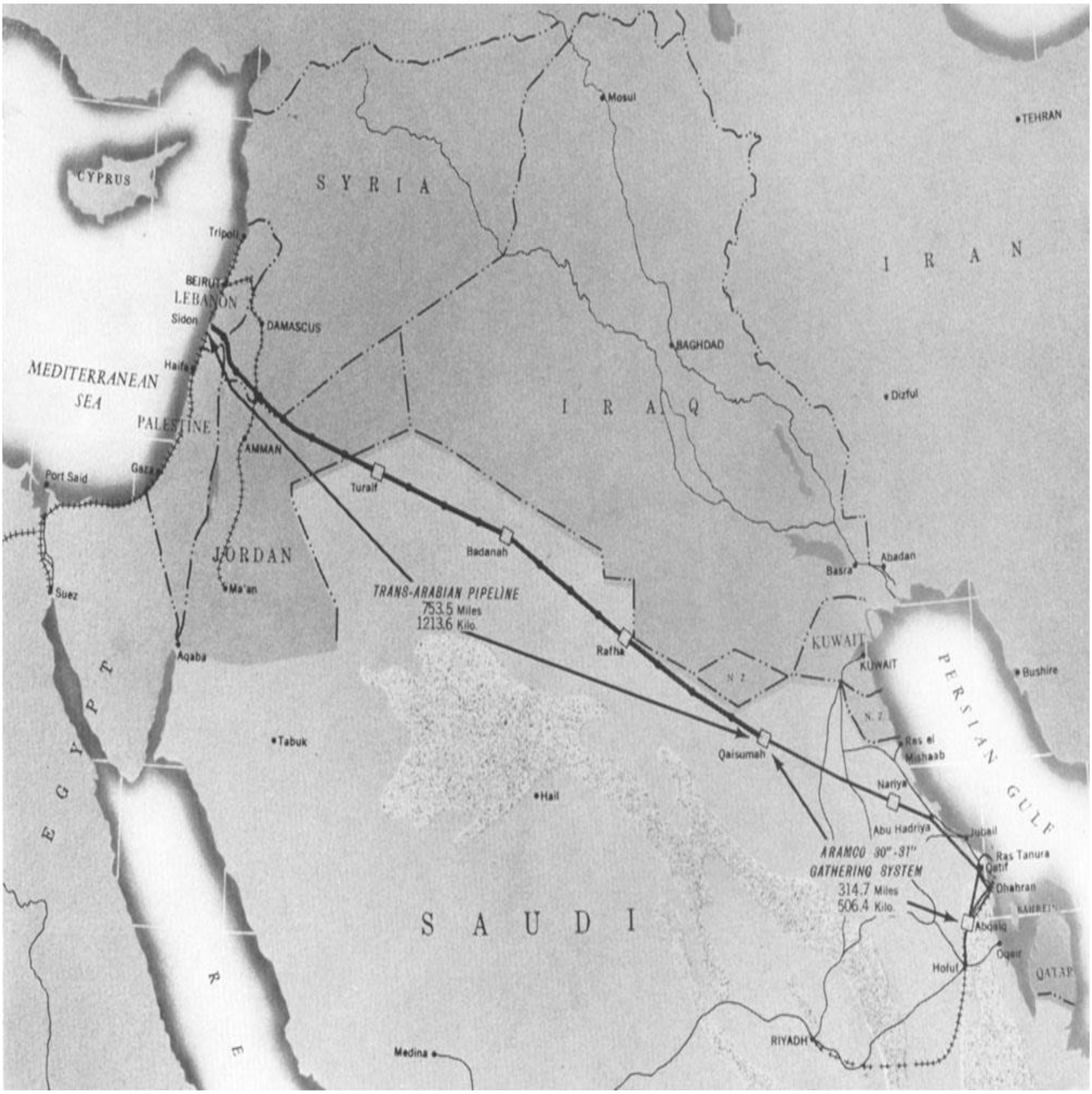
[327] 'O'Mahoney, Joseph Christopher (1884-1962), U.S. Senator | American National Biography'.
[328] Jr, *Aramco, the United States, and Saudi Arabia*, 147.
[329] Ibid.
[330] Sen. O'Mahoney (WY) "Aid to Greece and Turkey", *Congressional Record 94, 3399*.
[331] Yergin, *The Prize*, 398.

<u>Annexes</u>

A. Map of the Red Line Agreement (Line drawn by Gulbenkian).[332]

[332] 'The Red Line Agreement', accessed 5 November 2018, https://www.mtholyoke.edu/acad/intrel/Petroleum/redline.htm.

B. The Tapline[333]



333 'Tapline - Lebanon - Al Mashriq', accessed 30 November 2018, http://almashriq.hiof.no/lebanon/300/380/388/tapline/map-large.html.

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