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Review by **Victor McFarland**, Yale University

This volume of the *Foreign Relations of the United States* (*FRUS*) series covers the Nixon administration's response to the oil crisis of the early 1970s.[1] During this period, the balance of power in the global oil market changed as the leading petroleum-exporting nations nationalized their oil reserves and secured a huge increase in prices. The extent of this shift was most dramatically demonstrated by the 1973-74 oil embargo, when a number of Arab nations cut off petroleum exports to the United States in response to U.S. support for Israel. The embargo and the broader oil crisis of the 1970s were a disconcerting experience for many U.S. officials. The United States was, after all, a global superpower that had never before been threatened with economic coercion by small countries in the developing world, many of which had been European colonial possessions only a few years before. As Secretary of State Henry Kissinger snapped in frustration during the embargo, "it is ridiculous that the civilized world is held up by 8 million savages" (706).

When the Nixon administration first came to office in 1969, U.S. policymakers had no expectation that a global oil shortage was on its way. The world market was glutted with petroleum, and prices had been stable or falling for the past two decades. During much of that period the real problem appeared to be *too much* oil rather than too little. Cheap, abundant foreign oil threatened to outcompete more expensive domestic energy sources, leading the U.S. government in the 1950s to establish strict import quotas in order to protect American oil production. The first section of this volume focuses on the Nixon administration's proposal to eliminate oil import quotas in 1969-70. Most of the administration was in favor of allowing more foreign oil into the United States in order to

[1] The "Energy Crisis" of the title is somewhat misleading, as this volume focuses overwhelmingly on oil. Natural gas, coal, and other energy sources are covered only occasionally.

liberalize energy markets, reduce prices, and benefit consumers. They were opposed by oil and coal companies, along with the companies' allies in Congress and inside the administration itself. This opposition proved to be too potent an obstacle. Although little space in this volume is devoted to domestic politics, two documents included here suggest that President Nixon and his advisors feared the political consequences of offending the oil industry and worried that if quotas were removed, the Republican Party could lose congressional seats in oil-producing states like Texas and Louisiana (66; 78).

The quota reform proposal prompted administration officials to engage in a vigorous debate on foreign oil dependence, the relative security of oil imports from different regions, and the risk of supply interruptions in the Middle East. Most striking in retrospect is the fact that a number of oil-producing nations, including some that would later participate in the Arab oil embargo, wanted nothing more at this point than to expand oil exports to the United States. Iranian and Saudi leaders, for example, offered to guarantee long-term oil supplies to the United States, offering to sell the oil at a substantial discount if only the United States would accept it (39).

This glut of oil did not last long. By the time the Nixon administration entered its second year, rapidly-growing demand for energy in the United States, Europe, and Japan was running up against the limits of available supplies and putting upward pressure on oil prices. The lack of any spare capacity in the oil market helped open up new opportunities for the petroleum-exporting countries to take more control over their own natural resources. Temporary factors, like the closing of the Suez Canal and the Trans-Arabian Pipeline (Tapline) as a result of continuing Arab-Israeli tension after the 1967 war, also disrupted oil transportation routes and reduced the companies' ability to respond to supply disruptions (see, for example, 117-122). In late 1970, the new Libyan government led by Muammar Gaddafi took advantage of these circumstances by forcing the companies to accept an increase in the posted oil price and raising Libya's share of the profits from 50 to 55 percent. Libya's success inspired other oil-producing countries to press new demands of their own, and the oil companies were forced to give way in one nation after another. In the Tehran agreement of February 1971 and the Tripoli agreement two months later, the companies agreed to substantial price increases that would be phased in over the next several years.

Although most of the leading international oil companies were American-owned, the Nixon administration did not consistently support their efforts to preserve their existing concession and pricing agreements with the OPEC governments. U.S. policymakers feared that if the companies held firm and refused to raise prices, the producer nations might simply nationalize the oilfields (107; 117). As a result, the State Department urged the companies to be flexible on pricing. Another reason for this stance was that the United States imported relatively little foreign oil at the beginning of the 1970s. The brunt of any price increase would fall more heavily on Europe and Japan, since they were far more dependent on oil imports. Some comments by lower-ranking U.S. officials even suggest that they believed oil price increases could be a good thing for the United States by hobbling its economic competitors elsewhere in the developed world (131; 174), although these statements do not appear to have represented official U.S. policy. A more significant rationale for accepting the price increases was the administration's fear that an open confrontation between the oil companies and the producer nations would lead to economic chaos. As European and Japanese delegates to the OECD warned in May 1970, any "interruption of [the] flow of crude oil from Near East and Libya" would have a "potentially devastating impact on economic life" in their nations (108). The Nixon administration did not want to risk this sort of disaster by refusing to compromise on oil prices.

Although the price increases of 1970-71 were relatively small compared to what would come later in the decade (Libya's initial demand was for an increase from $2.21 to $2.65 per barrel), they indicated that the balance of power was tilting away from the oil companies and toward the petroleum-exporting countries. After the Tehran and Tripoli agreements, the oil-producing countries stepped up their demands for "participation," allowing them to buy a controlling stake in the concessionaire companies operating within their borders. The U.S. government did little to discourage this trend, instead embracing participation as a mutually-acceptable alternative to hostile nationalization. The documents here show that U.S. policymakers only intervened to ensure that the companies received adequate compensation, without disputing the OPEC countries' right to take more control over their own natural resources.

Readers of *FRUS* will be interested to see that Henry Kissinger was only rarely involved in the details of oil policy before late 1973 (in contrast to his outsize role on so many other issues). When one State Department representative asked him in 1971 about "the whole oil problem in the Middle East," Kissinger pled ignorance, admitting: "I'm frankly not on top of that" (170-171). The names that appear most frequently in the first half of this volume are those of a variety of mid-ranking State Department officials like Under Secretary John Irwin (the leading U.S. representative at the Tehran and Tripoli pricing negotiations) and James Akins, Director of the Office of Fuels and Energy and later ambassador to Saudi Arabia.

Oil issues finally began to demand the attention of Kissinger and other officials at the highest levels of the U.S. foreign policy establishment after the Arab embargo of 1973-74. This volume, unsurprisingly, devotes more attention to the embargo than to any other single subject. The documents collected here make it clear that many U.S. policymakers were convinced, at least two years in advance of October 1973, that any resumption of the Arab-Israeli conflict was likely to trigger an oil embargo or otherwise seriously disrupt the flow of oil from the Middle East (see, for example, 136-151). Such concerns became even harder to ignore after early 1973, once Saudi oil minister Ahmed Zaki Yamani and other Saudi leaders began delivering repeated warnings (both behind the scenes, to U.S. policymakers, and in public to sources like the *Washington Post*) that U.S. support for Israel might endanger American access to Arab oil. The embargo, then, hardly came as a complete surprise to the United States. On October 6, immediately after receiving news that war had broken out between Israel, Egypt, and Syria, one State Department official rated the chances of an embargo "very high," and the Washington Special Action Group (WSAG) asked the CIA to begin preparing an estimate of an embargo's probable impact (574). By the second week of the war, the Nixon administration was already drawing up detailed contingency plans, including a variety of energy conservation measures, to help the United States do without Arab oil if necessary.

Despite the evidence that an embargo was on its way, however, some leading U.S. officials still seem to have doubted that it would actually occur. On October 16, only one day before the embargo was announced, CIA Director William Colby dismissed Saudi talk of a cutoff by explaining that King Faisal "is inclined to blow off emotionally about things, but he usually calms down" (595). Kissinger seems to have been of two minds, telling the WSAG that they needed a contingency plan for an oil shortage, but also casting doubt on the chances for an embargo and suggesting that warnings of an impending cutoff came only from "hysterical" oil companies (582-585).

Kissinger's comment is only one of many examples of his disdain for the oil industry, a stance frequently on display in this volume. Before the embargo, he told one official: "I am convinced that the oil companies are politically irresponsible and, in fact, idiots" (510). After the embargo began and Kissinger was forced to deal with oil executives on a more regular basis, his frustration only seems to have increased. He snapped to the rest of the WSAG: "The oil companies have caused us more trouble than the Arabs. When this is over I am really going out to get the oil companies" (596), and told his staff that the companies are "the biggest menace in the present situation – seriously" (605). This evidence of Kissinger's attitude is ironic in light of the persistent rumors that he plotted with the companies to provoke the oil crisis as an excuse to raise prices, a staple of conspiracy theories during the 1970s.[2]

On October 17, the Arab oil-exporting countries instituted a series of incremental production cuts in response to U.S. support for Israel, and on October 20 the cuts were followed by a complete embargo by Saudi Arabia on oil shipments to the United States. *FRUS* is curiously silent on the reasons behind the latter move; the Saudi embargo declaration, in fact, is mentioned only in a one-sentence footnote (627). It might have been useful to include James Akins' October 23 telegram from Riyadh, reporting that King Faisal decided to impose the embargo only after learning of Nixon's proposal to provide $2.2 billion in aid to Israel.[3]

Once the October War ended, dealing with the oil embargo became a major foreign policy priority for the Nixon administration. Both at the time and in retrospect, there has been discussion about the possibility that the United States considered military action to break

[2] Rumors that Nixon, Kissinger, and the Anglo-American petroleum companies orchestrated the oil crisis for their own benefit circulated widely during the 1970s. In fact, when polled during the Arab embargo, the vast majority of Americans blamed the crisis on the oil companies (25%), the U.S. government (20%), or Nixon (19%) rather than on the Arabs (7%). Gallup Poll #885, 4 December 1973, Question: qn2, from Gallup Brain.

[3] Embassy in Saudi Arabia, Cable 4663 to State Department, 23 October 1973, reprinted in the National Security Archive's online briefing book "The October War and U.S. Policy," 7 October 2003, http://www.gwu.edu/~nsarchiv/NSAEBB/NSAEBB98/octwar-45b.pdf .

the embargo.[4] *FRUS* offers a mixed verdict on this question. The editors note that Secretary of Defense James Schlesinger raised the possibility of military action in his meetings with several European officials (691-92), and one document reprinted here indicates that the CIA drew up various contingency plans for responding to the embargo. Part of the document is redacted, but the context suggests that one of the options under consideration involved military action against Saudi Arabia. The same document, however, makes it clear that the CIA, government contacts in the oil industry, and administration policymakers all believed that the obstacles to a successful military operation against the Gulf oilfields would have been formidable (717-18). There is no evidence that this planning was taken very far, and nowhere in this volume does it appear that any proposal for military action ever made it to Nixon's desk for consideration.

The administration's efforts were focused instead on a diplomatic solution to the oil embargo. Kissinger's initial strategy was to threaten Arab leaders that he would do nothing to advance a Middle East peace settlement or to encourage Israeli withdrawal from occupied Arab territory until the embargo was lifted. Eventually the Nixon administration became more accommodating to Arab wishes as Kissinger engaged in "shuttle diplomacy" to negotiate disengagement agreements first in the Sinai and then on the Golan Heights. One of the more remarkable sections of this volume reveals that the administration even negotiated with Saudi Arabia over the wording of Nixon's 1974 State of the Union address, inserting a passage promising that the Sinai disengagement agreement was only a "first step" on the way to implementation of UN Security Council Resolution 242 (818-821). Kissinger and other U.S. policymakers appear to have concluded on a number of occasions in early 1974 that they had satisfied Arab demands and that the embargo was about to be lifted, only to be repeatedly disappointed. These difficulties at times placed U.S.–Saudi relations under considerable strain before the embargo finally ended in March 1974.

The oil crisis also caused substantial challenges for the U.S. relationship with Western Europe and Japan. They were far more dependent than the United States on Middle East oil and were especially threatened by the rapid price increases of 1973-74. A number of documents in this volume deal with the efforts of European leaders, and particularly those of France, to distance themselves from the United States and improve their relations with the Arab world in order to maintain their access to oil supplies. As French President Georges Pompidou told Kissinger, since France had no substantial oil reserves of its own: "We can't afford the luxury of three or four years of worry and misery waiting for the Arabs to understand the problem" (771). The United States and France clashed over a variety of oil policy issues, especially Kissinger's plans to create a bloc of oil-importing nations, which France viewed as unnecessarily provocative and likely to alienate OPEC.

[4] See, for example, Andrew Scott Cooper's recent book *The Oil Kings: How the U.S., Iran, and Saudi Arabia Changed the Balance of Power in the Middle East* (New York: Simon & Schuster, 2011) especially pp. 128-134Declassified British documents reporting that the United States considered using force to end the embargo have also been covered in the press; for example, Lizette Alvarez, "Britain Says U.S. Planned to Seize Oil in '73 Crisis," *The New York Times*, 2 January 2004.

Tensions between the United States and France were nothing new by the 1970s. There is ample evidence in this volume, though, that the crisis strained relations between the United States and even its closest allies like Great Britain. Perhaps most remarkable is the real hostility expressed by Nixon administration officials toward Canada's energy policies. During the debate over oil import quotas, Nixon asked his advisers to suggest ways in which the United States could damage the Canadian economy and personally humiliate Prime Minister Pierre Trudeau (105-106). The administration decided to avoid a trans-Canadian route for the Alaskan oil pipeline after George Shultz suggested that Canada would "siphon that oil off and hold it hostage" in the event of a crisis, and Nixon snapped: "I don't care one damn about the Canadians" and told his staff to give them the "run around" in upcoming negotiations (293-94). In October 1973, when Canada moved to increase oil prices during the embargo, Under Secretary of State William Casey denounced the Canadians as the "Arabs of the North." Kissinger speculated about the possibility of toppling Trudeau's government through economic pressure, asking if a Canadian government under the Progressive Conservative Party might prove more amenable to American interests, and musing: "I don't know if we've got that much of an investment in Trudeau that we can't bring him down" (629-33). Any crisis that led U.S. policymakers to talk about Canada as if it were Allende's Chile must have been disorienting indeed.

This volume ends with Nixon's resignation in August 1974. At that point, although the embargo was over, the United States had yet to formulate a long-term policy response to the more enduring aspects of the oil crisis, the rapid increase in prices and rising American dependence on imports. The story told here is thus incomplete. Scholars will want to read the recently-released *FRUS 1969-1976* Volume XXXVII to learn about U.S. energy policy during the years 1974-80. Because the oil crisis was an event that involved the entire world and intersected with many other foreign policy issues, readers will also want to consult this volume in conjunction with a number of additional *FRUS* volumes. In particular, Volume XXIV on the Middle East, Volume XXV on the October War, and Volume XXVI on the Arab-Israeli conflict and peace negotiations from 1974-76, are all vital to understanding the U.S. policies toward the Arab world that shaped the evolution of the oil crisis.

Most of all, the oil crisis spanned the boundary between foreign and domestic policy. Domestic politics sharply constrained the options available to American officials in responding to the crisis. The importance of domestic issues can be discerned in this volume through occasional references to elections, speeches to Congress, energy conservation measures, and Nixon's ambitious "Project Independence;" but of course, *FRUS* concentrates on foreign policy and does not deal with these subjects in any depth. Interested readers may wish to consult the wealth of primary source collections on American politics, such as the Congressional Record and the speeches and press conferences in the *Public Papers of the Presidents* series, to provide context for the domestic policy issues referenced in this volume.

Finally, a word about this volume's importance to different audiences. It will be most useful to scholars studying the history of the oil industry and international economic affairs, but it also offers invaluable insights into additional topics, including U.S. policy toward the Middle East (especially Saudi Arabia), and American relations with a wide variety of other nations, including Britain, France, Japan, Canada, and Venezuela. And, like the *FRUS* series as a whole, this volume performs a vital service in making historical documents available to a much broader audience than would otherwise be possible. Most of the materials reprinted here are also available at Archives II in College Park and the Nixon Library in Yorba Linda, but they are now accessible to scholars who lack the time and money to make frequent visits to these archives at opposite ends of the United States. By making these materials available in an electronic, text-searchable format, *FRUS* also opens up a wide range of teaching opportunities. Undergraduates can now be encouraged to incorporate these documents (which are all the more appealing because they are recently-declassified, and because they deal with issues like energy policy and the Middle East conflict that are so often in the news today) into term papers or senior theses, giving them a chance to learn first-hand what goes into writing original historical scholarship. Linda Qaimmaqami, Edward Keefer, and the rest of the *FRUS* editorial staff deserve our thanks for this service.

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