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The central concern of this dissertation is the relationship of politics, national and international, to the ideology and behavior of a particular elite group in the Arab Middle East, the oil technocrats. The analysis of this relationship takes place within the framework of a history of Arab oil policy from 1957 to 1969. Using the concept of dependency first utilized in examining economic relations between developed and developing states, the study focuses on the impact of foreign ideas and interests in shaping the options and policies pursued by policymakers in the field of Arab oil. The voluntary, unconscious nature of this intellectual dependency is stressed and its effect on policies, politics and personalities assessed.

The dissertation begins with a discussion of the technocrats in the Middle East and oil industry in which they operate. The concept of intellectual dependency is then introduced, followed by a chapter on the emergence of an 'oil consciousness' in the Arab countries during the mid-1950's. The first part of the dissertation traces the attempt of the technocrats to conceive and implement a unified oil policy for the Middle East in the early 1960's, a policy based on their technocratic, non-national, apolitical ideology. Chapter Three outlines the failure of this attempt and the crucial role of Arab politics in determining that failure.
To illustrate the role of politics in frustrating the aims of the technocrats, Chapter Four concentrates on the careers of two individual technocrats. In both cases the technocrat and his policy fall victim to overriding political considerations.

In moving from this particular level of analysis to a more general perspective, Chapter Five on the Organization of Petroleum Exporting Countries views that organization from the perspective of dependency. Its moderation in defining Arab oil policy and the conservatism of its members and spokesmen are seen as directly related to the structural dependency of the Middle East and to the more personal intellectual dependency of the oil technocrats.

The study then moves to a detailed examination in the concluding chapters of the debate over Arab oil policy between the moderates and the Arab nationalist opposition which their moderation necessarily created. The June 1967 war is seen as the decisive watershed in the debate, with the nationalist technocrats and their states closer to a more aggressive and independent Arab oil policy.

Using the evolution of Arab oil policy as a reference point, the dissertation seeks to evaluate the role of perception in policy-making. The various blinders or factors which tend to inhibit perception of policy options are discussed, as are very real historical and material
factors which work to make options impossible or impractical. In the case of Middle East oil policy, it is argued throughout that the condition of dependency, both structural and intellectual, is the primary factor in preventing the adoption of a nationalist oil policy and therefore in preventing major structural changes in the industry.
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INTRODUCTION

Concerned as it is with a subject of such compelling relevance not only for the Middle East but also for Western Europe and North America, this study has undergone several changes of focus since its inception almost a decade ago. Beginning as a study of a particular elite group in contemporary Arab society, the oil technocrats, it has shifted to a more general discussion of the evolution of Arab oil policy during the past twenty years and the national and international political context in which that evolution took place.

To be worth our time and effort the study of history must, I believe, have some practical application, it must to some degree be functional. It would be ideal, of course, if we could use it to predict, or even if we could learn from past mistakes, but those are most probably utopian goals. History is best served when it is used to better understand the present, to place events of our own time in some kind of context so they seem less surprising, less random and more rational. As this is being written the oil producing countries of the Middle East are in the process of asserting their control over at least the production phases of the oil industry. This process began in 1969 with the Teheran price negotiations, asserted itself in 1973 during the oil boycott and has matured in 1975 as an
entrenched policy. These developments seemed to catch western political and corporate observers by surprise. For many the surprise was due to a lack of knowledge of history while for others it resulted from their vision of the record being clouded by vested interests in a different outcome. It is the purpose of this dissertation to examine the historical antecedents of these developments from an as yet unexplored perspective, the internal Arab debate over oil policy.

For years Middle Eastern oil was studied solely from the perspective of international and corporate politics, one aspect of diplomatic history. In more recent accounts and, no doubt, in reaction to changing realities, the role of the producing countries has been highlighted. The current dominant theme is company versus government. What these studies tend to miss or gloss over are the subtleties of the government or producer position, the competing points of view within each producing state and the political basis of those points of view. Likewise, texts on Arab politics seldom provide adequate treatment of the role of oil or the relationship of oil to Arab politics. The fact that there were at least two major Arab opinions on oil policy throughout much of the 1950's and 1960's, that each was grounded in a well-defined political ideology and that Arab political factors were crucial in defining the terms of the debate are what this dissertation is directed toward.

Debates over oil policy in the Arab Middle East are by
no means esoteric exercises. They tell us as much about the political orientation of the dominant classes and political groups in those countries as do debates over proper agrarian policies in other developing countries. For many Arab states oil is the economy and as such oil policy, the attitude toward the oil companies, acceptance of cooperative planning with other oil states or degrees of aggressiveness in pricing and tax matters in fact determines the nature of those states' national development policies.

Like so many areas of the Third World, the Middle East is blessed with large amounts of a raw material which is of little use locally and is in great demand elsewhere. In a world of equal relationships between regions and states this would present no real dilemma, the raw material would simply be exchanged for more desirable goods available elsewhere. We do not, however, live in that kind of world. We live in a world of unequal relationships among states and a great many of us, including the Arabs, live within an international economic system that exploits that inequality.¹ This fundamental premise lies at the root of the conclusions drawn in this study and therefore requires some elucidation here as well as later.

¹Jacques Berque has made the point very succinctly: "Finished products, raw materials: between these two terms lies a whole destiny." Jacques Berque, Egypt: Imperialism and Revolution (London, Faber & Faber, 1972), p.31.
The key to understanding contemporary politics in areas such as the Middle East lies not in such issues such as over-population, natural resources, illiteracy or inferior value systems, but in history. In particular the history of the past two hundred years, the period of European and then American penetration. This is an old argument based on the theme of imperialism and its economic manifestation: exploitation. There was nothing inherently wrong or evil in this penetration: it was a historical fact based on the peculiar historical evolution of the Western European area in the 16th and 17th centuries which most probably necessitated economic and political expansion to continue the pattern of growth begun with the development of agrarian and mercantile capitalism. Other areas of the world at other times have engaged in similar periods of expansion, but not with the same results.

The Europeans brought a great many things to the areas they visited and occupied in the 18th and 19th centuries, but that which had the greatest impact was the market system that followed Europeans everywhere. The existence of a seemingly infinite European and subsequently American market for the raw materials found in these areas as well as the market they came to provide for western manufactured goods has had a profound impact on the economies, social structures
and political life of the colonized areas. A few examples will suffice.

The immediate effect of the European presence was the disruption of established economic relations, first in the form of traditional trade patterns. The spread of transportation by sea, initiated primarily by the Europeans in the Middle East and Africa, made the older land routes quickly obsolete. This had the effect of turning prosperous communities such as Baghdad, Aleppo and many parts of Saharan Africa into economic backwaters in a very short time. This in turn ruined many local economies and deprived certain areas of trade goods that were now sent directly to Europe via European carriers. Thus in a typical example, by 1800, Syrians were drinking West Indian rather than the traditional South Arabian coffee.

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2 For an outstanding discussion of this world economy, see Immanuel Wallerstein, The Modern World-System: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century (New York: Academic PR., 1974). Eugene Genovese, speaking of Latin America, reinforces the point: "Since the 16th century, if not earlier, increasing sections of the world have been absorbed into a single international economy. The rise of the world market represents the essential aspect of what has come to be called capitalism—that is, a mode of production within which production based on private ownership of the means of production within which labor power has itself become a commodity to be bought and sold like any other. From this point of view, all New World colonies represented particular responses to the claims of the world market as manifested in particular national political economies." Eugene Genovese, "The Comparative Focus in Latin American History", Journal of Inter-American Studies, v.12:3, 1970, p. 322.
In return for local goods (at first primarily agricultural goods, local crafts and exotic spices) the Europeans provided manufactured products (cotton cloth, nails, crude machinery and so forth) at a much cheaper price than local production. This had the immediate effect of wiping out most local industry, usually household or small enterprises which could not compete. In the cities of Aleppo and Damascus by 1833, over 10,000 workers were put out of work by the importation of cheap cotton cloth. In 1800, there had been 6,000 looms in Aleppo - by 1838, there were only 1,200, primarily engaged in secondary work on British fabrics. 3

The importation of manufactured goods was the first wave of European expansion. The second wave was to have even more profound consequences; the development in several areas of large scale production of raw materials and foodstuffs for export. Once the size of this new international market was fully comprehended, both by Europeans and local rulers, economies were altered to serve it. In the Middle East, two examples stand out -- Egypt and Tunisia. In the 1820's

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3See in particular, William R. Polk, The Opening of South Lebanon, 1788-1840 (Cambridge, Harvard Univ. pr., 1963), p. xix and I.M. Smilianskava, "The disintegration of feudal relations in Syria and Lebanon in the middle of the 19th century" in Charles Issawi, The Economic History of the Middle East (Chicago, Univ. of Chicago pr., 1966), pp. 244-5. The figures are somewhat deceptive since the new trade did encourage some new industries and its impact was restricted largely to the coastal cities until the 1900's. See John MacGregor, Commercial Statistics, vol. 2 (London: Charles Knight, 1844), p. 142.
Muhammed Ali of Egypt, aided by European agronomists and entrepreneurs, introduced large scale cotton production to the country replacing the traditional wheat production. The effect was dramatic. Egypt was inextricably tied to the fluctuations of the world market, making the Egyptian economy totally dependent to that of the consumer. Land ownership was centralized and the peasant population moved toward increasing pauperization and from subsistence farming to wage labour.

In Tunisia, the export crop was wheat, encouraged following French occupation. The results were similar to those in Egypt, with large scale farming being the only economical way to produce the crop. Mechanization was introduced to increase production, driving many local peasants off the land and into the cities and poverty.

Several points emerge from these examples. These economic changes had severe social implications for the countries concerned. In the case of Tunisia, small farmers were eased off the land or made to work for wages, severely disrupting traditional patterns. Those who remained on the land could only lead a marginal existence on small plots of poor land. The essential mechanization was either unavailable or so costly that they were driven into debt in trying to remain competitive. In the city they were forced into slums and there they remain today, marginal men in marginal societies.
In political terms, the results were even more drastic. In Egypt's case, the influx of money generated by cotton was kept in the hands of the ruling elite and landowners. The funds were mishandled in the mad rush to modernize and because of European bankers' eagerness to lend more money, resulted in the accumulation of huge state debts. By 1876, the Egyptians could no longer even pay the interest on the debts. The inevitable political interference demanded by the bankers produced a nationalist reaction in Egypt, which was seen as a threat by the Europeans who in turn occupied the country in 1882.

Even more important were the implications for internal politics, the subject of more immediate importance to this study. The economic ties with Europe, while devastating for the many, could be quite profitable for the few. The ruling classes within these countries soon came to depend on this connection to the market and as their countries became totally emeshed in the world market structure, these men became an essential link for continued national prosperity. Thus in many cases Europeans had no need to occupy or administer the country directly to maintain stability in the marketplace, but could depend on these local ruling groups to work for them.

The local rulers, in turn, believed that they were serving the best interests of their countries by keeping the mechanism functioning.

In one sense, the situation was a circular one. The initial reforms carried out by local rulers in the early 1800's had the effect of strengthening the control of central governments over provincial affairs in Egypt, Persia and the Ottoman Empire. This increased power and ever increasing contact with westerners led the local ruling classes to initiate a series of projects designed to bring their countries into what they perceived as modern times. The projects were very costly (large armies, public buildings, schools, canals) and proved to be feasible only with an enlarged economic base. This encouraged them to shift the economies of their areas to internationally saleable cash crops and into heavy borrowing from European banks. By the second half of the 19th century, these very projects were to result in the loss of the powers the earlier reforms had given to the state.

It is my argument throughout this dissertation that this initial form of economic imperialism, with which we are all familiar and of which the oil industry was so integral a part in the 20th century, has resulted in a second kind of imperialism, the intellectual and cultural dependency of ruling groups in the Middle East on western patterns of thought. The dominant position of the industrialized nations in the economies of the Third World is not maintained by force, but
through local intermediaries who serve foreign interests while serving their own and what they believe to be the interests of their countries. Their wholesale acceptance of western patterns of thought and aspirations has limited their ability to perceive any reasonable options to the status quo. As Ivan Illich has said, they have accepted the American translation of thirst into the need for a coke without questioning its validity. These groups, which I refer to as the dependent bourgeoisie, have benefitted tremendously from the foreign connection and it is the economic power that that connection gives them in their own countries which keeps them in power. They have accepted the western argument (via Walt Rostow) that through continued trade (unequal though it is) with the industrialized nations, their countries will eventually achieve comparable levels of development.

Rather than deal with such large issues this study attempts to support the theoretical construct called dependency through an examination of one particular part of the ruling class in the Arab countries, the oil technocrats. These technocrats, a classic elite group whose cohesion is based on common experience and common function, are in the vanguard of the struggle against or cooperation with the dominant foreign economic and political influence in the Middle East; the international oil companies and their home governments. Their very existence is dependent on this
foreign influence and their reaction to its presence, as outlined in this study, is illustrative of the workings of what I have called intellectual dependency.

As individuals and as a group the technocrats are practically unknown in the literature on Middle East politics and economic development. They are mentioned in material on the oil industry but generally in a one-dimensional sense, treated as a bloc of opinion and never examined in detail. The technocrats in general in developing countries remain something of a mystery, being submerged by the current fascination with military officers or on-going interest in the fate of traditional leadership. The only exception to this are the technocrats of Latin America who are more prominent in scholarly research in the field and who provide useful models for this study.

The dissertation begins with a discussion of the technocrats in the Middle East and the oil industry in which they operate. This is followed by a section on the emergence of an 'oil consciousness' in the Arab countries during the mid-1950's, a development paralleled by the appearance of the oil technocrats. These men, full of ideas, expertise and aspirations, both personal and social, for a brief period acted almost independently of the larger political and economic environment. They aspired to implement a technocratic, non-national, apolitical oil policy on their respective governments. Their ideas were western in origin, reflecting
their educational training in Europe and the United States, but were anti-western by implication since they involved a pan-Arab and even international approach to oil policy. It is their failure to impose such a policy and their failure to endure as a unified group that is the central concern of the first part of this study.

It was politics, in particular Arab nationalist politics, that proved to be the major stumbling block in the way of such a policy. The technocrats did not function in a vacuum. Their appearance in the mid-1950's coincided with the tumultuous political events of the era, in particular the rise of a militant Egyptian dominated Arab nationalism. This nationalism, injected into an area with implicit internal rivalries and explicit Cold War factions, served to polarize the Middle East. The oil technocrats and oil policy in general were inevitably drawn into this vortex.

To illustrate the role of politics, both domestic and inter-Arab, in frustrating the stated aims of the early technocrats I have focused on the careers of two individuals in Chapter Four. In both cases, for widely different reasons, the technocrat falls victim to over-riding political considerations. What these two examples attempt to demonstrate at the microscopic level, Chapter Five on the Organization of Petroleum Exporting Countries (OPEC) demonstrates at a macroscopic level. Once again, politics is the key.
The technocrats were by this time (1962) mere servants of the state, having abandoned any pretext they might have had of forging a 'rational' (and thus apolitical) oil policy. The impotence of OPEC is in my analysis a self-imposed characteristic, one dictated by the political situation within the oil producing states and within Arab politics in general.

The study then moves to a detailed examination in the concluding chapters of the debate over Arab oil policy between moderates and nationalists during the period 1964 - 1969. The nationalists were highly critical of what they termed OPEC's lack of initiative, urging instead that the Arab states become more involved in the production and marketing of their oil with the goal being the eventual nationalization of the oil concessions. In their eyes OPEC had been 'captured' by the more conservative oil states and the technocrats become mere servants of the state and therefore of the oil companies.

Besides the nature of the topic itself, the major innovative aspect of the dissertation is the use of the concept of intellectual dependency as the main analytical framework for looking at the behavior of an elite group in Arab society. The theory is introduced in the first chapter and used throughout to discover the origins of the political decisions that had such a profound impact on economic policy. OPEC is viewed through the framework of dependency as is the behavior of individual technocrats and the policies pursued by the two major factions in the 1960's, moderates and nationalists.
In particular, the career of Abdellah Tariki, one time Studi Oil Minister, is followed throughout the study as an example of a technocrat not subject to the dependent thinking so characteristic of the group as a whole.

To understand the debate between these two factions and thus to comprehend fully the nature of dependency it is necessary to examine in some detail their respective positions on issues such as nationalization, participation, and pricing. In tracing this debate I have allowed the technocrats to speak for themselves, being primarily concerned with their perceptions rather than an objective account of the oil industry in the Middle East. Fluent in English, their views are exhaustively recorded in the Middle East Economic Survey, a weekly compendium of oil news published in Beirut and a standard source for material on Middle Eastern oil affairs. The Survey specializes in verbatim transcripts of news conferences, extensive reprints from a wide range of Arab daily newspapers and periodicals, interviews with prominent technocrats and politicians and records of congresses, meetings and committees associated with oil affairs.

Another prominent source for material of this nature is the proceedings of the bi-annual Arab Oil Congresses. These meetings, besides being valuable sources for statements by leading technocrats, were important political events in their own right and occupy an important place in this study. As is evident throughout, even this level of commentary is highly
coloured by political considerations, oil being particularly solvent in a political environment. Other major sources include books and articles written by various technocrats and the various industry-oriented trade publications such as Petroleum Press Service and Petroleum Week.

The debate over Arab oil policy as presented in this study may at times seem to take place solely in the realm of personality clashes and individual antagonisms, but each of the prominent technocrats singled out as spokesmen has a large following among his fellows. Beyond that, each side presented here represents political interests that go beyond the technocrats as a group. The spokesmen for the moderate cause of gradualism and accommodation who eventually group themselves around OPEC speak for the major oil producing states while the nationalist spokesmen at times speak for Egypt and at times for a stateless mass of Arab nationalist opinion which remains a potent force in all the Arab countries.

The analysis that underlies this study implies a direct connection between economic affairs and politics and the establishment of that connection in the field of Middle Eastern petroleum is my central concern. The quest is made all the more necessary by the persistent efforts of westerners and Arabs to deny this connection or to obfuscate it. Thus it is a fundamental premise of this study that what appear to be economic arguments among specialists are in reality political
arguments or at least have a political base. Debates over the efficacy of nationalization may be played out in a technical environment but each side's position is rooted in political assumptions and interests.

It is the fascinating circularity of this relationship between economics and politics that has dominated my view of Middle Eastern oil. I began the project as a detailed study of the concept of 'new men' in modernizing societies, using the oil technocrats as a case study. I was interested in the role of their social backgrounds and education in their ventures into policy-making. It soon became apparent that the chief weakness of this concept lay in the dominance of the political situation into which these men were thrust, overwhelming any pretense on their part to use their specialized training to bring about reforms or move in new directions. Moreover, it was not simply a question of their 'new' ideas being frustrated, but rather of their voluntarily subordinating themselves to political considerations. At that level, politics assumed a clear primacy over rational economics or social origin in determining policy. In turn, this political environment was determined by the larger economic environment in which the technocrats and their states functioned. Thus the necessity of moving from the particular, the technocrats, to the general, Arab politics, to the universal, the dependent relationship of raw material-producing peripheral states to the industrial centre of the world capitalist system. This, in fact, is the structural key to the dissertation.
The oil industry in the Middle East is the backdrop around and within which the various Arab factions discussed in this dissertation compete. It is essential, therefore, that the main features of that industry be established in the beginning, features which can be at once terribly complex and yet quite straightforward. For the Arabs of the period under study, the industry seemed far less complicated than the oil company executives maintained. For these Arabs, both politicians and technocrats, the key problems centered on the issues of control and income, in both cases the oil companies having too much and the Arabs too little. Not only in oil, but in any raw material exporting situation all disputes between the two parties are subsumed under these two complementary and yet distinct issues; control of the industry and the amount received from exports. In outlining the main features of the oil industry, therefore, I have concentrated on these issues since my primary concern is with the Arabs' perception of oil, not a full scale treatment of the Middle East oil situation.¹

There are two basic components to the oil industry in the Middle East; the international oil companies and the governments of the oil producing countries. Observers of the industry have emphasized to varying degrees other components such as the home governments of the companies, the consuming countries and the national oil companies in the Middle East, but these all occupy a secondary position. The national oil companies in the Arab countries are state concerns and act on behalf of the state. The interests of the major international companies and their home governments, chiefly the United States and Great Britain, are so closely connected that a distinction between them hardly seems necessary at this time. The consuming countries have the potential of becoming a third major factor in Middle East oil, and many Arabs have long urged them to enter the field, but with a few important exceptions they have allowed the international oil companies to represent their interests.

The control of the international oil companies over oil production in the Middle East is exercised through a system of concessions. In most of these concessions the company or group

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2The situation is complicated somewhat in the case of the Middle East because of the existence of another component, the transit countries. Syria, Lebanon and Egypt do play a role in determining oil policy because of their crucial role in oil transport.

3See Michael Tanzer, The Political Economy of International Oil and the Underdeveloped Countries (Boston, Beacon pr., 1969).

4As the Arabs so frequently point out, the British government is a majority shareholder in British Petroleum Ltd. Corporate-government ties in the U.S., while less formal are just as real.
of companies is granted exclusive rights for exploration, production and marketing of crude oil. It operates as a monopoly within the country and is in general free from all local interference, whether in the form of legal restrictions or import duties. In return, the concessionaire pays a set price for the oil produced and agrees to other requirements such as meeting local petroleum needs, utilization of local manpower and the provision of housing for employees.

In most cases the concessions are assumed by groups of oil companies or consortiums. This has had multiple advantages for the major oil companies, each of which generally has a part of several concessions in the Middle East and elsewhere. The costs of exploration are divided and more importantly, no company relies completely on one source of petroleum. For the producing countries, the consortium system is not as attractive. They are subject to economic blackmail if they attempt to pressure their concessionaire, since each member could until recent years simply increase production elsewhere in the face of such a threat. Since the consortiums are in essence merely crude oil offtakers, selling that raw product to their respective corporate owners as soon as it leaves the producing country, they have no significant role in refining or marketing oil. This arrangement has

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5 The main exception is the original B.P./Gulf concession in Kuwait.
6 This happened in 1951 in Iran during that country's attempt at nationalization. As is discussed later, the producers have taken steps to remedy this.
7 This is largely a post-1945 arrangement. Prior to the war,
made it even more difficult than it normally would have been for the producing countries to become involved in these aspects of the industry.

The economic power and political influence of the major international oil companies need not be recounted here. Their presence in the Middle East and the terms under which they operate has resulted in a situation typical of most underdeveloped, raw-material producing areas. The major oil concessions were obtained at a time of relatively high economic risk, uncertain demand, political domination and the virtual impossibility of indigenous development of oil resources. The issue of political pressure and the advantages taken of 'ignorant sheikhs' is a constant theme in current nationalist attacks on the oil companies, used to question the legitimacy, both moral and legal, of their continued presence in the region. Whatever one thinks of the contemporary situation, however, even without political pressure the concessions agreed to in the 1920's and 1930's were probably as good as the Arab governments could have expected. The risks were high and the presence of oil questionable in most cases.

A great deal of refining was done at the source. As part of general European recovery and in order to secure supplies, virtually all refining is now done at point of consumption.

The history of the Iraq Petroleum Company (IPC) concession remains the classic example of the exercise of political pressure in the obtaining of an oil concession. The 1925 concession to the Turkish Petroleum Co., later IPC, was agreed to by Iraq only after severe pressure was applied by the British Government, which at the time was the Mandatory Power. The pressure was made even more effective by the then undecided fate of the Mosul Vilayet, which without British support would probably have been seized or given to Turkey. Likewise the dominant position of B.P. and Gulf in Kuwait is directly related to the political position of Britian.
Given this complete control over Middle East oil which the concession system and the structure of the world industry gave to the major companies, opposition eventually developed within the producing countries. For some, this opposition took the form of complete rejection of the "cartel" and demands for nationalization. For most Arabs involved in the oil industry, however, the overpowering position of the companies gave rise to more specific and circumspect grievances which have been subjects of negotiation and conflict from the early 1950's to the present. These grievances include the lack of local personnel in managerial positions, the arbitration clauses for settlement of disputes, the failure of the companies to relinquish areas not being exploited, the utilization of natural gas, and the two most contentious ones; the duration of the concessions and their geographical extent.

The issues of duration and extent are the most obvious aspects of the dominance of the companies in their early dealings with local governments. The amended Iranian concession was for only twenty-five years, but that of Aramco in Saudi Arabia is sixty years, IPC in Iraq seventy five years, KOC in Kuwait seventy five years and later extended seventeen years to make the expiration date 2026. The duration issue became even more

in that sheikhdom.

9 The international oil companies were referred to as a cartel in the U.S. Federal Trade Commission Report in 1952 which had a great impact on those people in the Middle East concerned with oil. The International Petroleum Cartel, FTC Staff Report, 82nd Congress, 1952.

10 See G. Stocking, pp. 128-142 for a review of these grievances.
contentious as the Arabs discovered how quickly the companies had in fact recovered their initial investment after oil was discovered. The tremendous exploration and initial production costs, the main argument for long duration and the large size of the concessions, were easily compensated for by the volume of oil discovered in the Middle Eastern fields and by the highly profitable oil market after 1945. The vast extent of the earlier concessions and the lack of any mechanism for relinquishment meant that proven or highly promising areas could not be exploited by the country if the concessionaire company (s) chose not to utilize them. The issue was especially important in Iraq and led to a series of crises in the 1960's. The hold of the major companies on Middle East oil production was only circumvented in the 1960's by offshore discoveries (not covered in the original concessions) and the opening of new areas such as Libya.

The reality of oil company control over Middle East oil changed very little from the 1920's to the 1960's. As is made clear in this study, the Arab response to that control did undergo a drastic evolution, particularly in the 1960's. Conflicts centered not only on specific grievances with the concessions, but on the issue of sovereignty itself which the economic and political position of the oil companies seemed to threaten.

An equal, and for some a more important issue than control of the oil industry is the question of the income the producing
countries receive. This issue has manifested itself in three ways: the criteria for deriving income, the amount received relative to the companies' share, and the method of determining price. As with so many other aspects of the oil industry, the matter of income and price are far too complex to be fully explained here. Some background is essential, however, since so many of the debates of the 1960's center on questions of income.

In most of the early concessions the country's income was based on royalty payments, a fixed payment per metric ton of oil produced. Given the decline in the value of gold and the tremendous increases in demand for oil following World War II, this method and the amount of payment came to be seen as outmoded by both company and government. Rather than simply increase the payment per ton produced, the companies opted for a profit sharing scheme which worked to the benefit of each party.

The first profit sharing agreement in the Middle East was negotiated between Aramco and the Saudi Arabian government in 1950. Its terms set the pattern for subsequent agreements in other oil producing states in the region. The basic provision was for the equal sharing of company profits, hence the label 50/50 agreement. Royalty payments continued, usually 12.5% of the total production, to be paid to the host government whether the company made a profit or not. This assured the government

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11 The royalty payment was generally fixed at four shillings gold or three rupees per ton of crude oil.

12 Venezuela had concluded a similar agreement in 1948 with its consortium, Creole Petroleum Company.
of the producing country a minimum revenue related to the volume of oil produced. Profit sharing came into play when the income remaining to the oil company, before it paid income tax to its own government, began to exceed the total of royalties, local taxes and any other payments to the government of the producing country. An income tax is then levied on company profits to adjust the total payment to the country of one half of the company's net income.

For the oil companies, this system had several advantages. It satisfied the producers' demands for more income, providing an immediate increase in government revenues. The home governments of the oil companies levied tax only on the share of the profits retained by the companies and in addition allowed the company to deduct the taxes paid to the producing country from its tax liability. The 50/50 agreements thus cost the companies very little.

For the Arabs, perhaps the most significant aspect of the 50/50 deals was their minimal role in bringing them about. There was a degree of pressure from the Arab governments for more income and a preference for the profit sharing concept, but the conclusion of the arrangements was less a result of this pressure than a product of corporate self-interest. As

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It is perhaps at this point that the difference between Iran and the Arab states becomes evident. The Iranian government began negotiating with its concessionaire in 1948 for a profit sharing agreement, rejecting the concept in 1950 because it did not include sharing profits from all company operations. The ensuing nationalization and crisis marks the beginning of a distinctive Iranian approach to oil which in many ways continues today.
George Stocking has noted, the profit sharing arrangement did not represent any sudden increase in the power of the producers, nor any assertion of the right of taxation, which they had given up in the original concessions.

Besides increasing producer income, the profit sharing scheme had one other major effect which was to signal a change in Arab attitudes toward oil. Since income was now related directly to company profits, the Arab governments suddenly had an interest in matters that had previously been the sole concern of the company. Their revenues now depended on the price at which the oil was sold and the cost of producing it. This was the beginning of the Arab governments' concern with the oil companies' internal financial organization and procedures and with decisions made concerning oil prices. It was this change in the structure of government-company relations signaled by the 50/50 arrangement which resulted in Arab governments wanting representatives on boards of directors, resisting any fluctuation in prices and acquiring the skills and personnel necessary to comprehend and affect this part of the oil industry.

The concern with oil prices, particularly the price of crude oil, which resulted from the profit sharing system provides an example of the at times quixotic role of the major companies. In an effort to protect United States crude oil interests and to maintain control of the world oil industry, the major companies

14 Stocking, p. 201.
have for years maintained a price fixing system, called posted prices. This truly complex system has gone through many changes but its basic purpose and, until very recently its effect, has been the same; the protection of high-cost North American crude oil from competition with low cost Middle Eastern and Caribbean crude oil. Thus for years the price of a barrel of crude oil in Saudi Arabia was determined primarily in relation to the cost of oil in the United States. To provide economic stability for the Arab producing countries, their income was based on oil being sold at these artificially high posted prices. In this way, given a specified rate of production, the government could calculate its income in advance since the price per barrel remained stable.

For the Arabs, this system was a mixed blessing. On the one hand it prevented their low cost Middle Eastern oil from dominating the world market by maintaining an artificially high price. In a period of low demand this could be disastrous since there would be no economic incentive to maintain or increase production from Middle Eastern fields. On the other hand, it maintained a high cost per barrel which for most Arabs was preferable to vastly increased production figures. Without the ability of the companies to act as a cartel in this matter and without the

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15 In reality the crude oil was seldom sold at these prices, it being discounted at varying rates. The producing country, however, was paid its 50% on the basis of the posted price. Thus in actual fact the governments received more than a 50% share of the profits.

16 The posted price varied somewhat, but usually around $1.80/bbl, while the actual cost of production of a barrel of oil in the Gulf is about twenty cents.
dominant position they held in the industry, it is doubtful that this system could have been maintained. For this and other reasons which are dealt with later in this study, many Arab officials saw the oil companies as an essential factor in maintaining stability.

In relations between companies and the Arab governments the former more or less had their own way, establishing a structure which maximized their control over productions and prices. In dealing with each other, however, the situation was not so clear cut. Prior to World War II there had been several major clashes between British, French and American oil companies, the main point of contention being the limitation of American corporate interests by the British and French. The war and the postwar dominance of American capital shifted the balance of power in the international petroleum industry from Britain to the United States. In November 1948, a series of agreements were reached between the major companies operating.

17 Even in the 1920's, American corporate power was such that the British were forced to compromise their heretofore hegemonic position. In 1928, the Red Line Agreement was concluded between the two countries. In return for a share in IPC given to a group of American companies, the US recognized the British position in the oil states and agreed to confine their activities to the unproven Arabian peninsula. During World War II the Americans hung on to their dominance in Arabian oil and the British became increasingly concerned about American interest in Persia and Iraq. By 1954, in return for economic and CIA assistance in toppling a nationalist government in Iran, the Americans were given part of the Iranian concession, breaking the Red Line Agreement and paving the way for a new era of American dominance in Middle East oil. As many historians are beginning to emphasize, World War II was less a struggle of freedom versus fascism than a struggle for pre-eminence within the international capitalist system. The
in the Middle East which reconciled most of the conflicts. While Guaranteeing British and French interests, the basic thrust of the agreements was toward recognizing the reality of the American presence.

These agreements are important for this study in that they represent a stabilization of the Middle East oil situation from the point of view of the companies. For the major companies the combination of this internal corporate peace and the subsequent profit sharing plans in 1950 meant that most of the contentious issues had been settled. In scanning oil industry literature and trade journals of the early 1950's, one finds a general lack of concern with Middle Eastern affairs. The only economic or political threat of the period came from the Russians, a fear which was caused more by the international political situation than any reality in the Middle East.

The war left the British Commonwealth shattered as an economic/political unit, left America dominant in Europe and areas throughout the world that had been British or French spheres of influence. This was especially true for the Middle East, where the war settled a twenty year competition between the British and the Americans. See Gabriel Kolko, *The Limits of Power* (New York, Harper & Row, 1972), chapter 15, pp. 403-427.

Pre-war geographic restrictions on company expansion were lifted, thus legitimizing the American presence in Saudi Arabia. Iraqi oil production was to be expanded, thus calming French fears, Iraq being their only source at the time while American participation in IPC 'guaranteed' for the British that the US companies would not neglect Iraq in favour of Saudi Arabia.
This somewhat complacent and secure corporate view of the Middle East was not justified in terms of the companies' "sleeping partners", the Arabs. For them, the 1950's were a decisive and turbulent decade, both politically and in terms of their involvement with the oil industry. The major political events of the period, the Egyptian coup, the Czech arms deal and all it represented for the Arabs, the nationalization of the Suez Canal, the 1956 war, the formation of the UAR, the Iraqi revolution, the failure of the Baghdad Pact and the growing trend toward neutralism could not help but spill over into oil affairs. What the companies saw as purely economic relations with Arab governments were becoming, in the eyes of many Arabs, political issues. It was during this decade that the groundwork was laid for the struggles between companies and governments that dominated the 1960's.

At the time of the politically significant and emotionally charged events of the mid-1950's, the role of the Arabs, as outlined above, was marginal to all aspects of the oil industry. There were structural obstacles inherent in the industry which inhibited involvement and a definite reluctance on the part of the companies to share responsibilities and functions with the producing nations. More important in explaining this lack of Arab participation in the oil industry, however, was the absence until the mid-1950's of what can be called an "oil consciousness" and the scarcity of trained personnel. Company intransigence and
obfuscation played an inhibiting role, not a preventive one. Without an awareness of the importance of oil for their own economic development and its strategic world importance, there was no real motivation for the Arab governments to become involved in the industry. Without trained personnel there was no way they could penetrate the fog of company propaganda in order to define and implement an Arab role in the industry.

However, because of certain publications such as the 1952 FTC report on the oil industry and the growing interest of many Arab technicians and politicians, considerable information on the oil industry had become available to the Arabs by the mid-1950's. In 1955, the Arab League, which had long been interested in oil matters, sponsored a series of lectures on oil in the Arab states by Muhammed Jawad al-'Abbusi, which reflected the extensive body of information available to Arab leaders. The lectures outlined in great detail the history of oil in the Middle East, the importance of oil to world energy needs and its importance to the Arab countries. Thus by 1955, the Arabs concerned with the oil industry, still a small group, were aware of the extent of reserves, the low cost of Arab oil, the monopoly position of the companies and had some indication of the exploitative nature of their relationship with the major companies.

Stocking notes that the FTC report contributed greatly to the view that the Arabs were "... being victimized, not by a single gigantic corporation, but by a combination of industrial giants that together controlled the international oil market and set prices in a way to enrich their coffers at the expense of their hosts." Stocking, p. 126.
The growth of a more acute sensitivity toward exploitation, an increased interest in economic development, and a more vocal anti-westernism in the 1950's coincided with this availability of information to create at least the beginning of an "oil consciousness" both in the popular press and within governments. In its popular form, this new concern with oil took the form of radical attacks on the oil companies and a spate of self-criticism directed against the wasting of oil revenues by the backward "oil sheikdoms" of Saudi Arabia, Kuwait and the Gulf. This was a crucial development. It is a central theme of this study that for an underdeveloped region to alter the economic and political status quo resulting from imperialism and exploitation the struggle must take place at two levels, one to do with political consciousness and the other with the issue of structure. Underdevelopment and economic exploitation are in the end structural problems and can only be altered by changing the structure, the relationships that cause them. To perceive that structure, indeed to perceive exploitation and underdevelopment, the victim must first attain a sophisticated level of political consciousness. The two are symbiotic: consciousness alone will never change the structural relationship but without consciousness the search for alternatives remains sterile.

20 The relation of consciousness to historical change is, of course, a complex and hotly debated issue. Marx struggled against the two poles of the argument in his refutation of both the 'idealists' and the 'materialists' who separated consciousness from reality. For Marx the relationship was inherently dialectical. "Consciousness does not lie outside the real
Attacks in the press against the oil companies, while important in influencing public opinion, had very little effect on the formulation of Arab oil policy. Far more important for this policy in the long run, and thus for this study, were the steps taken in the 1950's by the Arab governments to create a body of trained personnel, build administrative structures in which they could operate and pursue policies aimed at decreasing the power of the major oil companies.

process of history. It does not have to be introduced into the world by philosophers..." Georg Lukacs, History and Class Consciousness (London: Merlin Pr., 1968), p. 77. Rather, consciousness and the ideological forms it assumes combine with praxis or active participation in historical change to create history. Thus while Marx's oft quoted passage from the German Ideology, "Life is not determined by consciousness, but consciousness by life", is true, it is balanced by Engels' later clarification: "According to the materialist conception of history, the ultimately determining element in history is the production and reproduction of real life. More than this neither Marx nor I have ever asserted. Hence if somebody twists this into saying that the economic element is the only determining one, he transforms that proposition into a meaningless, abstract, senseless phrase. The economic situation is the basis, but the various elements of the superstructure... even the reflexes of all these actual struggles in the brains of the participants, political, juristic, philosophical theories, religious views and their further development into systems of dogmas -- also exercise their influence upon the course of historical structures..." F. Engels, Letter to J. Bloch, 21 Sept. 1890 in Karl Marx and Frederick Engels, Selected Works (Moscow, Progress Pub., 1970), p. 682. For an excellent account of the relation of consciousness to action see Bertell Ollman, "Toward Class Consciousness", Politics and Society, vol. 3, 1972.
In those early days of active Arab involvement with oil affairs the impact of the men soon to be known as technocrats was profound. They raised the level of public awareness of oil, enabled their governments to negotiate competently for the first time using their own nationals, and for a while believed that they could in fact use their influence to make policy. Much of this study is taken up with examinations of individual technocrats. For the remainder of this chapter I will discuss them as a group and develop a conceptual framework through which their actions can be analyzed.

The technocrats do not seem to fit the pattern of comparable 'intelligentsia' groups in other developing regions, their education being more technical in nature, employment and political influence deriving from their skills more readily available. J. E. Hartshorn has provided the most succinct explanation of these distinctions. His view has been summarized in another work and is worth quoting in full.

The technocrats of the oil producing countries differ rather significantly from the similarly aspiring intelligentsia in other underdeveloped countries. Their education has been more technical than legal; their advancement has been more administrative than political; their promotion has been more meteoric than hereditary. Because of the expanding economic opportunities, far more governmental careers have been open to these men than to their counterparts in other underdeveloped countries. Their political orientation is, as a consequence, less radical than that of the 'briefless advocates' of nationalist politics in other underdeveloped countries; political change in the oil producing countries has come mainly
from military ranks. The technocrats need not express their social aspirations through political means. Having already attained positions of influence that in other countries political radicals might dream of achieving through political parties, they have resorted to reformist tactics.

In a similar vein Marvin Zonis emphasizes the role of the new elite in Iran as being the bearers of the "culture of modernization", possessors of the skills essential to the creation of a modern state and economy. Like Hartshorn, he notes that they play little role in politics yet refers to them as the ruling class.

While my research into the Arab oil technocrats has provided little support for Zonis' conclusion that they are a professional ruling class, the translation of technical and managerial skills and expertise into political influence is quite evident. It is this phenomenon which most clearly

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22 The word 'modernization' has accumulated so many different definitions that it is fast becoming meaningless. Rather than contribute one more, I would offer the following definition from I. William Zartman: "Perhaps what we are talking about is something that encompasses the whole process, at any time in history or in the future, of keeping the political system (or polity) in harmony with the society and economy... what we call modernization would be the ability of a political system to adapt to major specific changes in the society and economy, until it reaches the point where it is able to handle indigenous changes on a continuing basis." "Morocco" in Political Modernization in the Near East and North Africa (18th annual Conference, Princeton Univ. Conf., 1966), p. 26.

separates the Middle Eastern technocrats from their counterparts in more developed areas. They are not merely used by the various ruling classes in the area, but out of necessity become supportive of them. As oil became more important in local economic development and as producing countries took over more responsibility in the industry, the problems became more complex, enhancing even more the influence of the only people able to deal with them, the technocrats.

Yet, who were these technocrats? Did everyone with a western education suddenly become an integral member of their respective ruling classes? Closer examination of the technocrats as a group casts some doubt on this proposition, revealing an interesting internal differentiation. As the following chart shows, the most prominent technocrats, those who were ministers and key decision-makers in fact were not generally engineers or technicians. Rather, they had been trained in law, economics or management, areas of expertise which set them off from their fellows and perhaps made them more amenable to cooperation with the state.

24 This is more than a problem of mere numbers. In the West the major productive enterprises on which the state is dependent are privately owned. The technocrats and managers in this situation are removed from the governing class by the owners who form the alliance with the state. In the Middle East this intermediary does not exist, hence the technocrat/managerial elite is much closer to the state apparatus.
Faisal Mazidi  
Univ. College, North Staffordshire, Economics 1959  
Director. Kuwait Oil Co.

Ahmad Yamani  
Private Law practice; Legal adviser to Saudi Gov't; Oil Minister

'Abd al-Hadi Tahir  
Cairo Univ.: Commerce, 1955  
Univ. of Calif., MA in economics, 1958  
Univ. of Calif., Phd. 1960  
Director-Gen'l Saudi Oil Ministry

Muhammed-Joukhdar  
Univ. of Calif., BA 1956  
USC, MA in economics 1958  
Director Gen'l Saudi Oil Ministry

Hisham Nazer  
Univ. of Calif., BA in International Relations  
MA in Political Science 1958  
Adviser to Saudi Oil Ministry

These men all became important figures in the bureaucracies of their respective countries in the 1960's. They, along with Sheikh Abdullah Tariki who will be discussed later, were the first wave of oil technocrats to surface in the late 1950's and tended to monopolize the higher bureaucratic positions throughout the 1960's. By the mid-1960's many more Arabs had been sent abroad to study strictly technical subjects and people with this kind of background now make up the majority of what are referred to as technocrats. They are not, however, the leaders of the group nor do they occupy many positions of political influence. There is thus a distinction within the technocrats between technicians and managers, with the latter being the ones with power and influence. Too much stress on the nature of the
educational experience will therefore not get us very far in attempting to generalize about the technocrats. Stripped of their credentials as pure technocrats, men like Yamani and Nazer become much more similar to the managerial elites prevalent in so many other underdeveloped and developed areas.

One common assumption shared by many of these technocrats was a rejection of participation in politics. In 1959, virtually all of the important oil technocrats eschewed politics of any variety. Their primary aim was to bring about a unified Arab oil policy in order to confront the companies from a position of strength. In order to do this they saw it as essential to keep

25 The mixture of personalities in Libya immediately following the 1969 coup provides an illustration of this split within the technocrats and some indication of its expression in politics. The first Oil Minister in Libya following the September coup was Anis Ahmad Istaiwi, thirty years old with a degree in petroleum engineering from the Colorado School of Mines. Another important oil official appointed in September was Mustafa Rashid al-Kikhya whose training consisted of a BA in petroleum engineering from the University of California (1968). Both clearly fall into the category of technocrats. By January 1970, Istaiwi had been replaced by Izz ad-Din Mabruk, a technocrat of a very different background. He was older, having served as an adviser to the Libyan Oil Ministry before the coup, was trained in law and was well known in international oil circles. His coming to power along with certain other key dismissals and reassignments within the government clearly represented a shift in the kind of personnel deemed necessary to carry out government business. In another example which will be discussed in detail in chapter four, 'Abd al-Aziz al-Wattari, an Iraqi technocrat with a background in engineering, was engaged in constant controversy while Oil Minister in Iraq. When he was replaced after two years of turmoil his successor was a lawyer by profession.

26 In a letter to the author the ex-Iraqi Oil Minister and prominent technocrat Nadim al-Pachachi emphasized that the technocrats must maintain their objectivity by keeping out of political parties.
clear of the divisiveness so apparent in Arab politics.  

Instead of working through the prevailing political mechanisms, the technocrats concentrated on persuading their own governments and on cultivating public opinion. Sheikh Abdullah Tariki, Oil Minister in Saudi Arabia, was especially determined to create an informed public opinion in his country. His Department (later Ministry) published a magazine for local consumption which was keyed to informing the public of the importance of oil and Saudi oil policy. Besides encouraging support for their oil policies within the Middle East, Tariki hoped the oil companies would realize that Arab oil officials had the support of their peoples. This, he asserted, would strengthen the Arabs' position since the home countries of the oil companies were democratic and would therefore "appreciate the power of public opinion." 

David Hirst, in discussing the technocrats, stresses the apolitical nature of this appeal to public opinion. He notes that these men had to be careful not to appear to be in competition with their home governments or other political movements. They could appeal to Arab nationalism, but had to be careful not to do so in Nasserist, Ba'athist or any other political manner. Most of the technocrats of the 1955 - 1960

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27 For the remainder of this study the word technocrats will refer to these 'managerial' technocrats unless otherwise specified.

28 al-Bilad, 24 October, 1960, in Middle East Economic Survey (MEES), v.4:1, 1960.

29 David Hirst, Oil and Public Opinion in the Middle East
period undoubtedly shared this aversion to Arab politics and the desire to build a separate platform from which to formulate an Arab oil policy. Given the later involvement by most of these same men in what were essentially political questions, however, one must conclude that this apolitical stance was a tactical move and not something inherent in the psychology or consciousness of the group. They were correct in their initial analysis that the vicissitudes of Arab politics would only hinder a unified Arab oil policy, but were never really able to break away. Their initial attempt lends credence to their distinctiveness and cohesiveness as a group determined to buck the tide, but once again the end result places them closer to their respective ruling classes than to each other.

The stance of the technocrat toward politics is perhaps the

(New York, Praeger, 1966), p. 104. Their determination to avoid such political identification was the real source of their attraction to the governments of the area. Speaking of Nasser's increasing reliance on technocrats in Egypt, Anouar Abdel-Malek notes: "That was why he turned to a different group of people: they were mainly economists, engineers, or administrators, educated in England or America, and most of them holding doctor's degrees. Each was an expert in a specific field rather than a politician or theoretician - perfect for a military government whose leaders intended to retain an exclusive monopoly over thought and political decision" Abdel-Malek, Egypt: Military Society (New York, Vintage, 1968), p. 101.

30 This despite the comment by Frank Hendryx, a Saudi oil adviser, that "Both in theory and practice, the will to unite politically and the will to enforce a unified oil policy have always been basically independent of each other. No Arab political leader has ever attempted to establish a comprehensive oil policy for the Arab World. Middle East oil policy originates at another level and from non-political sources." MEES, v. 6:2, 16 Nov. 1962, from NY Herald Tribune, 7 Nov. 1962.
central issue of this study. As stated above, their public position was an essentially apolitical one, especially in the 1950's and early 1960's. Their private position was no doubt quite different. The career of Abdullah Tariki, which is followed throughout this study, demonstrates a clear and consistent political orientation, but he becomes less a 'technocrat' in the accepted sense of the word as his political positions become more clearly defined. The position of the majority of the technocrats is best explained by the following summation of a letter I received from one such man, who must, unfortunately, remain anonymous. The technocrat, he states, is a political animal, concealing his political viewpoints and persuasions for fear of persecution by the political leadership. He is discontented and frustrated as a result of this, but even his discontent must be masked because of fear. As more and more of these men return from abroad, and as their frustration mounts, they will, in the view of this individual, sooner or later develop a class consciousness which will take the form of closely knit professional associations. These, in fact, will be substitutes for political parties.

This is seen as a long process, but an inevitable one as the oil producing countries become increasingly dependent on the services of these men. In the end, they will become a privileged class in Arab society, much as their counterparts in Russia and China. The changes in the oil industry, the increase in wealth, more industrialization, more control, all
bring more responsibility and more power for the technocrats. The military, discredited by their inability to handle the Israelis, will be eased out of power. The technocrats, through their professional associations, will move into the gap and administer the increasingly technological society.

As I hope to demonstrate throughout this study, this projected scenario shows few signs of bearing fruit, dependent as it is on the continuing unity of the technocrats as an elite. What it does demonstrate, however, is the somewhat ambiguous personal, political and ideological position of the technocrat. He has rejected the old political order and its ideological base, parliamentary democracy. He feels uncomfortable with the new military regimes which seem to deny him the political role necessary to carry out social and economic change.

In line with their desire to foster an apolitical image, the technocrats stressed their rational, scientific and moderate approach to oil issues. Besides reflecting their training and expertise, this constant stress on moderation was aimed at calming company fears and drawing a clear distinction between the aims and policies of the technocrats and the more extreme and emotional Arab nationalist views on oil. More than just a tactic, however, this emphasis on rationality and moderation reflected a genuine feeling that justice was on their side and

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31 One western commentator picked up on this theme, urging the companies to work with the technocrats to bring about stability in the industry. Wanda Jablonski, Petroleum Week, 8 May, 1959.
that with patience it would surface. Speaking of Saudi relations with Aramco, Tariki summed up this faith in the power of reason:

... if we pursue the path of reason and sound judgment, and act in concert with other oil producing countries with similar conditions, it should be possible to face up to the companies and their governments; united in a common purpose, we could submit our claims to expert bodies which would establish the rights of the oil exporting countries and reveal the injustices of the oil agreements to our peoples. 32

Like the reliance on public opinion, this faith in reason and justice sounds somewhat naive. It is firmly grounded in their training, in their desire to be a part of the international business community which supposedly functions on this level and in the political interest of their home governments. As is evident in this study, the reliance on rational arguments and moderate policies led inevitably to the political identification the technocrats were so eager to avoid. The moderation they derived from their rationalism implied a degree of conservatism which was unacceptable to many, including eventually a significant portion of the technocrats themselves. Specifically, it came into open conflict with the dominant nationalist feelings of the era.

At this early period of their first emergence as a defined group in the Arab world the technocrats had few visible internal differences, yet even then it was difficult to pin down a common ideology. There were definite strains of populism, a general dedication to some form of Arab nationalism and at the same time the conservatism implied in the above discussion of their moderate

32 Interview in al-Bilad, MEES, v.4:33, 23 June 1961, suppl.
approach. In terms of economic policy, the oil technocrats tended toward a kind of state capitalism, falling far short of the socialism being espoused by many of their contemporaries. Their knowledge of the West had served to heighten their awareness of the underdeveloped nature of their own countries. Seeing themselves as a vanguard, they championed the causes of education and economic development as the keys to progress. The state, which they saw themselves as dominating, eventually if not at the moment, was to be the deus ex machina of this progress.

Their over-riding concern was with economic development, which they saw as essential to the spread of education, the building of a modern political system, and gaining respect in the international community. Their first priority was, of necessity, the development of their own states, but they were astute enough to realize that especially in terms of oil the well-being of all the producing countries was inextricably linked. As I have mentioned above, they also realized that the self-interest and ideological differences of the various states were a powerful roadblock to any kind of economic cooperation.

Majid Khadduri, discussing Iraqi technocrats, says they were not middle class in origin, means, or attitude. They were not interested in championing the interests of one class, their own, but in the people as a whole and the lower class in particular. They adopted the concept of the classless society and their economic thought was therefore based on some kind of collectivism rather than free enterprise. Majid Khadduri, Republican Iraq (New York, Oxford Univ. pr., 1969), p. 6.

If the technocrats did espouse a state capitalist economic system with a populist/nationalist ideology, they did not have
It is for this reason that they attempted in 1959 to act as a non-national apolitical group, calling for unity at least on oil issues and appealing to Arab nationalism. The emotional pull of Arab nationalism was powerful, and many of the technocrats would have accepted Tariki's version of its role and importance:

Arab nationalism is not just a slogan or a philosophy. For us Arabs it is a matter of life or death. It is the source of our strength and the mainspring of our lives. It is the source of our dignity, and the guarantee of the existence of the Arabs and the preservation of their very existence. 35

On the other hand, besides being Arabs the technocrats were officials of national states with distinct interests and ideologies which had to be served. It is the conflict between these two attractions, made all the more pronounced by the immense wealth, power and development possibilities involved in the oil question, which provides the key to the evolution of the technocrats and of Arab oil policy. The conflict was essentially political in nature, the pull of two competing nationalisms and their supportive ideologies. One tended toward moderation, the other an increasing radicalism. Like everyone else in the Arab World, the oil technocrats were fated to split on the issue, unable to sustain their initial unity.

I argue throughout this study that there were obvious structural factors which pushed the majority of the technocrats toward conservatism and conflict with their nationalist peers. What I am even more concerned with, however, are the internal, personal or ideological factors of the technocrats themselves which worked to push them in this direction. There is no attempt here to detract from the decisive role of structural relations, but rather to outline the manner in which intellectual dependency serves to reinforce the impetus toward conservatism dictated by those structural relations.

As stated above, the technocrats evinced a desire to work with the companies in a spirit of cooperation, not antagonism or competition. For their nationalist opponents, of course, this was an impossible premise to start from, but for the technocrats it was the only logical one. The key to their approach was their acceptance of the basic economic and political structure in which they found themselves and the assumption of a situation of equality between themselves and the oil companies. They sought no fundamental changes vis-a-vis the companies, concessions or prices and saw no inherent inequality in the role of raw material producer for western industry. This rejection of the nationalist argument, which was prominent throughout the 1960's, stemmed from the nature of the governments they served and from their personal absorption into western modes of thought.
The characteristics of both the governments and the individuals who served them can only be understood by examining the larger system of which they are a part. There has been a lively debate among scholars concerned with the Middle East over the relative influence of cultural or 'traditional' factors and the 'forces of modernization' in determining current social and political attitudes. The Islamicists or cultural relativists have long been on the defensive in this debate, defending social and political institutions that appear to have decreasing relevance. The modernists, the scholars of modernization and political

See in particular C.A.O. Van Nieuwenhuijze, Sociology of the Middle East (Leiden, E.J. Brill, 1971), Van Nieuwenhuijze, Development: A Challenge For Whom? (The Hague, Mouton, 1969), Hamilton A.R. Gibb, Modern Trends in Islam (New York, Octagon books, 1972, 1947) and Gibb, "The Heritage of Islam in the Modern World", International Journal of Middle East Studies, v.1:1, 1970, v.1:3, 1970, v.2:2, 1971. The basic position of Gibb and Nieuwenhuijze as well as that of Marshall Hodgson, G.E. Von Grunebaum, Clifford Geertz and Wilfrid C. Smith, is that social scientists cannot readily apply theories and analytic tools developed in the West as a result of the peculiar western historical experience to Middle Eastern society or politics. The essence of Gibb's position is that Middle Eastern society has traditionally been a corporate rather than a class society, i.e., based primarily on the group. More than this, Gibb and the others imply and state in their works that this traditional structure which they have found and analyzed through meticulous research, is by no means gone in the 20th century, but is still a vital force and in fact shows few signs of weakening. The exclusiveness of the group creates certain patterns, set relationships with other groups, a desire for internal autonomy, resistance to outside interference and a difficulty in creating combinations except for temporary objectives. They see no evidence of the integration of these groups which is the key to class formation. If there are indications of an emerging bourgeois consciousness in some Middle Eastern countries, it is seen as a passing phenomenon in a period of rapid change, not a trend or direction.
development, have until quite recently dominated the debate with their emphasis on the increasing importance of western norms and techniques, the rise of western educated elites and the increasing popularity of secularism. Their work, however, has been shown to have been overly optimistic and perhaps even naive in the light of reality. Their predictions and analyses have simply not proven applicable in too many cases. A third major view of the process of adaptation of change at work within both societies and individuals in areas such as the Middle East is that centering on the issue of dependency. Long held by Marxist scholars such as Paul Baran, it is becoming increasingly popular as a more practical tool for understanding both material development and personal behavior.

Dependency theory has at its base a familiar structural equation; that the nature of an economic system determines to a large degree the political system and the behavior of the individual within that system. It places the nations of the developing world within the context of a larger economic system, that of international capitalism, stressing the inherently unequal relationship between the industrialized center of that system and its periphery. It is the emphasis on the necessary inequality of this relationship which differentiates this interpretation most clearly from modernization theory and which separates Arab nationalists from the OPEC technocrats. Susan

37 There is a growing body of literature concerning dependency, particularly in Latin American studies. The following
Bodenheimer offers the following definition of dependency:

An historical situation which shapes a certain structure of the world economy such that it favors some countries to the detriment of others and limits the development possibilities of the subordinate economies; a situation in which the economy of a certain group of countries is conditioned by the development and expansion of another economy to which their economy is tied. 38

This is very different from the inter-dependency with which we are all familiar, the key words being 'limits' and 'subordinate'. It was from this perspective that the nationalists rejected the moderate technocrats' belief in negotiation and attacked the companies as exploitative. After serving their own interests, the companies would logically look after the interests of their home countries which in the Marxist framework were of necessity contradictory to those of the developing area. Quoting Bodenheimer again, "growth in the dependent nations occurs as a reflex of the expansion of the dominant economies, i.e., foreign rather than national needs." 39 In discussing the Middle East, Hisham Sharabi noted the historical effect of this order of priorities:


Bodenheimer, p. 124.
On a purely economic level imperial domination was responsible for arresting the growth of indigenous capitalistic formations in the Arab World. Native capital, and the class that would have utilized it, was diverted into other functions more in harmony with western economic and social interests. The socioeconomic formations with which Arab society was 'pregnant' were aborted at an early stage of development, constituting a serious setback to the process of modernization. 40

There are some important premises here, the first being the rejection of the still popular concept of an "economically progressive" colonialism. Secondly, there is the notion of development being inherent in all social systems and the condition of underdevelopment being a created one. Finally, the essence of colonialism is seen as being the diversion of economic goals toward strictly western interests, a condition that remains operative in most developing areas.

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40 Hisham Sharabi, Arab intellectuals and the West (Baltimore, Johns Hopkins pr., 1970), p. 135. Marxists have traditionally had a somewhat difficult time in dealing with this problem of imperialism and the latent development possibilities in non-western, traditional societies. Marx, himself, as a 19th century European, tended to see imperialism, like capitalist industrialization at home, as a brutal but in the end necessary phase and made no moral judgments. Speaking of India, he stressed that "...we must not forget that these idyllic village communities, inoffensive though they may appear, had always been the solid foundation of Oriental despotism, that they restricted the human mind within the smallest possible compass, making it the unresisting tool of superstition..." In commenting on this passage, Paul Baran notes that "...it should not be overlooked that India, if left to herself, might have found in the course of time a shorter and surely less torturous road toward a better and richer society. That on that road she would have had to pass through the purgatory of a bourgeois revolution, that a long phase of capitalist development would have been the inevitable price that she would have had to pay for progress, can hardly be doubted". Paul Baran, The Political Economy of Growth (New York, Monthly Review pr., 1957), p. 150.
In terms of the oil industry in the Middle East this structural dependency is quite apparent. The industry is structured to serve the interests of the industrial center, frequently at the direct expense of the periphery. Thus industrial plants which generate capital, taxes and employment are located outside the Middle East, a trend that began with the loosening of western political control over the area following World War II. Transportation, refining and marketing are all controlled by the companies with little input or participation on the part of the producing nations. The price of the product itself was until quite recently determined solely by the oil companies and was kept low in the interest of those companies and the consuming countries. The nations of the area are fully aware of this dependency on the West for markets, skills and political protection. As a result the range of options open to them in dealing with the western nations is severely circumscribed.

It is not enough, however, to rest the case for dependency on the influence of structural issues such as political alignments of economic ties. The Soviet presence in the Middle East enables some of these countries at least to minimize western political pressure without undergoing any significant internal political change and the current world energy shortage highlights certain weaknesses in those economic relationships. The key to the continuance of a fundamentally dependent
relationship despite the potential for change lies in the very nature of the ruling classes in the Middle East who are unable to perceive or choose not to recognize their subordinate position.

Modernization theory views the adoption of western values by the various elites in developing countries as a positive step, albeit productive of certain stresses in those societies. Viewed from the perspective of western interests, which we must assume these scholars share, the moderation and rational policies pursued by such westernized groups as the oil technocrats are seen as evidence of increasing sophistication and modernity. However, viewed in the perspective of the overall dependent relationship these areas share, this moderation and rationality can be seen as serving essentially western interests if for no other reason than their role in preserving the status quo. To put this problem in a theoretical framework, dependency

The issue of the role of values in modernization and development is a complex one with a vast body of literature. Writers of this persuasion not only focus on the indigenous values which are said to cause underdevelopment, but put their greatest emphasis on the process by which these "social norms and values" are re-oriented to produce economic development. (B. Hoselitz, "Non-Economic Barriers to Economic Development", Economic Development and Cultural Change, v.6:1, 1968, p. 8) The approach is closely linked to the work of Talcott Parsons in American sociology and is best put forward in the work of Bert Hoselitz and Seymour Martin Lipset. Thus, for Hoselitz, "Any analysis of economic development which is to be fruitful and complete must include a set of propositions relating changes in production techniques to changes in values." (Hoselitz, p. 8) And for Lipset, "...given the economic conditions for the emergence of a system of rational capital accumulation, whether
and its resulting inequality are not simply imposed from outside by avaricious imperial powers, but rather are sustained by what Bodenheimer calls the "infrastructure of dependency". Included in this infrastructure are classes and elites and processes such as urbanization and industrialization which are not by nature dependent, but become so when they function in response to the needs or interests of the dominant powers in the international system rather than national needs or interests. Dependency is thus completely internalized, requiring more than mere withdrawal of western interests of nationalization to be ended.

or not such growth occurred in a systematic fashion would be determined by the values present. Structural conditions make development possible; cultural factors determine whether the possibility becomes an actuality." (S. Lipset, "Values, Education and Entrepreneurship", in Lipset and A. Solari, Elites in Latin America (Oxford, 1967), p. 3). If the primacy of cultural values is accepted, then the cure for poor economic performance becomes obvious. If entrepreneurs are unable or unwilling to take risks, reinvest capital, employ on the basis of merit, and so forth and these traits are caused by 'national character', then that 'national character' must be changed. When the bases of the culture are changed through modernization, national character is changed, and thus underdevelopment eliminated. (See David Potter, People of Plenty (Chicago, 1957), Part I, "The Study of National Character". Thus under-development is completely internalized: "We now know that the primary ingredient of their (the underdeveloped nations) economic growth is motivational more than material." (W. Malenbaum, "Economic Factors and Political Development", Annals of the American Academy of Political and Social Science, March 1965, p. 42).

Bodenheimer, p. 126.

In terms of dependent industrialization, the most prominent example is the import-substitution economy developed in so
Implicit in this approach is the conclusion that many of the policies advocated by the ruling classes of developing countries within the capitalist system are not the most advantageous or wholly in those countries' interests. Thus it has been argued that in a country such as Canada the policy of encouraging foreign investment has been counter to Canada's economic, political and cultural self-interest. The fault, however, lies not with the capitalist center, in this case the United States, but with the dependent Canadian ruling class which permitted, encouraged and profited from the policies. In the case under study here, it can be argued that the OPEC policy of cooperating and negotiating with the oil companies was counter to the member states' best interests, given that other options were in fact open. After further discussion of the dependent nature of the OPEC elite, this study examines in detail the options posed by the nationalist technocrats, the debate over those options and the progress of the debate.

many countries in the Third World, especially in Latin America. This industrialization has required the purchase of equipment and machines along with many components of the finished product, thus using scarce foreign exchange. "The import of capital and intermediate goods necessary to produce consumer goods has been substituted for the import of consumer goods themselves. The structure of manufacturing production is now organized basically to produce for the consumer and the traditional sector has been left to 'produce' the investment goods." Sunkel, p. 37. For a defense of import-substitution, see A. Hirschman, "The Political Economy of Import-Substituting Industrialization in Latin America", Quarterly Journal of Economics, v.82, 1968:
In searching for an ideological framework through which the actions of the technocrats can be better understood, I have adopted a theory of intellectual dependency. This is logical extension of the structural dependency discussed above, based on the premise that the initial economic and political relationship establishes not only a dependent class, but a dependent ideology as well which serves to perpetuate the entire system. Ideology, as Marx and his more astute successors have noted, is not merely a reflection of a given reality, but in many cases can exist independently after the objective conditions which created it have disappeared or been weakened. This independent role of ideology was first noted by the Italian Marxist Antonio Gramsci in his theory of ideological hegemony. He argued that the hegemonic position of a dominant ideology diffuses one concept of reality throughout society in all its institutional and private manifestations. In his work on Gramsci's theory, Eugene Genovese notes that:

Hegemony, therefore, is achieved by consent, not force, through the civil and ostensibly private institutions of society.... It follows that this hegemony depends on much more than consciousness of economic interests on the part of the ruling class and unconsciousness of such interests on the part of the submerged classes. The success of a ruling class in establishing its hegemony depends entirely on its ability to convince the lower classes that its interests are those of society at large - that it defends the common sensibility and stands for a natural and proper social order .... Too often Marxists have assumed that economic deprivation, political repression, or socially retrogressive actions could arouse the exploited classes to anger and resistance ... Apathy, however, is not necessarily a product of fear, much less of indifference and oppression; it may
flow from a failure to identify the source of discomfort and oppression. Every organ of civil society labors to cloud the issue, to misdirect the anger and to produce resignation. It is the totality of the bourgeois world-view -- the enormous complex of prejudices, assumptions, half thought-out notions and no small number of profound ideas -- that infects the victims of bourgeois rule, and it is the totality of an alternative world view that alone can challenge its supremacy. 44

Thus in the case of Middle Eastern oil we may talk of the ideological hegemony of the foreign companies over the ruling classes in the Middle East, and in turn of that classes' ideological hegemony over its own population.

Work in this field has been most extensive in Latin American studies but the groundwork has been laid in the Middle East by those writers who criticize the modern elite because of their isolation from the mass of the population and their abandonment of Islamic culture. Perhaps the most notable of these, Sir Hamilton Gibb, characterizes groups such as the technocrats as being "as transient as medieval sultanates and as lacking in intrinsic authority." 45 His critique and that of many other scholars is based on the "inorganic" nature of these modern groups and the institutions they create.


Afif Tannous calls them "strangers to their own culture" unable to bridge the gap between their westernism and the culture of the masses. According to Elie Kedourie, this westernized ruling class has "ceased to share the same universe of discourse with the society at large". These writers predict either a political crisis in the area when the masses demand a more organic link between leadership and society or a gradual disappearance of these modern elites. This critique highlights part of the problem, the foreign nature of the elites and their ideologies, but does not adequately explain their strength or the full implications of their policies.

One author investigating these kinds of problems has discovered what he calls a "pervasive technocratic ideology" in

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47 Elie Kedourie, "The Chatham House Version" in E. Kedourie, The Chatham House version and other Middle Eastern studies (New York, Praeger, 1970), p. 381. Oswaldo Sunkel expresses the issue in this way: "Less attention has been paid to the massive and rapidly increasing transfer of attitudes, values, patterns of consumption and styles of living, forms of artistic expression, social organization and technological development. Some see in all this the 'process of modernization and rationalization which constitutes the base and prerequisite of economic development.' Others see in it "The most dismal process of cultural alienation in which our own values and traditions are sacrificed in the pursuit of a well-being which is mistaken with the consumption of more or less superfluous material goods." Oswaldo Sunkel, "National Development Policy and External Dependence in Latin America", Journal of Development Studies, v.6:1, 1969, p. 24.
all societies, developed and underdeveloped. Its extension into areas such as Latin America and the Middle East, however, is accomplished within the framework of dependency, reflecting the influence of international organizations, the multi-national corporations and common educational techniques. The discussion of Latin American technocrats by Juan Corradi bears out this view and it fits the oil technocrats perfectly. He begins with their rejection of a political role, a trait common to most of the oil technocrats. They have adopted instead an ideology of 'developmentalism' which "stresses the technical aspects of development and modernization and suppresses the reference to the political control of these processes. In other words, the new dominant ideologies tend to substitute technological and instrumental considerations for political analysis and action." This description sums up the essence of the Arab debate over oil, the issue of prices versus control, and more importantly, it provides an ideological basis for at least one of the positions. Debates over whether to nationalize, to legislate or negotiate, to boycott or to pressure, and so forth are to be sure firmly grounded in political realities within the oil producing states but they also reflect fundamental ideological divisions in the Arab world which are tied


49 Juan Corradi, "Cultural dependence and the sociology of
to the prevailing condition of dependency. We are concerned here with more than a mere division over tactics. The same pattern holds true for debates on other issues. There is, for instance, no fundamental contradiction between imperialism and at least one strain of Arab nationalism. With the system of competing elite groups within a single ruling class there are no basic contradictions between any of the elites, only the competition for power and thus wealth. In order to achieve more popular backing than competing elite groups, an elite must increasingly turn toward nationalism. To remain in power, however, it must demonstrate economic progress. In the Middle East as in other developing areas, economic progress (without revolution) means reliance on foreign capital and thus a dependent relationship to the owners of that capital. Nationalism, therefore, is sometimes sacrificed as a weapon against imperialism in order to stave off competing elites.

By not focusing entirely on what can be called structural factors as the motive force behind the policies initiated by the technocrats, I have necessarily elevated the role of ideology. Like the study of the Iranian elite by Marvin Zonis, it is a major assumption of this study that what Zonis calls attitudes and I call ideology underlies and sustains the behavior of these individuals. Zonis stresses that the political elite he is studying behaves so as to "maximise the

'fit' or resolution between their attitudes and their behavior." The connection between ideology and structure, of course, lies in the latter's ability to in a large part determine the former. A dependent economic and political system will produce an ideology designed to serve that structure as well as oppositional ideologies. The technocrats' function throughout the 1960's was to maximise the interests of their nation within the existing structure, in terms of both domestic politics and relations with the oil companies.

I have discussed several aspects of the policies pursued by the oil technocrats through OPEC. That these policies were in part determined by structural questions both internal and external to the Middle East has been mentioned. They were also, however, in line with the ideology of the men involved in their formation. This ideology is based less on the prevalent culture or national society than on the "universal and non-ideological nature of scientific investigation." The 'scientism' implicit


51 These technocrats, like other groups in the 'middle sectors' of Arab society, tended to share an international ideology, as well, that ideology associated with the Cold War. Acceptance of the notion of an ideological frontier led them to associate any policies aimed at basic transformation or disturbance of the Status Quo with a subversive process. See Sunkel, p. 27.

52 Corradi, p. 46.
in the technocrats' approach is directly related to contemporary
trends in North American thinking on technology and the manageri-
ial elite. The technocrats feel themselves "beyond ideology"
in the full tradition of Daniel Bell.

This intellectual and ideological indebtedness to the West
is nothing new in the Middle East, being merely the continuation
or perhaps culmination of a long tradition. Bernard Lewis has
discussed the isolation of the Ottoman "men of the Tanzimat"
who were "accustomed to look up to western experts as their
mentors and guides to new and better ways." It was this elite
which according to Marxist scholars made up the forefront of
the 'national bourgeoisie' of the colonial period, the mechanism
through which exploitation of resources and markets was made
possible. They were the 'middlemen' of the colonial and
imperial powers and served western interests and their own just
as intellectuals and technocrats do today. This same group
spearheaded the drive for independence in most of these coun-
tries and have since consolidated their rule through reliance
on the preservation of the 'western connection.'

Being educated in the West and envious of the modern, rat-
ional society they observed there, the technocrats logically
partook of the prevailing ideological trends and absorbed many

53 Bernard Lewis, The Emergence of Modern Turkey (London,
54 Keith Buchanen, "The Third world, its emergence and con-
of the cultural values. Earlier Arab victims of the 'western attraction' had developed an entire theory of secular nationalism based on European intellectual history in the 18th and 19th centuries. The technocrats trained in North America in the 1950's and 1960's were exposed to concepts such as the end of ideology, the managerial revolution and the universality of scientific knowledge. By rejecting politics as emotional and anti-rational and embracing instead scientific rationalism they came in their eyes closer to equality with their counterparts in the West. This yearning for equality despite cultural differences is a clear stain among the technocrats, expressed in terms of seeking the respect of oil company officials. Just as British adventurers in the Middle East in earlier times had aspired to be better Arabs than the Arabs themselves, the technocrats sought to be even more rational, more scientific than their teachers. This commitment to an ideology which preached the equality of the rational made it virtually impossible for the technocrats to perceive the inherent inequality and exploitation in the relationship of their countries to the West. They could see inequalities in prevailing circumstances but believed that they were anomalies, caused by the Arabs' previous lack of a scientific elite, and could be rectified through rational argument and negotiation.
In discussing the changes in Arab oil consciousness and policy in the 1950's, I am going to concentrate on those individuals most deeply affected and who had the greatest impact on events, the oil technocrats. It was during the period from 1957 to 1959 that the first tentative challenges were issued and the first rebuffs encountered. It was this period which laid the groundwork first for the initial moves toward Arab unity on oil policy and later for the continuous confrontations of the 1960's.

To illustrate the role of the technocrats and their general approach I am concentrating at this point on one individual, Sheikh Abdullah Tariki of Saudi Arabia. During the period from 1954 to 1960, Tariki was the most important oil official in Saudi Arabia and the most prominent of the growing number of oil technocrats throughout the Arab world. His training was typical of the group and the policies he pursued representative of contemporary Arab thinking on oil.

At the same time, however, Tariki was atypical. His move toward nationalism and his rejection of the moderate OPEC stance showed him to be free of the dependency which was to bind the majority of his peers to a defense of the status quo. Tariki, then, however typical his background and rise to power may have been, represents a powerful alternative among the technocrats. Those who opposed what they perceived as his
adventurism, most notably his successor Ahmad Zaki Yamani and 'Abd al-Azis al-Wattari in Iraq, will be studied in Chapter IV.

The use of Tariki and his career as evidence of the growth of trained manpower and as an illustration of the attitudes of some of these men highlights one of the major methodological problems of this study. This problem centers on the relative degree of influence that training and education have compared to the environmental influence of family, custom and country on the attitudes and actions of the men under consideration. This study is based on the premise that men like Tariki can be justifiably singled out as representative of a 'type' in the contemporary Middle East, variously referred to as new men, the new middle class, technocrats, and so forth. This in itself is merely descriptive, becoming important only if behavior and attitudes are governed or at least predominately influenced by membership in that particular group. For this study the problem can best be posed in terms of horizontal and vertical influence. On the one hand, there is the horizontal pull of the common education, training, perceptions and shared expertise enjoyed by that select group of Arabs dominant in oil affairs, giving them a kind of functional unity. This unity is manifested through formal

1 The second major methodological problem of which more will be said later, centers on the degree of influence these men may have irrespective of their attitude on actual policy.
meetings, publications, organizations, a shared idiom and many other structural links. On the other hand, these men come from various countries, most are in the employ of their national governments and in many cases operate in a social and political structure that is anathema to their western training. This set of vertical ties, nations, family, custom, career and loyalty can at times come into conflict with the functional ties in both a personal and a policy sense.

On one level the pull of these two loyalties represents the familiar clash between the 'modern' and the 'traditional' within Arab society. On another level, particularly with the

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The very mention of the words 'modern' and 'traditional' in the same sentence immediately raises the issue of the dual society approach to areas such as the Middle East, long a keystone of western academic analysis. As we know from various critiques of developmental literature, the dichotomy is not so clear. (Nettl, J. and Roland Robertson, *International Systems and the Modernization of Societies* (New York, Basic Books, 1968), for a revisionist approach). Several years ago Manfred Halpern would have had us believe in a strict duality, with the key to development or modernization being the simple transference of people and function from the traditional sector to the modern. Manfred Halpern, *The Politics of Social Change in the Middle East and North Africa* (Princeton univ. pr., 1963), p. 48-9. While he has had many disciples, the critics seem to this writer more persuasive. Gibb, Nieuwenhuijze, Hodgson, Geertz and others (see bibliography) have long stressed the vitality and strength of Islamic forms in the Middle East. In fact, the modern/traditional dichotomy in such areas is less a conflict leading to a resolution than an accommodation. A Czech scholar, Zdenka Polivkova, has noted that the Arab countries have adopted western institutions but in practice molded them to suit traditional orientations. They seldom adopt a single western institution, but rather pick and choose from several those aspects which are compatible with traditional Islamic political ideology. Thus the presidential system is usually chosen since it fits in with the tradition of personal rule and the powerful leader,
oil technocrats, the conflict manifests itself in the frequent clashes between national and pan-Arab oil policies. At this point the conflict comes into play on a more individual level, warranting an examination of not only Tariki's training and 'westernism', but also of the social and political environment in which he functioned.

Tariki was born in 1925 in a small town in eastern Arabia. His father was a townsman but his mother had come from a bedouin tribe. Through a selection process not very clear to me he was able to attend school in Saudi Arabia and was eventually sent to Egypt where he received a Bachelor of Science degree from Fuad I University (now the University of Cairo) in 1944. He was sent to the University of Texas in 1945 and in 1949 received an MA in petroleum engineering and geology. While there he married an American, whom he later divorced in Saudi Arabia. After leaving the University, he was employed by the Texas Company as a trainee for eight months in Texas and four months in California. This pattern of training, which was to be typical of most of the technocrats in the later 1950's and early 1960's, is in marked contrast to the backgrounds of

but without effective checks and balances (Parliaments never have the prestige that presidents do in Arab countries); the one party system is a reflection of the drive for unity in Islamic political thought; the role of the army in modern Arab politics corresponds to the role of the military in traditional Islam. Zdenka Polivkova, "The Internal Continuity of Islamic Institutions in the Constitutional System of the Arab Countries" in The East Under Western Impact, (Proceedings of Conference held by the Czechoslovak Society for Eastern Studies, Prague, 1969), p. 51.

Later Tariki was to express considerable pride that he
Tariki's contemporaries in oil affairs. Most, like Muhammed Salman, the head of the Arab League Department of Oil Affairs, had either military training or were trained in law. The sons of the ruling class in the Arab world generally preferred law or the arts to engineering and the usual mechanism for breaking into the charmed circle of power in these states was through a military career. It was this difference in the quality and nature of their training that marked men like Tariki off from their peers, making them in at least a literal sense, 'new men'.

There are many theories in circulation concerning the effect of such educational experiences on intellectuals in developing areas. It is postulated that the experience results in a new set of values and accepted patterns of action, with an emphasis on organization, efficiency and economy of effort. These men are said to judge others by their performance in the modern economic sphere as much as by their family background or social mannerisms. These 'new men' are emancipated from the traditional Middle Eastern methods of status determination: kinship, had advanced from this bedouin background. Wanda Jablonski, Petroleum Week, 22 Feb., 1957.

I will accept Edward Shils definition of intellectuals in the Middle East as comprising "All persons with an advanced modern education and the intellectual concerns and skills ordinarily associated with it." Although this definition may no longer apply for most of the area because of the need for internal differentiation as the number of educated persons increased, it does hold true for the Saudi Arabia of the 1950's. Edward Shils, "The Intellectuals in the Political Development of New States", (World Politics, v.12, 1960), p. 52. See also H. Benda, "Non-Western Intelligentsia as Political Elites." (Australian Journal of Politics and History, v.6:2, 1960). He includes as intellectuals all who are westernized.
connection, age, sex, and rank order within the family.\(^5\)

Regrettably, this study of one group of these 'new men' can cast only infrequent and indirect light on the validity of these theories. Like comparable theories of urbanization and secularization in the Middle East, one must approach them somewhat skeptically given the demonstrated strength of traditional patterns in the region and the remarkable record of continuity that Islamic civilization has displayed in its various encounters with new cultural patterns. The theories are based upon what is seen by many as an unfortunate dichotomy, old versus new, traditional versus modern, a dichotomy which does not bear up under examination. Certainly many of the characteristics discussed above can be observed in Tariki and the other technocrats, but whether this "decisively" separates them from their fellows remains a questionable assumption. The burden of proof must, in the end, rest on the theorists of change.\(^6\)

\(^5\) Shils, p. 34. See also, W.R. Polk, "The Middle East: analyzing social change", (Bulletin of the Atomic Scientists, Jan., 1967), and Manfred Halpern, The Politics of Social Change in the Middle East and North Africa (Princeton, 1963). W.R. Polk is generally credited with the actual term 'new men'. In discussing modernization, he notes that "...as real power grows outside the traditional establishment, the identity of the power elite is composed of those men who have mastered the technical skills demanded by a modern society. As they have lost respect for the traditional establishment, they have transferred their loyalties to such abstract concepts as the nation-state or ideologies such as Arab socialism or to individuals whose control over mass media or whose words have made them appear to personify those concepts. Educational opportunities have so dramatically altered their outlook as to alienate them from their fathers ..." W.R. Polk, "The Nature of Modernization" (Foreign Affairs, v/44:1, 1965), p. 101.

\(^6\) Eventually, one seems to inevitably fall back on symbols.
The Saudi Arabia to which Tariki returned was the most tradition-oriented of all the large Middle Eastern countries. As late as 1966, one author was able to say that membership in the Royal Family or the inner circle of the ulema was still the only source of political power in the country. The key to political power in Saudi Arabia is the tribal structure. Although Abdul Aziz Ibn Saud suppressed tribal warfare and established the authority of the Saudi dynasty over the tribes, he neither attempted nor desired to destroy the traditional tribal structure based on kinship ties. The Saudi family, numbering several hundred closely related members and a wide circle of more distant relatives, assumed the role of dominant tribe. The leader of the family, the king, is considered sheikh of sheikhs, and relates to the majority of the population through their tribal leaders. Because of this corporative structure, a man is not without political power and identification so long as his tribal ties are secure. If he is a Saudi, he has

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Thus Tariki while in Saudi Arabia lived in a western style villa and when overseas or at meetings wore a western suit, yet at home he wore the full Arab dress. Wanda Jablonski, *Petroleum Week*, 22 Feb. 1957. Recent literature on the shallowness of modernization dampens much of the enthusiasm these theories enjoyed in the 1960's.


8 The corporative society in evidence in Saudi Arabia and in fact under the surface in all Arab countries, has roots that go back to Muhammed and beyond. The Mecca of Muhammed's time was a tribal, corporative society and the spread of Islam after
political power at the national level; if not he still has power within his own tribe. For those in the system who no longer cultivate tribal ties, such as many of those educated in the West, there is no way of identifying with the government or the king. All the standard methods of political participation, such as labour unions, political parties, and other organizations are either prohibited or officially emasculated.

The most important unifying force in Saudi society is Islam, more particularly its Wahhabi form. Since the 18th century it has exercised a more complete influence over the lives of the people of Saudi Arabia than anywhere else in the Middle East because of the association of the area with the birth of the religion, its isolation from competitive social influences and the strictness of the Wahhabi doctrine. The importance of Islam in Saudi Arabia reinforces the power and stability of the state, since the king is also looked upon as an iman, a religious leader. This 'official' nature of Islam makes it much more difficult for new ideas to take effect, since to attack the state or be in opposition to it is to act against Islam.

If this type of state structure seems hardly likely to integrate a 'new man' such as Tariki, the condition of the actual administrative structure of the country was no more promising. According to Rodger Davies, talk of progress in the 7th century tended to institutionalize corporatism throughout the Islamic community. For a discussion of the nature of Islamic corporation, see H.A.R. Gibb, "Factors of Cultural Divergence", Pakistan Historical Society Journal, v.8, 1960, pp. 86-87.
the field of administrative reform should be taken with a grain of salt:

It is dangerous to read too much into a compilation of official decrees bearing on the development of the state. Such a compilation may easily create the impression of an orderly, arranged political machinery with precisely defined functions for its component parts. Such a tidy arrangement does not exist in Saudi Arabia; the idea of a devolution of governmental power and administrative functions upon ministers and director-generals with large staffs of administrators and clerks maintaining files and records is foreign to the traditions and the historical development of the country. 9

Though this was written in 1948, Davies claims most of it remains true and was certainly an accurate picture of the government at the time Tariki joined it.

I have gone into some detail in describing Saudi society because it was the backdrop from which Tariki had to operate. It provides a lucid contrast between the presumed orientation of the western educated technocrat and his environment. While an extreme example in some ways, particularly the strength of tribalism and fundamentalist Islam, the reality is not that much different from that which other technocrats faced in Iraq, Kuwait, Libya and the oil sheikhdoms of the Persian Gulf. In Iraq an intricate system of family groups provided pathways to position and influence. In Kuwait the ruling Sabah family played much the same role as the Saudis, though perhaps in a less despotic manner. In terms of governmental structure, Iraq was certainly more advanced than Davies' picture of Saudi

9 Davies, p. 4., quoting an earlier article.
Arabia, but even there the picture given by Nadim Al-Pachachi on the state of the oil ministry could give little comfort to young Iraqi technocrats.

In examining the relationship between these men and their social and political environment, the issue of national versus functional loyalty is ever present. If we are to view them as 'new men', modern and western-oriented, then they must be seen as a modern enclave, struggling against the manifestations of traditionalism in their respective states. This common denominator of modernity is provided with an assist in the case of the Arab world because of the existence of a politically and intellectually respectable pan-Arab movement aimed at corroding national ties. In addition, as this study demonstrates, throughout the 1960's the Arab world witnessed the rise of radical politics in virtually all states, a development which could have provided a rallying point for disaffected, modern intellectuals. Given the above-mentioned theoretical

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10 He reports that in 1935 the oil department was run by a director who did not have a secondary school certificate and a junior clerk. During the 1951 negotiations with IPC, no Iraqis were available who knew about posted prices of oil and no technical or economic studies were available for them to draw on. Pachachi, "The development of concession arrangements and taxation in the Middle East", paper delivered at the American University of Beirut, Feb., 1968. Middle East Economic Survey (MEES) v.11:22, 29 March 1968, sup.

11 Benda notes this attraction to radical politics: "In opposing the status quo of traditional non-western societies, most of the 'new' intellectuals also tend to oppose the status quo of a world which either directly or indirectly can be held responsible for the internal social and political conditions that form the prime target of the intelligentsia's attack. Thus 'feudalism' as well as colonialism -- rule by entrenched native
constructs, the pervasive pan-Arab sentiment and the growth of radical politics, the functional unity afforded the technocrats by their education and interests should be a more important guide to their actions than their position in or loyalty to a particular state.

Tariki's background, both in school and as a trainee, was in petroleum engineering and geology. Despite this, when he returned to Saudi Arabia he was given an administrative post, Director of the Oil Supervision Office of the Ministry of Finance. From May 1953, to December 1954, he was Director of the Ministry of Finance Office in Dammam. Until 1952, there had been no agency in the Saudi government responsible for the regulation of monetary policy, and the period 1950-52 saw the first expansion of the state into the problems of banking, currency, and accurate budgeting. The Ministry of Finance office in Dammam would have been one of the more important ones because of its close relationship to the oilfields and large petroleum installations. For these reasons, Tariki's post was of considerable importance and involved a great deal of responsibility.

This appointment was the beginning of Tariki's meteoric rise to positions of influence in Saudi Arabia. While such a rapid rise is typical of the western educated in the Middle East, it was more pronounced in Tariki's case because of the extreme classes or rule by foreigners -- can be blamed on the political, military, and economic preponderance of the western world. It is, therefore, not surprising that socialist and communist teachings have found more fertile soil among non-western intellectuals than among their western counterparts." Benda, p. 210.
shortage in Saudi Arabia of trained personnel to handle the administration of revenues, especially after the introduction of the 50/50 agreements.

In December 1954, Tariki became Director-General of Petroleum and Mineral Affairs in the Ministry of Finance and National Economy. This promotion took place during a general administrative reorganization in which the Ministries of Finance and Economy were amalgamated. Prince Faisal, who was behind the reorganization, created Tariki's office and saw to it that he was appointed its head.

His new appointment gave him almost complete control of the relations between the Saudi government and Aramco, at that time the only oil company operating in the country. He was twenty nine years old at the time. Tariki has been credited with many admirable personal qualities; sincerity, dedication, pride, toughness; charm, honesty and fairness, all of which were in marked contrast to the prevailing venality and corruption within a bureaucracy based on family ties, providing one clue to his rapid rise. On the other hand, Tariki was

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12 Tariki himself noted this problem later in a paper delivered to the 5th Arab Petroleum Congress: "The increase was unexpected by the producing countries. Their governmental organs were un-equipped and had not studied projects to spend those funds on." Nationalization of the Arab Petroleum Industry is a National Necessity, p. 4. Saudi revenue from petroleum was $39 million in 1949, $315 million in 1959, $805 million in 1966. Petroleum Press Service, July, 1967.


also a product of the patronage system so familiar in the Middle East. Prince Faisal's support was crucial to his career. A more balanced explanation of his success would be the combination of these personal qualities with his administrative skill and personal connections, as well as the critical shortage of men in Saudi Arabia with sufficient knowledge of the petroleum industry to deal with westerners on their own ground. He had worked with western oil men and had learned at least the basics of the international petroleum industry while in the United States. More important, the western oil men, the executive of Aramco, respected him because of his reputation for honesty and his specialized training.

Throughout this study I concentrate on the technocrats' stand on oil policy matters to determine their relation to society and their political orientation. While many shied away from politics, they shared a certain social stance, especially on the issue of education, and a reputation for personal

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15 A western education, in particular a technical western education, has in many ways become the 20th century equivalent to knowledge of a foreign language in the 19th century Ottoman Empire. As Bernard Lewis has stressed: "For the shopkeeper's son, as for others, French was the talisman that made the clerk a translator, the translator an interpreter, the interpreter a diplomat, and the diplomat a statesman. At a time when the Ottoman Empire was obsessed with the sheer problem of survival in a world dominated by an aggressive and expanding Europe, the positions of trust and decision inevitably went to those who knew something of Europe, its languages, and its affairs. The new elite of power came not from the army, not from the ulema, but from the Translation Office and the Embassy secretariats." In the 20th century, particularly in the oil states, the new language was science, economics and corporate law and the technocrats were the new translators. Bernard Lewis; The Emergence of Modern Turkey, p. 116.
integrity. Wanda Jablonski, a noted authority on Middle Eastern petroleum affairs, said of Tariki: "He is absolutely honest, sincere, candid - even if dogmatic - and devoted to his country's welfare as he sees it rather than to any personal advancement." Judgements of a like nature are recounted, though sometimes grudgingly, by many western oilmen who have had contact with him. More than anything else, it was the impression that he was uncorruptible that made him stand out in the Saudi bureaucracy.

A more credible indicator of his distinctiveness is to be found in his attitude toward social reform, education, and finally, petroleum. Though most of Tariki's attention was devoted to petroleum matters, he was also a persistent advocate of social reforms in Saudi Arabia. His favourite topic was education which, when coupled with industrialization and other economic advances, he regarded as the key to modernization. In his role as chief Saudi oil official he placed special emphasis on educating the Saudi public on oil affairs, publishing a four page weekly newsletter on oil developments and the specific aims and achievements of his oil policies. Just

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16 Petroleum Week, 22 Feb., 1957, p. 25.
17 This may seem self-serving on the surface, but he also encouraged other Saudis in his office to grant interviews and write articles. Muhammad Joukhdar, Hisham Nazer and others are familiar names in the Arab oil world who first came into prominence under Tariki. David Hirst, Oil and Public Opinion in the Middle East, p. 101.
as important was the content of the material that he published. David Hirst notes that his publications followed a rational and analytical approach, a "...welcome change from the facile emotionalism of the average Arab press treatment of the subject."

When asked about the best way Saudi Arabia could raise its standard of living and reduce unemployment, he answered that educated young men were the most important resource of any country. The best way to approach these goals, according to Tariki, would be to entrust all official positions to educated persons who were specialized in their fields. This would seem to put him at odds with the Saudi government, which placed such emphasis on tribal connections and filled the ministries with princes of the Saudi house. Within his own office, however, he maintained that education and technical training provided the best opportunities for advancement. By 1960 he had seen to it that sixty-one Saudis were studying petroleum in the West. Apparently the section of the government dealing with petroleum was of such obvious importance to the Saudi state that it was given a relatively independent status within the administration, the King never trying to pack it with members of the royal family.

Tariki classified as "sacred" the right of a citizen to work

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18 Hirst, p. 101.
in the field of his speciality, but he cautioned young educated Saudis to be patient and willing to sacrifice and encounter hardships. By the early 1960's many Saudis were being educated at home and abroad. Their increased number, coupled with the role of the traditional elite on most of the higher bureaucratic positions, must have led to friction because these newcomers could not hope to progress as fast as Tariki had. He must have been concerned about this trend because several of his statements stress the importance of patience and restraint.

Tariki constantly warned the Saudis not to expect Aramco to educate their young men for them. "The reason for their presence here is simply to make profits. They are not on a mission to raise our educational and economic standards." He stressed that education must be the government's responsibility and that Aramco's training would be useful only if educated men were sent to be trained.

His specific concern in the field of education was to train Saudis to take over the operation of the oil industry. This was the key to modernization in his eyes, both because of the increased revenues and the trained personnel. "I want to establish a principle of utmost importance: we are determined to Arabize the oil industry and have it in the hands of the Arabs."

He worked toward this goal continuously while in Saudi Arabia.

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21 One of his constant struggles with Aramco relates to this problem, the attempt to open up more high level positions to Saudis.
23 Ibid.
by pressing Aramco to hire more Saudis and by seeing to it that Saudis were educated, both at home and abroad, in all aspects of the oil industry.

It is in this stress on education that one can clearly see Tariki standing almost outside the norms of Saudi society. The misfortunes of the past were due to the lack of educated government officials, and the key to prosperity and independence in the future was through the employment of educated and trained personnel. That he was isolated in his early years in Saudi Arabia there is no doubt, so it was natural that he would seek to create room for others like himself and break the hold of the royal family on decision-making positions. Perhaps there was even a glimmer of political ambition involved since he would most likely be a still young father figure to a government full of proteges. There was certainly a great deal of naivete in his assumption that education would result in men with the same political stance as himself. In the end, however, one must conclude that his call for careers open to talent was part of a sincere belief that this was the only course toward modernization. In this respect, then, Tariki is representative of a type of 'new man', whose education and training have set him apart from more traditional norms.

Given the strength of Tariki's commitment to bringing about change in Saudi Arabia and in Arab oil affairs in general, there would appear to be a conflict inherent between him and the Saudi ruling class. That ruling class was clearly defined by
family and tribal ties and monopolized political and economic power. For men like Tariki, the possession of the power to effect change, or at least some kind of meaningful participation in government was essential. In the Middle East no other institutions can mobilize as much capital and power as those of the state. Only by operating with and through the state could these men achieve what their education had taught them was necessary. These men were not and could not become dilettantes, unconcerned with issues of power or authority. Referring again to Edward Shils, for an intellectual of this type, authority is something into which he must be absorbed or against which he must be in opposition.

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24 This power of the central state was in turn a direct result of the process of westernization of which the technocrats were such an integral part or result. As Dankwart Rustow has pointed out, the single most powerful result of the intellectual, social and economic changes which occurred in the West between the 16th and 19th centuries was the growth in centralized state power. While distributed unevenly and in a bastardized form to non-western areas, the effect was much the same. In the course of the 19th and 20th centuries provinces were brought under control, the urban power of the guilds broken, nomadic tribes settled, religious orders institutionalized and the political/military power of the center strengthened. Dankwart A. Rustow, Politics and Westernization in the Near East (Princeton, Center of International Studies, 1956), p. 16.

25 Halpern, p. 54.

26 Shils, p. 52. Halpern's view of the New Middle Class (NMC) (of which the technocrats would be a leading element) is strongly influenced by the work of the German sociologist Ralf Dahrendorf and his attempt to re-define the basis of class. He correctly insists that status, ranking by others, style of life, similar economic conditions and income do not in the end signify or define class position in anything other than a descriptive manner.
While Tariki was not absorbed in the Saudi ruling class (an impossibility given its criteria) he was closely affiliated with it. The utilization of men like Tariki was increasingly seen as essential to the survival of the state and the latter's willingness to share power apparently satisfied Tariki. His position first as Director-General and later as Oil Minister give him a great deal of responsibility and influence. He built up a large staff of technicians and consultants, including westerners, and according to Wanda Jablonski "Under the present set-up what Tariki thinks, counts, for he is the man with whom final terms must be negotiated, regardless of any informal understandings that might be reached with other influential Saudis." Under these conditions, with King Saud giving him a

Dahrendorf and those who support him (Gerhard Lenski, Tom Bottommore, and Manfred Halpern) break, according to James Bill, the "Marxian grip that had so tenaciously bound class to modes of production", and emphasize instead class as a group of persons in society who stand in a similar position in respect to force or some form of institutionalized power, i.e., government. See Ralf Dahrendorf, Class and Class Conflict in Industrial Society (Stanford Univ. Pr., 1959) and James Bill, "Class Analysis and the Challenge of Change", Comparative Political Studies, v.2, October, 1969, p. 397. This emphasis on class as a dynamic, analytic tool is much closer to the original Marxist view than the descriptive conception of class favoured by American sociologists though its preoccupation with power and authority is a serious deviation (advancement its proponents would argue) from the classic description. Missing in the scheme is the concept of antagonistic classes and the whole emphasis on class being definable only in terms of its dialectical relationship to another class.

It is on this point that many theorists, particularly Halpern, would argue that Saudi Arabia is not a viable example for the new middle class idea, since they argue that in states such as Egypt, Turkey and perhaps Iraq and Syria, this new middle class, made up primarily of new men, is the ruling class, thus ending any necessity for compromising with traditional elements.

Petroleum Week, 29 June 1958.
relatively free hand in petroleum matters, Tariki could hope that his aims and policies would be considered and eventually implemented and through them he could make a positive contribution to the reform and advancement of Saudi society.

What emerges from this picture of Abdullah Tariki is a man with attitudes and ideas that were frequently at odds with the established ruling class in his country. At the same time, however, he was able to accommodate himself to that society as it accommodated itself to him. If this was possible in the Saudi Arabia of the 1950’s, then his contemporaries in more politically open and westernized countries such as Egypt and Iraq must have had an even easier time fitting themselves into established social and political patterns.

It is in examining Tariki’s oil policy in Saudi Arabia that we can learn the most about his political orientation and at the same time observe the early evolution of Arab oil policy. As a result of this activities in Saudi Arabia, his innovation, struggles with Aramco and schemes for Arab oil cooperation, Tariki rose to national prominence in the Arab world as the leading oil expert of the period.

During the initial period of his service in Saudi Arabia, Tariki’s petroleum policy consisted of three main parts: first, the insistence that Aramco become an integrated company (one that handles petroleum from wellhead to distribution points), second the demand for more Saudi control over the participation in Aramco, and third, the granting of new concessions on more favourable terms.
Aramco was made up of four American oil companies; Standard Oil of California, Standard Oil of New Jersey, Texaco and Mobil. Aramco is primarily an exploration, producing and refining company, turning over its entire production to the four parent companies for sale in world markets. The main thrust of Tariki's oil policy in the 1950's was to insist that the parent companies of Aramco agree to turn it into a fully integrated company, one that produced, refined, transported and marketed petroleum products.

Under the present concessions, we're like merchants. We lose control of the oil once we get paid our fifty per cent production tax. The oil industry is not controlled by Saudi Arabia, but by foreigners. They don't take Arab oil to the ultimate markets as Arabian companies; they transfer it to a foreign marketing company that we have no control over.

Tariki and many other Arabs were convinced that the real money to be made in the oil business was in the refining and marketing end, not in production; hence the drive for integration. More important is the word 'control' in the above quote. The question of increased profits was a complicated one and by no means assured under Tariki's plan, but it would serve to break the hold of the international oil companies over the markets which was always Tariki's first goal. He wanted Aramco, the company whose facilities Saudi Arabia would one day own, to have direct access to those markets.

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29 As of 1974 Saudi Arabia had a 25% ownership in Aramco.
31 According to W. Jablonski, "What he is after - and this is the key to his thinking - is foreign-marketing experience
This policy of concentration on control of markets demonstrates a characteristic of Tariki that may result from his educational background and be shared by other technocrats; he consistently advocates policies that entail possible short term losses, but assure long term gains. Shils claims that this is not a characteristic of intellectuals in developing countries, who are so concerned with the poverty of their countries that they tend to espouse large-scale actions designed for quick results. If this is the case, then we must turn for an explanation to Tariki's rather high level of political consciousness, his ability to perceive the structural problems inhibiting the Arabs from taking full advantage of their oil. In fact, as is made evident later in this study, it is this issue of political consciousness that proves most destructive to theoretical constructs such as 'new men' and new middle class and which does more to explain Taiki's actions as well as those of the other technocrats than their functional unity, social backgrounds or educational experience.

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and control of foreign marketing of Arab oil in line with 'Arab policies'." Petroleum Week, 20 June 1958, p. 41.

32 In 1966, Tariki urged Iraq to sell its royalty crude oil (12.5% of total production) instead of taking the equivalent amount of cash as was traditionally done, and thus begin developing markets for Iraqi crude independent of the companies'. This would have meant a loss of revenue since Iraq's income was based on posted prices and she would have to sell the oil at large discounts to break into corporate markets. Had Iraq been able to secure markets, the long term gains in terms of experience and independence would have been considerable. The Iraqi government was unable to see it in those terms.

33 Shils, p. 20.
The integration plan itself never achieved much success. The companies and most observers of the industry raised the objection that the only markets Aramco could operate in were already controlled by the owners of Aramco and to have the two compete for the same prize would not be possible. Despite this apparent impracticality, the concept proved to be made to order in terms of highlighting the inequities of the concession system as it operated in Saudi Arabia. More important, it demonstrates from the very beginning Tariki's clear perception of the dilemmas facing a raw material based economy.

The second of Tariki's programs had its basis more in a feeling of nationalism than in economics:

We want Aramco run from Saudi Arabia by Aramco itself. We gave the concession to an integrated oil company to run its own show. We want the parent companies only to protect their own interests as stockholders, not run Aramco. 35

At Saudi insistence, Aramco did move its offices to Saudi Arabia, but the real power remained in New York and most of the decisions that vitally affected Saudi Arabia were made there. This was particularly offensive to a nationalist like Tariki, who was so aware of the importance of those decisions. He kept up a constant campaign to force Aramco to hire more Saudis in all types of positions, in the company. As late as 1966, he was

34 "How can Aramco Compete with itself?", Petroleum Week, 18 Oct. 1957, p. 20.
35 New York Times, 7 March 1957, p. 6. The original concession in Saudi Arabia was granted to Standard Oil of California in 1933. As the cost of exploration rose, other companies bought into the concession.
complaining that Saudis were being kept out of technical and managerial levels. Tariki had earlier visited Venezuela and regarded the Creole Petroleum Company, Venezuela's equivalent to Aramco, as the model of a model company. "It is above all run out of Caracas. Ten of its fourteen directors reside in Caracas. It is run in Venezuela in the interest of

Venezuelans." It is plain to see that nationalism is another major component in the intellectual make-up of the technocrats. They were by no means unique in this respect, virtually anyone with a minimal political awareness in the Arab World calling themselves nationalist by the 1950's. As will become clear in subsequent chapters, this nationalism was highly superficial and provided a weak bond even among the technocrats.

Tariki's most sensational move during this period was the conclusion of an oil concession with a Japanese company. Coming at a time when smaller independent companies were just beginning to compete with the majors for crude oil, it caused a major furor in international oil circles. More than the other deals concluded at roughly the same time, the Japanese concession seemed a genuine portent of radical changes in the industry.

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36 Petroleum Week, 22 Feb. 1957, p. 22.
37 The entrance of the 'independents' on the Middle East oil scene was a gradual affair but was to be of major importance, perhaps the key to the remarkable success of the producers in the 1970's. Companies such as France's ERAP, Italy's ENI, the Japanese Arabian Oil Company and later several American independents successfully underbid the majors for new concessions, grabbed many of the lucrative offshore fields and dominated production in new areas such as Libya.
There were three reasons for this excitement. It was the first concession between a Middle Eastern producer and a non-European or American oil company, which made it especially popular among nationalists. It epitomized the desire of many Arab oil officials to move toward direct relations with the consuming countries, eliminating the middle-men. The concession itself had two major distinctions, relative to the norm: a 56/44 profit-sharing plan and the calculation of those profits on the basis of crude production, transport, refining and marketing. In other words, the Arabian Oil Company established under the concession was an integrated company and Saudi Arabia's 56% share would be based on the total profits (or losses) of the company. The concession included a Saudi option to purchase 10% of the company, Saudis were to make up one third of the Board of Directors and a refinery was to be built in Saudi Arabia. The agreement contained all of the terms that Tariki wanted to get from Aramco.

The initial concern of the oil companies was that the other Arab countries would attempt to demand a profit sharing increase. In reply to the threat posed by the Japanese agreement, the in-

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38 The other companies, of course, argued that this could be detrimental; that if the company showed a loss, the Arabs would get less actual profit than under the previous agreements, which guaranteed them 50% of the posted price of crude oil produced. Part of this argument was based on their contention that real profits were in production, not marketing.

ternational companies launched a major counterattack. The governments of the producing countries were reminded of the then prevalent oil surplus, which the conclusion of concessions with independents would only serve to exacerbate. The 50/50 terms were defended, the companies claiming that the producers really got more than 50% because of the use of posted prices to determine revenue. They stressed that it was the volume of oil produced, not the share that was the crucial factor in oil revenue, and that only the major companies could provide that volume. The threat was implied that if the Arab governments did attempt to follow the terms of the new concession, the oil companies would look elsewhere for oil.

Besides providing an indication of Tariki's oil policy, the Japanese concession is an excellent illustration of the relative positions of the two major factors in Middle East oil. It was the first major threat to the hold of the companies, a hold consolidated in the late 1940's, and the first indication that their position was no longer secure. The scare tactics and blackmail employed by company spokesmen were effective in inhibiting any further action along the lines of the Japanese concession. The Arabs were simply unable to counter the company arguments concerning the oil surplus, the benefits of

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40 See Economist, 18 Jan., 1958, for the company position.
41 This issue of volume vs. price remained a crucial debate in the 1960's.
50/50 and the essential role of the major companies in exploiting Middle Eastern oil.

Despite this lack of any real follow through in terms of changing objective conditions, subjectively the year 1958 marked a decisive shift in Arab thinking about oil. In March 1958, the London Economist, which kept a close watch on oil affairs, noted that the Middle East governments were no longer the "sleeping partners" that they once were. In a book published in Cairo in 1957 called America Plunders Arab Oil, the Marxist writer 'Adil Husain demanded nationalization and called the Iranian deal with the Italian company ENI and the Saudi-Japanese concession turning points in the Arabs' relation with the oil industry. It was a period of heady optimism and anticipation for Arab nationalists. The still fresh memories of Suez, the formation of the UAR, the Iraqi revolution and the oil machinations in Iran and Saudi Arabia all contributed to the impression that the balance of power had shifted. According to one Beirut writer, "There is a general feeling among the governments of the oil producing countries and the oil companies operating in their territories that the era of the 50/50 division of profits is coming to an end." He went on to predict that revolutionary

changes would take place in the subsequent two years, unless political developments accelerated the process.

The oil companies were coming under increasing attack in the nationalist press, being accused of fomenting coups in the Arab world and controlling the policies of the "imperialist western governments." Along with this attack on the companies, the nationalist press increased its attacks on the conservative Arab regimes. Muhammed Haykal, writing in al-Ahram in 1958, chastised these regimes for wasting what was after all, Arab oil revenue. Accusing these countries of wasting $90,900,000 of revenue out of a total of $100,000,000 since 1948, he asked what had happened to it:

The Arabs, and I mean all the Arabs, cannot enter the big fight for survival with armies of 'belles' in Beirut, Cairo, Paris and New York. The Arabs cannot solve their serious problems with the new industries which are entirely restricted to the stimulation of desires. Luxurious palaces, elegant apartments and expensive limousines will not provide a decent living for the Arab millions but this is what has been produced with the 9,900,000; armies of pretty girls, industries concerned with arousing desires, apartments, palaces and flashy cars. 47

This type of attack, coming at a time when President Nassar's prestige was at its peak in the Arab World had a great impact on the governments of the oil producing countries. It sometimes resulted in the encouragement of internal opposition movements and at the very least bolstered the positions of men

47 MEES, v.1:12, 4 Feb., 1958, sup.
like Tariki who were arguing for a more rational use of oil revenues.

1958 also marked the first major attempt by the Arab League actively to shape an Arab oil policy. The League had been involved to some degree with oil issues since 1948 but usually in conjunction with the Palestine issue, oil being a potential political weapon. In 1951 it had established an Oil Experts Committee and in 1954 a permanent Petroleum Department under the direction of Muhammed Salman. In 1957-58, with support from Tariki, Salman and others, the Arab League proposed the holding of an Arab Oil Congress in late 1958, the purpose of which would be to discuss the formulation of a unified Arab oil policy. This Congress, taking place as it did in a highly charged political atmosphere, was to signal the real beginning of fundamental changes in government-company relations in the oil industry.
CHAPTER III. They Treat Us Like Children

The Arab Oil Congress which was eventually held in Cairo in 1959 marks a major shift in government-company relations, a shift which has only recently become fully apparent. The Congress is not important for any specific policies or programmes, but rather for the attempt to formulate an Arab oil policy independent of Arab political rivalries. The moving force behind this and other developments in the 1959-1960 period was the oil technocrats.

The Arab technocrats did not begin their drive for an Arab oil policy unaided. Rather, the essential impetus was provided by the international companies themselves in the form of a series of price cuts in 1959 and 1960. These unilateral cuts in the price paid for crude oil were a sharp blow to the Middle Eastern producers and Venezuela, bringing to a halt the dramatic rise in incomes following World War II. The companies claimed the cuts were essential and many of the technocrats may have been prepared to agree, but the tactics of the move proved disastrous in the long run. The companies were still operating on the ground rules established in 1935 or even 1948, seemingly unaware of the changes which had taken place in the producing

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"Without a handful of Arab oil technocrats, among whom Abdullah Tariki ... is best known, the Arab oil conference would never have opened in Cairo." *Economist*, 18 April 1959, p. 252.
countries. 2

The disruption of Middle East oil shipments during the Suez crisis of 1956 due to pipeline sabotage and the blockage of the canal had played havoc with world oil supplies. Europe, the chief consumer of Middle East oil, was temporarily supplied from the United States and Venezuela, driving the price of Caribbean crude up by as much as 25¢/bbl. After the Suez canal was re-opened, Middle East oil rose by about 33¢/bbl, reflecting the urgent demand in Europe. This series of events seriously weakened the traditional link between Middle Eastern and Caribbean crude prices. With the then prevailing low tanker rates, Middle East crude oil could be delivered to Europe and the East coast of the United States cheaper than Venezuelan crude.

In February 1959, Shell in Venezuela reduced crude prices between 5 and 15¢/bbl, with other companies quickly following. A few days later British Petroleum cut its Middle East crude prices by 18¢/bbl. This, of course, negated the readjustment which earlier Venezuelan cuts had accomplished, making that oil once more too expensive. In April 1959, Shell and Creole 3

2 For the companies the chief enemies of villains in the 'oil game' were the Russians with their 'cheap oil', the government oil companies of consuming countries such as Italy's ENI, and high taxes in the consuming countries, not the governments of the producers.

3 The formula involved here was keyed to making American and Venezuelan crude oil at the Gulf of Mexico plus freight rates from there to European ports equal to the price of Persian Gulf oil plus freight rates from there to European ports. The purpose of this was to protect American and Venezuelan crude oil, which, as two Saudi technocrats noted, "... if Middle East oil were priced according to its quality and cost of production, allowing for a reasonable margin of profit, it would literally wipe every other oil off the market, even the domestic market of the other
(Standard Oil of New Jersey) posted an additional cut of between 5 and 15¢/bbl which left Middle East oil cheaper in Europe but not in the United States, Venezuela's chief customer.

Besides the argument that a readjustment was needed after Suez, the major companies stressed the growing competition from Russian oil (which they accused the Russians of 'dumping' for political purposes), the general surplus of oil in the world, a slowing down of the dramatic rise in consumption which had followed World War II, and a general feeling that crude oil had been overpriced for quite some time, cutting into company profits. That the price cuts had a definite input on company earnings is reflected in the following statistics:

<table>
<thead>
<tr>
<th>Oil Company Profits After Price Cuts</th>
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<tbody>
<tr>
<td>1960 - 1st 9 months</td>
</tr>
<tr>
<td>Texaco</td>
</tr>
<tr>
<td>Standard (NJ)</td>
</tr>
<tr>
<td>Gulf</td>
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<tr>
<td>1959 - 1st 9 months</td>
</tr>
<tr>
<td>Texaco</td>
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<tr>
<td>Standard (NJ)</td>
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<tr>
<td>Gulf</td>
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</tbody>
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There were two facets to the reaction of the producing countries to these cuts and the second series of cuts in 1960.

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5 According to a prominent study by Wayne A. Leeman, virtually the entire profit of the major international companies was realized in the production end of the operation, not in transport, refining or distribution. Taxes were so high on these latter operations in Europe and North America, that the companies were forced to realize their profit at the other end, or as the Arabs saw it, at their expense. W. Leeman, The Price of Middle East Oil (Ithaca, Cornell Univ. Pr., 1966), p. 73.
The technocrats in both the Middle East and Venezuela launched an immediate verbal counterattack, challenging the various rationales offered by the companies. In the Middle East Tariki was unofficial spokesman for the technocrats, the only one who had any recognized stature in the international oil community at the time. The other response consisted of a series of meetings between oil officials of Venezuela and the Middle Eastern oil producing countries 1959 and 1960, designed to formulate some kind of material response to the companies' action.

In attacking the price cuts, Tariki first challenged the rationale of low profits and excess supply. Pointing out that in 1958 the companies had made considerable expenditures in new marketing facilities, financed out of profits made in the production end of the operation, he argued that this was the cause of the drop in corporate profits. Unable to raise product prices in Europe, the companies were thus diverting Middle East production profits to finance other operations, in which the producing countries were denied the right to participate. The Arab producing countries were thus made to suffer for financial losses in other parts of the industry, but received no share of the benefit when and if those later operations showed a profit. The price cuts were made to order

Tariki is here returning to the integration concept discussed in Chapter 1, arguing that the producing countries should share in all the companies' profits, not just those from production. al-Ahad (Beirut), 25 Dec., 1959. MEES, v.3:11, 22 January 1960, sup.
for Tariki's integration scheme.

In urging the producing countries to take action against the price cuts, Tariki emphasized that they were only the first in a long series, aimed at cutting posted prices by 50% in ten years. Recognizing the three main parties concerned with oil, producer, consumer and company, Tariki feared that the latter two were teaming up against the producers. If prices continued to drop the Middle East share of the percentage increase in world demand would not be sufficient to offset the losses resulting from the price cuts. To maintain income levels, huge quantities of oil would have to be produced, thus depleting reserves.

The price cuts represented a significant loss of income for the oil producing countries, many of which were in the early stages of long-term development planning, a clear case of injustices from the producer's point of view and a profound...
personal affront to the technocrats. As representatives of their governments and as experts in petroleum affairs, they took very personally their exclusion from the companies' decision-making process. As a prominent Kuwaiti technocrat said: "It is not the actual price cut we object to, as the fact that it was done unilaterally by the companies. It's a matter of prestige..." While Tariki would not have shared in this acquiescence to the price cuts, he was also embittered over the cavalier treatment accorded the producers. The technocrats wanted the governments of the producing countries to be treated as equal partners in oil industry decisions and they sought recognition for themselves as bona fide oil experts who were capable of participating in such decisions.

In terms of taking steps to deal with the crisis brought about by the price cuts, there were three principal actors: Tariki, by then the unquestioned spokesman for the Arab technocrats as well as the major Arab producer government; Muhammed Salman, working on behalf of the Arab League; and Dr. Juan Pablo Perez Alfonso, the Venezuelan Minister of Mines and Hydrocarbons. The interests which each of these men represented were not altogether compatible. The Venezuelans wanted an organization of producing countries which would deal with the companies and would be strong enough to enforce a common oil policy. The Arab League was definitely interested in unity, but it was unity for a common Arab oil policy. The League

maintained that Arab interests were not necessarily the same as Venezuela's and that all the Arab states, not just the oil producers, should formulate Arab oil policy. This was a fundamental conflict and the technocrats were caught in the middle. They were responsible for their countries' oil policies and realized that some form of unity was essential. On the one hand, they were sympathetic to the Arab nationalist approach of the League, while on the other the more apolitical approach of the Venezuelans appealed to them. The eventual decision in 1960 to opt for the Venezuelan plan and form the Organization of Petroleum Exporting Countries (OPEC) was a decisive one for the technocrats, the Arab producing states and for Arab politics.

The Arab League had long been interested in oil questions, first in connection with the Palestine problem and later in terms of some form of Arab economic union. The League sought a unified Arab oil policy which would decide such matters as production and income distribution, the development of related industries and the political use of oil. To this end the League had been trying since 1956 to hold an oil congress in order to begin the process. A meeting was to be held in November 1956, but the Suez war intervened. The Congress was then scheduled for May 1958, postponed until November 1958, and then postponed again because of the revolution in Iraq. The Congress was finally held in Cairo in April 1959.

Besides the problems of wars and revolutions, there were
other reasons for the difficulty the League had in organizing the Congress. While most of the Arab states were members of the League, it was generally assumed that the organization was dominated by Egypt and primed to serve Egyptian interests. Thus prior to the revolution in 1958 the Iraqi government had refused to attend the oil congress, not wishing to let President Nasser gain any influence over Iraq's oil income. Likewise the other generally conservative rulers of the oil producing countries were not anxious to get involved in a project the end of which might somehow risk their control over their oil. The initial friendship of the Iraqi government toward Egypt and the vociferous support of the technocrats in the producing countries mitigated these political circumstances enough at least to allow the congress to be scheduled.

Parallel to these efforts by the Arab League to formulate an Arab oil policy were the meetings and negotiations between the Venezuelans and Tariki. The Venezuelans had been hit hard by the price cuts and were pushing for an international pro rationing and price maintenance system administered by the producers as the solution for all oil producers. The two met several times in Cairo during the Oil Congress, laying the groundwork for what was to become OPEC.

No unified Arab oil policy emerged from the Oil Congress, nor even a very realistic promise of one. Iraq's last minute decision not to attend after Qassem's estrangement from Nassar ended that hope. Few had really expected much to come of the
meeting in material terms, rather it was to have been a first step, the first time most of the people involved in shaping oil policy had actually met, compared notes and discussed common problems. The oil companies had been worried about the Congress, not sure of their role in it or the steps it might initiate. They were pleasantly surprised. The delegates, led by chairman and Arab League spokesman Muhammed Salman, purposely created an atmosphere of moderation, stressing their realistic aims, their awareness of their limitations and a desire to cooperate with the companies. As Salman put it in an interview:

Nobody need be apprehensive about any request emerging from our cooperation. We are trying to help in supplying the world with our oil, and the Arabs and the oil companies must get together and work things out for their common benefit.

There was one 'immoderate' moment at the Congress and it is significant that it came from Tariki's Saudi delegation. The paper by Mr. Frank Hendryx, adviser to the Saudi oil directorate, "A sovereign nation's legal ability to make and abide by a petroleum concession contract", highlights the activist role that Tariki was playing. The thesis of Hendryx's paper was that oil producing states could, under certain circumstances, alter contracts with foreign oil companies. He stated that the "purpose for which government exists, the

The oil industry press was duly impressed with this 'calm' approach. Only two concrete proposals emerged from the Congress, a plan by Tariki for an Arab owned pipeline from the Gulf to the Mediterranean and a plan by the Lebanese delegation for an Arab development bank to be financed from oil revenues.
service of the people, requires that on proper occasion those
governments must be released from or be able to override their
contractual obligations. So strong is this requirement that it
will override constitutional provisions which would appar-
ently deny the possibility of release." One oil company
representative was quoted as saying, "We expected politics
of course, but we did not expect them to originate from an
American." The paper was a sensation, causing considerable
opposition from company representatives, but virtually no sup-
port from the other Arab delegates. Few of the technocrats
were ready for this kind of radicalism.

The issue Hendryx raised is important enough to warrant
some discussion. Written with the consent and cooperation of
Tariki, it represented one answer to a problem all the techno-
crats faced: how to alter concessions concluded under con-
ditions of duress or ignorance when the other party resists.
The arbitration clauses always seemed to work in favour of
the companies since they merely upheld the legalities, not
being concerned with issues of justice or morality. Tariki

Hendryx, "A sovereign nation's legal ability to make and
abide by a petroleum concession contract", paper presented at
the First Arab Petroleum Congress, 1959, see MEES, v.2:28,
22 May 1959, sup.

Wanda Jablonski, Petroleum Week, 8 May 1959.

The immediate background to the paper was Saudi Arabia's
failure to gain satisfaction through arbitration of the On-
assis tanker dispute. Saudi Arabia had contracted with Onassis
to build tankers for the Saudi government which were to trans-
port part of Aramco's production. The original concession
gave Aramco exclusive transport rights and the arbitration
was urging the delegates simply to legislate against the more obnoxious aspects of their concessions, stressing the difference between a sovereign nation and a corporation. This emphasis on sovereign rights was to be a recurring theme throughout Tariki's career.

For most of the delegates, however, Muhammed Salman's plea to the oil companies to "review their concession agreements and delete from their texts all such provisions as would make the Arabs feel they were the victims of injustice..." was more compatible. This romantic, naïve approach to the hard-headed businessmen of the West, reflects how far the Arab technocrats had to go in successfully confronting the oil companies. These contrasting approaches are indicative of major differences of approach and levels of political consciousness among the technocrats even in this early period. Fearful of corporate retaliation, unaware of their potential strength and believing in civility and justice, Tariki's challenge found no takers.

insisted upon by Aramco and the US government upheld that right. "The Tribunal's decision is of far-reaching significance, for it sets down that a state cannot in the name of its sovereign right wrest from a private company, by new legislation or other means any of the rights it had granted that company through a previous exercise of its sovereignty." Hendryx's paper put it on the record that Saudi Arabia did not regard that judgment as a precedent. R. Narayanan, "A review of oil contract negotiations by Saudi Arabia with Aramco", International studies, v.7:4, 1966, p. 586.
What, then, did the Oil Congress accomplish? In terms of defining an Arab oil policy or responding to the price cuts, absolutely nothing. Iraq's refusal to attend left Saudi Arabia as the only large Middle Eastern producer in attendance (Kuwait, not a member of the Arab League, sent observers, as did Iran) and the pro-rationing idea was not even discussed. In reviewing Arab press comment after the Congress, the Middle East Economic Survey editors concluded that the most striking result of the meeting was the surfacing of the Arab oil technocrats. In lengthy press reports of the Congress proceedings there was a strong sense of pride that for the first time a group of Arabs were able to express long felt grievances against the foreigners in their own scientific and technical language.

The moderate tone of the Congress, the absence of politics and the compromise resolutions all worked to establish the credibility of the Arab League as a possible instrument for establishing an Arab-oil policy. Nasser had remained off-stage, quieting the fears of many Arabs and company officials that he would try to manipulate the Congress. The real accomplishments of the Congress probably took place in back rooms and private meetings, especially those between Arab delegates

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16 MEES, v.2:25, 1 May 1959.

17 The resolutions of the Second Congress of the Federation of Arab Labour Unions, an organization dominated by Egypt, provide an interesting contrast to the Oil Congress. They demanded that Arab oil wealth be the property of the Arab 'nation', that the oil revenues of Saudi Arabia be allocated to meeting the basic needs of the Arab people, that oil producing states sever ties with Britain and that all concessions should be reconstituted. MEES, v.2:25, 1 May 1959.
and the Venezuelans. It was here that the men who were becoming more and more responsible for formulating policy got to know one another, discussed the 'real' issues such as prices and debated the various solutions.

In the early 1960's, the most popular solution advanced by the technocrats to the twin problems of excessive corporate power and price stabilization was the international prorationing plan first proposed by Venezuela. The inability of the technocrats ever to implement this plan reveals much about their essential disunity and their inability as a group to dictate or even dominate national oil policies. Some of the technocrats genuinely opposed the plan on principle, but the real opposition came from the governments of the producing countries which were unwilling to risk their steady increases in production and income.

The essence of the prorationing proposal was to regulate production relative to market demand, with each nation's percentage of the market dependent on the size of its proven reserves. By regulating production, the surplus situation the companies were then complaining about could be avoided. Most important, from Tariki's point of view, control over production would be in the hands of the nations which produce the oil. "These governments have never had the right of saying to whom they are going to sell and how much. They have no authority themselves. We are trying to put into their hands
something that they don't have but should have."

Tariki argued that he was aiming for price stabilization, not monopolistic control by the producers. Stressing that he was speaking for himself, not for Saudi Arabia, he insisted that the quantity of oil produced was not important, it was the return on oil investment and the share of that return that counted. In response to Iraqi complaints that the plan would hinder their hopes for increases in production, Tariki warned them of the dangers inherent in over-production. The oil companies could easily increase production in one country at the expense of another, but if too much oil was produced, the price would inevitably fall and all would suffer. The companies were completely opposed to the idea, calling it a cartel and a threat to the free enterprise system which had so successfully developed the industry. The real roadblocks to the plan, however, were the governments of the major producing countries. None (aside from Venezuela) was convinced that voluntary limits on production were really in their self-interest when each was sure it could get its oil companies to dramatically increase production. The coup de grace to the plan was administered by the Shah of Iran in 1960 when he reiterated that Iran was determined to regain its "historical

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18 Petroleum Week, 6 May 1960.

19 "Competitive capitalism has ... given rise to abounding oil wealth; but only because it is a stern master. One has to take the rough with the smooth." Petroleum Press Service, v.27:6, 1960, p. 197.
position" as the area's number one producer, demanding one half of all Middle East production increases.

The Oil Congress, the proposal for prorating and the indigantion concerning the price cuts did not impress the oil companies nor change the economic facts, and in August 1960, a second series of price cuts was announced, again with no warning or consultation. These cuts of about 10¢/bbl affected only Middle East prices. To remain competitive, Venezuelan oil had to be sold at large discounts off posted prices thus affecting that country's income. This was the last push the technocrats needed to spur them toward some kind of overt move. Acting on discussion held during 1959 and early 1960, the technocrats persuaded the governments of their respective countries to create OPEC in September 1960 with the aim of reversing the price cuts and encouraging cooperation on other matters. This was the decisive contribution of the technocrats and it had political implication which many of them were probably not cognizant of at the time.

For many Arabs the feeling prevalent in 1958 that a definite change in the relations with the oil companies was in the offing seemed confirmed in 1960 with the formation of OPEC. Tariki called it the most significant Middle East oil

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20 Petroleum Week, 9 Dec. 1960. This was the first in a long series of Arab-Iranian differences over oil.

21 Unlike the Middle East, Venezuela's income was based on realized, not posted prices.
event since the introduction of profit sharing.\textsuperscript{22} The companies had long been regarded as a cartel, so it was seen as common sense for those at the other end of the operation to act in a like manner, though they were careful to avoid any mention of a producer's cartel.

OPEC's organizational structure has been written about at great length and need not be of concern here.\textsuperscript{23} It was not a very powerful organization, being made up of representatives from each major producing country and depending on unanimity for any kind of action. Its chief function was to carry out studies of the industry, provide a forum for the oil experts of the producing countries and attempt to reverse the price cuts. What is important about OPEC in terms of this study is its political implications for the technocrats and Middle East oil.

Responsibility for the formation of OPEC rested with Tariki and Perez Alfonso, growing directly from their efforts\textsuperscript{24} to implement the prorationing plan. As they envisaged it, OPEC was to be the instrument for implementing this plan and working out a common oil policy. Saudi Arabia, Kuwait and Venezuela were already close to agreement on the best approach, but Iraq and Iran were the weak links for any unity hopes. Iraq was at the time engaged in negotiations with IPC for

\textsuperscript{22} al-Zaman (Baghdad), \textit{WEES}, v.4:25, 28 April 1961.

\textsuperscript{23} See Ashraf Lutfi, \textit{OPEC Oil} (Beirut, Middle East Research and Publishing Center, 1968).

\textsuperscript{24} Tariki's role in the formation of OPEC was deliberately played down at the time for fear his reputation would alienate more conservative states. Itayim, p. 15.
production increases and Iran wanted no part of production controls. Iran joined OPEC in a somewhat tentative manner, seeing it as a way of exercising some control over the potentially erratic behavior of the Arab states. These countries had by no means reached any consensus on oil policy, joining OPEC merely to discuss the possibility of agreeing. Tariki and Perez Alfonso were counting on their persuasive powers and the influence of the technocrats in their respective governments to make the organization work.

It is with the formation of OPEC and the subsequent attempts to work out a common oil policy that politics begins to take its toll of the technocrats' unity of purpose and outlook. In debating the role of OPEC they began to divide into two main groups, what I shall refer to as 'moderates' and 'nationalists'. The lines were by no means clear in the early 1960's, but the signs of future conflict were there.

The second OPEC conference held in Caracas in 1961 provides an example of this division. It was the first substantive meeting of the young organization and some statement on oil price policy was expected. It was also understood by all concerned that the organization was supposed to deal with the long discussed and debated issue of prorationing. It did neither.

There had been two major plans proposed by spokesmen for

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the oil states prior to the Caracas meeting, both supported by Saudi Arabia, Venezuela and Kuwait; the proration scheme and a division of the world's markets according to proximity of producer, thus tying a particular producer to a particular market. Both of these plans involved a major break with the established situation and a blow to the position of the companies. The second would end their ability to ship oil anywhere it was needed and create closer direct ties between producer and consumer. In the context of 1961, these proposals were indeed radical.

The delegates of Iran and Iraq vetoed both these plans. In addition, Perez Alfonso was in some political trouble at home at the time, with President Betancourt taking a softer line on oil than his minister had been pursuing. This left Tariki as the only active proponent of the plans and he could not overcome the opposition. In the resolutions of the conference prorationing was not even mentioned, the organization opting instead for detailed studies to determine the true profitability of the companies' operations in the producing areas. The newly elected chairman of OPEC, the Iranian Fuad Rouhani, stated that the producing countries had come together "... not to set ourselves up in opposition to any group ... not to make capital out of our position of undoubted strength, but to safeguard through harmonious policies the supreme interests of our peoples in the natural resources of their
Other spokesmen issued equally moderate statements during and after the conference. Aware of the deep divisions within OPEC, industry observers perceived the problem immediately, and praised the evidence of modernation.

When the technocrats opted for an OPEC type organization they did so, as David Hirst has said, to "remove oil matters from the realm of ordinary politics." Since 1948, many Arab leaders had sought to use oil as a political weapon in the Palestine issue. The Arab League Petroleum Office had long argued for an Arab oil organization which would include all the Arab states, producers and non-producers alike. The Arab Oil Congress in 1959 was the first concrete manifestation of this drive. Through OPEC the technocrats and their governments hoped to prevent this involvement of their resources and wealth in political issues. As one author has noted, however, in the Middle East oil is inherently a political matter. It has been

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27 Hirst, p. 113.
28 Two examples of the dangers envisaged by the producing countries will suffice. In 1961 an Arab nationalist newspaper in Beirut called on the oil states to put their wealth at the disposal of Nasser to enable him to counter a possible atomic threat from Israel. It would be better, the paper said, for these states to lose all their wealth than to lose their honor. MEES, v.4:9, 6 Jan. 1961. In another instance pressure was exerted on the Arab League in 1960 to apply sanctions to French companies since it was believed that France was actively supporting Israel. The ulema of Syria called for nationalization of all French assets, including oil companies. MEES, v.4:10, 13 Jan. 1961. The Arab League was vulnerable to this kind of pressure and the oil states had no desire to share that vulnerability.
of major political importance in both domestic and foreign policy, the presence of western oil concessionaires has given the producing countries a generally pro-western orientation and the rapidly increasing oil revenues worked to consolidate existing political regimes.

Removing 'oil matters from the realm of ordinary politics' is thus in itself a political act; it depoliticizes an issue on which the conservative governments are often politically vulnerable. 29

For Arab nationalist, therefore, the formation of OPEC was definitely a reactionary step, killing any chance for a genuine Arab oil policy under the auspices of the Arab League and leaving oil wealth in the sole possession of the generally conservative producing states.

What about those technocrats such as Tariki who were also Arab nationalists? As I have indicated above, Tariki had hoped for a much more active organization than what had emerged at Caracas. At the meeting in Baghdad the year before he had proposed raising the governments' income percentage to 60% as in Venezuela, but the other representatives rejected his approach as retaliatory rather than corrective. All attempts by Tariki to have the organization debate issues of control were rejected in favour of a total concern with the price of oil. Tariki probably saw no real contradiction between OPEC

29 Tehranian, p. 99.
and an Arab oil policy, since had the organization developed along the lines he had envisaged it would have worked toward goals he as an Arab nationalist desired, and in a more effective manner.

To argue as Hirst and others have that OPEC was thus the creation of the technocrats through which they "asserted their independence and special status" is somewhat misleading. It was more a victory for the oil producing states than a result of the special character of the technocrats. Its moderation, its policy of bargaining rather than legislating, and accommodation rather than confrontation can be seen as having roots in the training and outlook of the technocrats, but has a firmer explanation in the political and economic interests of the oil states. To claim as Hirst does that the technocrats had no national political affiliations and were therefore eager to act independently of their governments and any policy considerations seems politically naive. As I have stated above, they did have a great deal of influence in formulating policy due to their training and the complexity of the issues, but governments totally dependent on oil revenues for their economic and political existence would not allow them free rein. In this sense Tariki's freedom of action in Saudi Arabia was something of an anomaly due to special political circumstances in that country, and it was not to last. Like other civil servants, technocrats served their country first.

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Hirst, p. 107.
The efforts by the Arab League and independent Arab spokesmen to form an Arab oil policy continued in spite of the formation of OPEC. The Second Arab Oil Congress met in Beirut one month after the Baghdad OPEC conference, but again no concrete steps were taken to deal with prices, control or unity. The Congress was obviously somewhat of an anti-climax after Baghdad. OPEC, however, was hardly discussed, its members not wishing to have it identified with the Congress and the other Arab delegates unsure at that point what to say about it. Once again the highlight of the Congress was Tariki, this time personally launching a blistering attack on oil company profits and accounting procedures, a debate which required scheduling a special session to complete. He was repeatedly questioned by oil company representatives about the source for his statistics, an attack which he turned on the companies by blaming their secrecy for any error in his argument. In a dramatic defense of his paper, Tariki electrified his audience, technocrat and layman alike, saying "They do not tell us what is going on outside the production phase; they say that this is complicated and is the business of the parent companies. They treat us like children." Along with all the economic and political arguments, it was this kind of sentiment, no doubt shared by all the technocrats, which explained their particular desire to change the status quo. Corporate paternalism was denying them and their countries the equality

\[31\] MEES, v.3:52, 4 Nov. 1960, sup.
they desired.

Despite the lack of open debate at the Second Congress, alternatives to OPEC or actions designed to supplement it were still alive. Perhaps the most obnoxious feature of the organization to Arab nationalists was its exclusive nature, denying any voice in oil policy to non-producing countries such as Syria, Lebanon and Egypt which were involved in the transport of Arab oil. A prominent Lebanese businessman, Emile Bustani, warned of an explosion in the Arab World resulting from the lack of balance between the oil producing countries, with a population of 10,000,000 and the transit countries with 35,000,000. "If nobody believes this warning there might come a time when we shall say the oil shall not pass."

Bustani provides an interesting contrast to the technocrats and is illustrative of one branch of nationalist opposition to OPEC. His reputation and influence were built on his success as a capitalist, being the founder of one of the largest construction firms in the Middle East. Staunchly anti-communist, he was part of the pro-western yet Arab nationalist group that had been dominant in Middle Eastern governments up to the 1950's. Admitting that Arab nationalism was the "blood-stream of Arab life and political vitality", he denied that President Nasser had any claim to Arab leadership or that this nationalism was a threat to the West. For 33 Bustani the purpose of Arab nationalism was not Arab unity. In this sense he was a true Lebanese, as well as a Christian,

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32 MEES, v.2:26, 8 May 1959.
championing the interests of smaller Arab states in the face of threats from Egypt, Syria and Iraq as well as the new rich oil states.

In terms of oil, Bustani called on the Arabs to cooperate with the oil companies and urged the companies to be more open with the Arabs. In his eyes the Arabs were entirely dependent upon the companies for producing and selling Arab oil, a stand which brought a great deal of criticism from many Arab nationalists. He was opposed to the prorationing plan, claiming it was desirable but unworkable. In 1963, he went so far as to propose a cut in the price of Arab oil in order to increase production, a position completely opposite that of OPEC. His primary interest, however, remained with the distribution of Arab oil revenue. His solution to the geographic and demographic inequities inherent in Middle East oil was the establishment of an Arab Development Bank, to be financed through donations of five per cent of the annual profits realized in the oil states. The money was to be made available to the other Arab states at low interest rates to finance development projects.


34 Bustani's plan was supported at the First Arab Oil Congress by an Egyptian delegate, and his comment is indicative of the bitterness many in the non-producing states felt toward their rich relatives. "We are not asking for a gift, but for a natural right, and if the oil producing countries refuse to share with us the gift which God has bestowed upon them, then the time will come when we will get our share by force." MEES, v.2:28, 22 May 1959.
Bustani's plan, which he advanced at every opportunity, met stiff opposition from Tariki and most of the other technocrats. Tariki was actively pushing his ideas on the use of oil revenues, mainly the creation of an Arab tanker fleet and the pipeline proposal. Bustani's plan had also called for some participation in the Bank by the oil companies and this caused a great deal of opposition. The primary reason for the opposition, however, was the unwillingness of the producing countries to part with the funds. Thus Tariki at one time argued that Saudi Arabia could not afford the contribution, citing the lowest per capita income of any Arab country as proof. This kind of argument which is most uncharacteristic of Tariki and other technocrats, this insular view of Arab economics, again emphasizes their inability to dictate government policies on monetary issues. Bustani's proposal had serious flaws from an Arab nationalist point of view, but not enough to be dismissed out of hand by men dedicated to Arab unity.

Bustani seems oddly out of place in these debates over the direction of Arab oil policy. A nationalist in an era of pan-Arabism, a capitalist engulfed in a wave of Arab socialism, an Anglo-ophile in an age of anti-imperialism he was spokesman for another age. Nuri-es-Said was gone, Nahas Pasha was gone. The dominant figures of the 1960's were younger, Muslim, of different class backgrounds and different intellectual bent. His closest potential allies were the conservative leaders of the oil states with whom he was in conflict, while his ideo-
logical enemies were entrenched in the states he sought to represent.

The other major opponent of the domination of Arab oil by OPEC was also a non-producing country, but Egypt was less concerned with economics than with the political implications. Obsessed with the ideal of Arab unity under Egyptian leadership, Nasser saw OPEC as an Iraqi scheme to thwart that unity as well as an alliance of conservative states against the 'progressive' forces in the area. Beginning in 1961, Nasser, through the press and the good offices of the Arab League, began to press again for a separate Arab oil policy and organization.

Immediately preceding the Third Arab Oil Congress which was to be held in Alexandria, Egyptian newspapers began carrying a series of articles concerning Arab oil and the necessity of a unified policy. The articles centered on the exploitative nature of the concessions, the power of the oil companies and the failure of Arab oil to benefit the mass of the Arab people. Egypt's oil policy and policy toward foreign enterprises in general were pointed to as the example other Arab states should follow. In January 1961, there were rumours that the Arab League had proposed a treaty between itself and OPEC, but they were never confirmed. In May 1961, Muhammed Haikal, editor

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Many agreed with his assessment. The Financial Times concluded in 1960 that "OPEC seems likely to destroy Egypt's leadership of the Arabs in oil policy, and hence may be regarded as part of the Iraqi-Egyptian struggle for hegemony." MEES, v.4:3, 9 Dec. 1960.
of al-Ahram and Nasser confidant, spoke out strongly against the continued "squandering" of oil wealth by the governments of the producing countries. Citing two "potentially dynamic forces" in the Arab world, oil and UAR, he claimed one was serving no real useful purpose. He called for an open debate on the proper use of Arab oil revenues, specifically mentioning loans to non-producing countries. In November 1961, the new Director of the Arab League Petroleum Office, Hasan al-Khaul (Salman had become Minister of Oil in Iraq), announced that the League was considering the formation of a General Petroleum Authority modeled after the Egyptian organization. Its initial goals would be coordination of Arab oil policy, concessions, production, and prices, to make petroleum investments in Arab countries, and engage in limited production and marketing.

In fending off these moves by Egypt and the League the technocrats stressed the distinctive nature of OPEC as compared with the Oil Congress'. Tariki emphasized that OPEC owed its existence to the Oil Congress and that issues raised at the Congress should be taken to OPEC for further study, since it had the resources to do the job. Muhammed Salman was even more specific; OPEC was solely concerned with oil prices, not with general oil policy, whether Arab, Iranian or Venezuelan.

36 al-Ahram, 19 May 1961.
The issue of policy, concession terms, and so forth was clearly the perogative of the Arab League through the Oil Congress and the Arab League Oil Experts Committee. While true in a literal sense, this explanation did not alter the fact that the major producing countries considered OPEC the only truly relevant organization. Fulminate though they might, there was little Egypt or the other nationalists could do to involve the oil states in any other organizations.

The 1958-1961 period witnessed the birth and failure of the first major attempt at Arab political union in the form of the UAR and the triumph of national over pan-Arab interests in the management of oil wealth. The formation of OPEC began a pattern that has only recently been altered almost in spite of OPEC. Just as hopes for Arab political union were not extinguished in 1961, many Arabs involved in oil affairs did not accept this new petroleum status quo. Already by 1961, one can begin to separate Tariki, as representative of the more nationalist technocrats, from the main body of his peers, both in terms of basic approach to oil and specific policies.

The fundamental split within the technocrats which is manifested through OPEC had its foundations in politics. The political factors which dictated this division stem from the basic split between states which have oil and those that do not, from the politically conservative nature of most of the oil states and the push toward conservatism the possession of
oil seems to engender irrespective of ideology, and from the conservative character of the technocrats themselves, a result of their training and their situation of cultural dependence.

The response to the Hendryx paper at the first Oil Congress was a portent of things to come in Arab dealings with the oil companies and with solutions to problems that involved structural changes. The failure of the delegates to adopt the Hendryx notion of legislating concession changes was understandable given the times, but their failure even to take the proposal seriously betrayed a deeper malaise within the technocrats. Their personal intellectual dependence not only deprived them of essential empirical data but precluded a whole range of policy options from serious consideration. This is repeated later with various proposals for a more activist OPEC stance on oil policy and with the nationalization proposals of the late 1960's.
CHAPTER IV: Technocrats and Politics: Two Studies

The intimate connection between oil and politics has been made quite clear in recent years and it is the record of this connection throughout the 1950's and 1960's that is the central theme of this study. The oil technocrats, while wishing to keep themselves and Arab oil policy above politics, were unavoidably involved from the very beginning in political conflicts. By supporting their national states the technocrats became embroiled in Arab nationalist issues; by forming OPEC they supported the dominance of the oil producing states over Arab oil policy; and their internal divisions over oil policy in the 1960's had important political overtones. The Arab Oil Congress failed to produce a unified approach to oil affairs primarily because of political conflicts and OPEC, as we shall see, was a success in large part because of its political role. In this chapter the mixture of oil and politics is examined in a more specific and personal sense, focusing on the careers of two prominent technocrats, Abdullah Tariki whose early career I have already traced, and 'Abd al-Aziz al-Wattani. Both were Ministers of Petroleum in their respective countries, Saudi Arabia and Iraq, and both lost their positions in the end because the policies they pursued conflicted with prevailing politics.

Politics is a word with many meanings. What exactly does the word mean in the context of Saudi Arabia or Iraq? More
specifically, what did it mean for an oil technocrat? To begin with, any notions of western-style democracy, the struggle of mass-based political parties in a parliamentary environment, appeals to voting blocs and so forth can be dismissed. The politics operative in these situations was of two varieties. On the one hand there were clashes of political personalities, perhaps even political styles. This is most apparent in the context of Saudi Arabia. This, however, is more in the nature of a smokescreen for the real political dynamic in both countries, the intra-class nature of political struggles. Political personalities and the disputed which centered on them and the policies they were associated with represented contending elements of a single political unit, the ruling class in each country.

In the Middle East, as in most Third World countries, control of or dominance in the state apparatus is the key to both power and wealth. Unlike the western industrialized nations, the economies of these areas were in a sense largely socialized. The agricultural sector of the economy is controlled by an entrenched oligarchy of landholders or the state, what industry that exists is dominated by the state and the primary source of wealth, the extractive sector, is controlled by foreign interests in cooperation with the state. The economy of these countries, then, is stable. In this situation control of the state becomes crucial to the personal well-being of each member of the dominant class and since there is
no real political struggle among competing classes, politics becomes a factional affair within the ruling class. More important, despite the political instability made inevitable by the stagnant economic base, changes in government do not entail changes in that economic system since the changes in government are simply attempts to benefit from that system.

Much has already been said of Tariki in earlier chapters, particularly of his key role in attempting to formulate an Arab oil policy in the 1950's and the formation of OPEC. He was in the politically awkward position of being a spokesman for Arab nationalism and a policy of confrontation with the oil companies while in the employ of one of the most conservative Arab states. This undoubtedly required considerable compromises on his part and on the part of the Saudi government. After being forced out of Saudi Arabia in 1962, Tariki became the leading spokesman for nationalization of Arab oil and its use as a political weapon in the Palestine issue, a dramatic acceleration of his earlier policies. The change was either sheer opportunism on his part, as many claimed, or an indication of the degree to which he had suppressed his inclination toward radicalism while in government service.

Tariki was never the 'anti-western fanatic' that many company spokesmen implied, but his policies were radical for

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1 For a detailed examination of this model as it operates in Latin America, see Merle Kling, "Toward a Theory of Power and Political Instability in Latin America", in James Petras and Maurice Zeitlin, Latin America: Reform or Revolution (New York, 1968).
the time and more important, they posed a genuine threat to
the economic position of the oil companies. The policy of
integration, the prorationing proposal, the Arab tanker fleet
and pipeline and the encouragement of the smaller independent
oil companies would all have worked to erode the hegemonic
position of the major companies in the industry. He was from
the beginning an Arab nationalist and consistently sought to
translate that nationalism into action on the oil front.
His nationalism found its primary expression in terms of a
desire for economic unity:

The Arab countries are like pieces of an apple
and no single piece can make an apple by itself
alone. In spite of the fact that it is possible
to establish politically independent Arab
countries, these countries are an economic unit
which cannot be divided whether one likes it
or not. 2

The implications of this view could not have been overly pop-
ular to a Saudi government deeply in debt despite increasing
oil revenues. His view of the fundamentals of the relationship
between the Arab countries and the West was likewise much more
radical than his peers, though by no means as fully developed
as many contemporary Arab Marxists. He pushed for industrial-
ization because it was clear that the West represented an
industrial bloc which "doubtless have no interest in industrial-
izing our country." He was acutely conscious of the dependent
position the Arabs were in vis-a-vis the West as an exporter. 3

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2 Al-Qasim (Riyadh), 6 Dec. 1960, from U.S. State Dept.
Translation Service.

3 Saudi Weekly Newsletter, 1 May 1961, p.3.
of raw materials and saw unity and industrialization as the only way out of that dependence.

While it may seem an anomaly that Saudi Arabia should produce the most activist and radical Arab oil spokesman, there were good reasons why that should be the case. Of all the oil producing nations, Saudi Arabia was the only one to avoid colonial occupation and thus maintain some control over the management of its resources and economy. In Iraq, oil affairs had long been dominated by political considerations stemming from the pre-eminent British position. The situation in Kuwait and other Gulf states was much the same, British officials or private individuals being in charge of oil affairs. Saudi Arabia had taken the lead in attaining the 50/50 agreement in the early 1950's and by the end of the decade had accumulated a series of complex grievances against the oil companies. It was also considered advantageous from the government's point of view, to have an aggressive, honest and knowledgeable official in charge of oil affairs and with Tariki they had the added benefit of a man who was recognized by producers and companies alike as the "elder statesman among Arab oilmen", a symbol of the new Arab interest in oil.

Few of Tariki's radical ideas were ever implemented in Saudi Arabia, nor even supported by the Saudi government. Instead, he pursued a quite moderate program of applying mainly verbal pressure on Aramco to alter the concession terms. The

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Saudi government wanted the concession changed to allow for a greater share of oil profits to be returned to the government, but had no legal means to effect such a change. It thus allowed Tariki to chip away at Aramco's position from several angles but never permitted him a frontal assault. The Japanese concession mentioned earlier was one of his most prominent attacks, albeit an indirect one. Tariki carried on long and complex legal battles with Aramco over discounts off posted prices being given by that company to its parent companies, discounts which affected Saudi income (the 'Sidon dispute') and a similar case with the owner of Saudi Arabia's major pipeline.

Through the Oil Congress, the press and meetings with Aramco officials, Tariki pushed for complete revision of the concession. For the company the concession was a legal contract, with no provision for periodic re-negotiation. During a period of oil surplus such as the early 1960's, they were under no pressure to concede on any points. Despite Tariki's constant attacks, Aramco could rest assured that the Saudi government would take no action which would risk its continued income.

Tariki's main line of attack on the oil companies, the integration argument, was never formally accepted by the Saudi government. It remained as did the Arab pipeline and tanker plans, Tariki's idea, not Saudi Arabia's. As a spokesman for the Saudi government he was reduced to pleading the cause of "changing circumstances", an essentially moral argument asking
the companies to make concessions out of a sense of justice and common sense:

The agreement was concluded more than twenty years ago in the belief that it safeguards the interests of the country, which it did to a large extent. However, time has proved that the agreement is serving the interests of the companies more than the interests of the country... The agreement had been concluded with good will, but as time changed its provisions have not been altered in line with the quick pace of time so that it will in the first place serve the interests of the country and in the meantime safeguard reasonable profits for foreign capital. 5

There was a very clear philosophical difference between Tariki and the oil companies inherent in this argument. To the companies the oil was simply a commodity which they contracted to extract. For Tariki and the Arab governments the oil was much more, a national heritage which held the key to their progress. One of the main demands of the period was that unexplored areas and shut-in wells should be relinquished by the companies so they could be exploited by the countries themselves or leased to other companies. This was contrary to the interests of the concessionaires and also contrary to their whole approach to the issue. The oil was theirs, to exploit when and if they so desired.

Given Tariki's political predilections already hinted at and his intimate, daily involvement with these issues, something had to give; either his ideas, the companies' or the conservative policies of the Saudi government. Despite the frustrations of the negotiating process and the increasingly obvious direct conflicts of interest between company and government, his

5 Saudi Weekly Newsletter, 1 May 1961, p. 3.
record while employed in Saudi Arabia was one of considerable moderation. He never advised unilateral action by the government in any of the disputes with Aramco, accepting the government's policy of negotiation. "... the government does not wish to impose on the company obligations not provided for in the agreement. Everything the government aspires to, it wishes to obtain through the negotiation process, consistent with His Majesty's established policy of dealing with (foreign) companies." Commenting on the papers of Frank Hendryx which had caused such a sensation at the first two oil congresses, Tariki denied any radical intent, insisting that they were aimed at creating an atmosphere of understanding between the companies and the governments. By 1961, at the Third Arab Oil Congress, Tariki was almost conciliatory toward the oil companies, saying the relationship between them and the producers had much improved.

In light of his subsequent dismissal, one gets the impression that the Saudi government merely tolerated Tariki during his tenure as Oil Minister. His thinking and action on issues such as Arab unity and a common producers front to face the cartel was clearly growing more radical from 1957 to 1961, as his position and stature grew in the Arab world. To some degree his personal prestige accrued to Saudi Arabia, thus making him

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7 Debate at the Second Arab Oil Congress, reported in MEES, v.3:50, 21 October, 1961.
an attractive and influential member of the government, but the programs he espoused were clearly counter to prevailing Saudi opinion. Involvement in Arab economic projects could only cost Saudi Arabia money, with only marginal returns and Tariki's abrasive relationship with Aramco officials and his policies were leading toward polarization rather than progress in government-company relations. Tariki was clearly aware of the tenuous nature of his position, an awareness manifested in an almost schizophrenic quality in his public statements.

Tariki's oil policies were an important factor in both his success in Saudi Arabia and his dismissal from office, but of at least equal importance was the political situation in Saudi Arabia from 1958 to 1962, into which Tariki was inexorably drawn. Politics in Saudi Arabia during this period revolved around two men, King Sa'ud and his brother Prince Faisal, and the members of the royal Sa'udi family that attached themselves to the fortunes of each of them. During the 1950's, Sa'ud and his entourage were largely responsible for the image of the sheikh and the cadillac so prevalent even now in the West. Spending vast sums of oil wealth on palaces, foreign real estate and conspicuous consumption, he managed to bring Saudi Arabia to near bankruptcy despite the ever increasing oil revenues. Besides these economic problems, Sa'ud followed a rather eclectic foreign policy which at one time was believed to have involved an attempt to assassinate President Nasser of Egypt.

By 1958, public opinion in Saudi Arabia, including tribesmen, merchants and members of the royal family, was demanding
some kind of change and especially a limitation on royal extravagance. In response to this pressure Sa'ud made Faisal Prime Minister with full powers to run the government. Faisal immediately placed restrictions on spending and on imports, halted many development projects and forced the government to adhere to a strict budget, a practice unheard of in Saudi Arabia. At the same time there was a general liberalization of censorship and law and a move toward closer relations with Egypt. Unlike Sa'ud, Faisal was "one of the most convinced and convincing Arab nationalists in the Kingdom." Given the earlier discussion of the technocrats, their general nationalist orientation, their emphasis on efficiency and rationality, these moves by Faisal must have been fully supported by western-trained Saudis like Tariki.

Faisal's reforms by no means represented a revolutionary change in Saudi Arabia. The administration remained firmly under the control of the Royal Family and as top-heavy as ever. The economic changes improved the country's financial situation but at the same time caused severe unemployment, a minor depression and meant the end of many promising development projects. His liberalization measures were extremely limited in scope, their main effect being to encourage some Saudis to argue for a responsible government and elections, such sentiments having been forbidden under Sa'ud.

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Tariki seemed to profit from Faisal's accession to power. The details of his relationship with Faisal remain vague, but he was apparently one of several Saudis that Faisal had encouraged to go on to school. Always more interested in development than his brother, Faisal had made special efforts in the 1950's to see to it that promising young Saudis received modern educations. He had been largely responsible for the creation of the Office of Petroleum and Mineral Affairs in 1953 and managed to have Tariki appointed its Director. To call Tariki a protege of Faisal may be overstating the case, but the Prince was certainly interested in his career and played a key role in Tariki's rise in the Saudi bureaucracy. Tariki's role as the Arab nationalist oil spokesman really begins after 1958 with his work in the First Oil Congress and his campaign for prorationing and OPEC. Given the nature of the Saudi government and especially the tenuous position of a commoner in that government, these activities must have had the blessings and encouragement of Faisal and been related to his own Arab nationalist leanings.

For Tariki, therefore, Faisal's accession to power in 1959 was a heartening development. The new emphasis on rationality in government and the encouragement of education made the position of a commoner in the government much more secure. The orientation of the technocrats was always toward careers open to talent, an idea which had been frustrated by the very nature

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9 Nolte, p. 9.
of Sa'ud's regime. The expectations awakened by Faisal were not fulfilled, however, as his conservatism stifled further social changes and his economic restrictions cut into more and more projects that were dear to the technocrats.

King Sa'ud, never very content with having to surrender his power, began touring the country in order to win back some of the popularity he had lost. The climate of opposition created by the economic belt-tightening and the loosening of censorship played into his hands, as Sa'ud now assumed the role of liberal reformer, hinting that he was in favour of a cabinet system and responsible government. Faisal, forced to defend the old system, was cast in the role of defender of conservatism. By late 1960, Sa'ud was able to regain his position as absolute ruler, Faisal once more retiring to private life.

These changes in government reflected the divisions within the Sa'udi royal family. The group most influential in Faisal's replacement of Sa'ud in 1958 had been led by Prince Talal, representing the 'liberal' wing of the family. Disillusioned by Faisal's performance, they shifted their support to Sa'ud in 1963, hoping to be able to use him to implement their program of reforms. Tariki's role in this political infighting is unclear, but one can reasonably speculate that it caused some problems. On the one hand there was some degree of loyalty to Faisal, both for personal and ideological reasons. On the other hand, the possibility of a responsible government with more

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representation for the educated elite would have exercised a powerful attraction.

Tariki did not follow Faisal's men out of power in 1960, preferring to remain and work with Sa'ud. Less a sign of any real commitment to Sa'ud or Talal, his action probably represents part of his long term policy of trying to separate the oil affairs department from the rest of the government so as to keep it free of palace intrigue and patronage. Nevertheless, Tariki profited immediately from Sa'ud's return to power, being made Minister of Oil and appointed to a select 'inner' cabinet to deal with development planning, a striking position for a commoner. Included in the cabinet were Prince Talal and several other representatives of the liberal faction of the royal family. The government took a noticeably more activist stand toward Israel, Sa'ud adopting the cause of Arab nationalism in an attempt to strengthen his political position. According to David Hirst, the appointment of Tariki and Talal and similar moves were simply attempts to mislead educated Saudis into believing he was in favour of change, most probably a correct assessment.

The fragile alliance between Sa'ud and the Talal faction broke down in 1962 over the revolution in Yemen. Sa'ud


12 Hirst, p. 31.
supported the Inamate in both word and deed, provoking a minor rebellion in the Saudi government. Supported by Talal, six of the eight commoners in the government sent a memorandum to the King deprecating the support of the Imam. Some even went so far as to urge the recognition of the Yemeni Republic. This kind of open break was unheard of in Saudi Arabia, and Faisal in particular was upset by the State of affairs. He considered the commoners in the cabinet as a "defeatist element" who had no faith in the future viability of the Saudi monarchy. To him, the new class these men represented were hoping for a Nasserist intervention to bring down the Saudi monarchy, Yemen being the first phase.

In November 1962, Faisal was again called on to restore stability to the government, bringing to power his own supporters in the royal family. One of the conditions of his return was the dismissal of Tariki from the government, along with the other commoners and Talal. Tariki was not only dismissed, but was exiled from the country.

There were a variety of factors behind Tariki's dismissal. He was probably involved to some degree in the political struggles outlined above. His exact role is unclear, but he must have at least sympathized with the memorandum sent to King Sa'ud. His Arab nationalist sympathies would have linked him with any Nasserist threat the government felt, making his presence unwelcome. Since he had been close to Faisal, his

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commitment to Salud after 1960 may have been seen as a personal 14 betrayal by Faisal.

There was a great deal of speculation at the time that Aramco had played a role in Tariki's downfall. Hirst quotes Muhammed Haikal, editor of al-Ahram, as saying that Aramco had long been interested in getting rid of Tariki, continually sending memos to the King about him, referring to Tariki as "the communist". While somewhat conspiratorial, there is some truth to the claim. As Oil Minister Tariki had taken certain stands which were increasingly at odds with government policy. He had repeatedly rejected the concept of government participation in the Aramco concession, insisting that Saudi Arabia should go it alone, at a time when the idea of participation was growing in popularity. Faisal was especially concerned with getting the Saudi economy on a firm foundation, and Tariki's constant attacks on Aramco were counterproductive to that end. To a point Tariki's aggressiveness had no doubt been sponsored by a government anxious to impress the oil companies with its determination, but seems to have assumed a

14 Leonard Mosely claims there was a great deal of personal and political antipathy between Tariki and Faisal, who saw him as part of a national liberation front aimed at a Nasserist revolution. L. Mosely, Power Play: Oil in the Middle East (New York: Random House, 1973), p. 314-5.

15 Hirst, p. 31. There was a time when hints of such corporate or political involvement in the internal affairs of a country like Saudi Arabia could be largely dismissed as the product of an overly conspiratorial view of the world. That can no longer be the case. The record of ITT in Chile, the Lockheed bribes, and the recently documented examples of CIA interference in foreign domestic politics make it necessary to assume that both Aramco and the CIA played a large role in Tariki's fall from grace. When this writer was employed by the United States Dept. of Defense documents referring to Tariki as a "known communist" were commonplace.
momentum of its own as he became more prominent in Arab oil politics.

Just prior to his dismissal Tariki had been quoted in the Saturday Evening Post as saying: "Once we are strong enough to shut down all the wells and shut off the pipelines, the companies will see a great light. The world cannot live without Middle East oil." In an interview soon after leaving Saudi Arabia, Tariki denied the quote completely, saying it was alien to this thinking; but the damage had been done. Tariki was too radical for Faisal's new government and by 1962 too independent a figure to be merely a tool of government policy. Faisal had made a decision to mend fences with Aramco and the United States in response to internal threats and a possible Egyptian move through Yemen. Tariki was completely identified with a particular policy toward oil, a policy that no longer fit with Saudi political plans.

A brief discussion of Tariki's successor, Ahmad Zaki Yamani, will highlight the above point. A lawyer by profession via New York University and Harvard Law School, Yamani was thirty-two years old when he became Minister of Oil. Unlike Tariki, he had received good reviews by most western observers. Leonard Mosely, for example, described him as "One of the coolest and most persuasive Arabs in the Middle East, totally unpolemical, anxious to demonstrate the basic reasonableness of his attitude, Yamani is a handsome and soft-spoken negotiator of the utmost

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16 Interview with editor, MEES, v.5:22, 6 April, 1962, sup.
charm and guile." Far from the brash and strident Tariki, Yamani was a gentleman, utilizing a "calmer more hard-headed, common sense spirit." This kind of approach was much more amenable both to the Saudi government and the oil companies.

The change was more than one of style and demeanor, more than a simple shift in tactics from confrontation to guile. Yamani's accession heralded a shift in policy; a shift toward accommodation and steady pressure. In a statement issued soon after taking over the Ministry, Yamani outlined his approach:

The oil companies, who have harvested a fortune from our treasure and lived among us for so long that they have become almost part of us, would, with a little dispassionate thinking, realize that tug-of-war tactics will not lead to a satisfactory solution of outstanding problems; they would realize that good judgment, far-sightedness, and a recognition of the realities of the day is the best way to arrive at fair solutions to these problems, thereby promoting stability and removing all bitterness from our relationship. When reason and good faith prevail there is no reason why disagreement should arise between partners. 19

The doctrine of changing circumstances, common sense and the mutuality of interest thus became the main Saudi argument. The shift from Tariki's views is striking. Tariki had started in 1957 with a somewhat similar policy, though with a more open sense of skepticism. In the course of dealing with Aramco and the international industry as a whole he had gone far beyond these views, no longer able to see the companies as

17 Mosely, p. 321.
18 Stocking, p. 321.
19 MEES, v.5:25, 27 April 1962.
partners but as the more powerful of an unequal relationship. By 1962, there were no reasonable solutions to oil issues in Tariki's mind, only final solutions to be achieved through strength and confrontation. The selection of Yamani was a definite signal to the oil companies that this view was no longer shared by the government, that a policy had changed and the era of confrontation was over. In a sense, it was an admission of defeat. Tariki's policies had not worked given the restrictions imposed by the Saudi government. Even Tariki must have realized by 1961 that for his views to succeed, a fundamental political re-orientation was necessary in Saudi Arabia.

The picture of Tariki as a victim of politics is mitigated somewhat by the possibility that it was his own increasing radicalism which may have brought about his fall. The example I have chosen in Iraq does not suffer from this complication. 'Abd al-Aziz al-Wattari, much more a technocrat than a politician, was Minister of Oil in Iraq from February 1963, to September 1965, and was responsible for the formulation of a crucial oil agreement between the Iraqi government and the Iraq Petroleum Company (IPC). His dismissal from office and the eventual failure of the agreement were both the direct results of politics interfering with oil affairs.

The Iraqi government had begun to apply pressure on IPC for specific changes in the concession in the mid-1950's, when oil affairs were under the direction of Nadim al-Pachachi. The
close political ties between Iraq and the West made it difficult, however, for these moves to have much effect. The turning point for oil affairs, as with everything else, came with the Iraqi revolution of July 1958, which brought General Qassem to power. The period of Qassem's rule, from 1958 to October 1962, provides an additional insight into the relative power of technocrats to influence policy.

Qassem's first Minister of Petroleum was Dr. Ibrahim Kubbah, an economist and a man with close connections with the Iraqi Communist Party. Kubbah had been largely responsible for the series of trade agreements concluded with communist countries during 1958-59, but in terms of oil he was forced to follow a moderate line. After the July revolution the government went to great lengths to assure IPC that it had no intention of nationalizing the oil industry and continued the negotiations begun under the old regime. The oil companies responded with a plan to increase Iraqi production, a true incentive for accommodation since it came during a period of excess international supply. Kubbah, called a 'left-wing extremist' in the western press, was a liability to a government interested in augmenting revenues to carry out the ambitious plans of the new régime.

Qassem's personal control of Iraq's oil policy became even more clear following Kubbah's dismissal in February 1960. His replacement was Muhammed Salman, the Arab League official who had been in exile from Iraq until 1958. Salman, recognized
as a moderate in oil affairs, presided over the Oil Ministry while Iraqi policy became increasingly radical. By 1960, Qassem had decided to switch from secret negotiations to a public airing of the dispute with IPC, thereby making oil a political issue. Hirst concludes that "Nothing illustrates more clearly what an autocrat General Qassem was: the individual personality and convictions of ministers had little or no effect on the course of events, which flowed almost exclusively from the mind of Qassem himself."

Since the regime has no clear philosophy or ideology upon which to build policy, matters such as oil policy were determined according to potential political gain. By making the negotiations public Qassem achieved a great deal of popularity in Iraq, managed to cast IPC in the role of obstructionist and at the same time squelched any talk of nationalization. The latter point is especially revealing. Nationalization was not one of the issues discussed in the negotiations, thus making it not part of government policy. This ended a great deal of speculation both inside and outside Iraq concerning a possible nationalization move and focused public attention on the issues under discussion such as profit sharing, relinquishment of territory and so forth. Qassem's aim was to keep production levels high, avoid the frequent demands for radical action and at the same time use the drawn out negotiations with IPC to political advantage. Hirst argues that there was never any intention of reaching an agreement with IPC, that the

20Hirst, p. 85.
ante was continually upped and popular pressure encouraged for even more radical moves, thus creating an "unbridgeable gap" between company and government.

The key issue throughout the negotiations had been relinquishment, the return to Iraq of areas not then being exploited by IPC. The companies had agreed under pressure to return most of the area, about ninety per cent, but instead Qassem took the initiative and on December 1, 1961, expropriated 99.5% of the IPC concession, including the important North Rumelia field. This was done under Law 80, which was to remain the most controversial oil legislation in the Middle East for many years. One of the key Iraqi negotiators, Finance Minister Muhammed Hadid, described the importance of the legislation:

The recent Iraqi legislation expropriating more than 99.5% of the oil companies' concession areas in Iraq is perhaps the most significant oil development in the Middle East since Premier Musaddiq's nationalization of the Iranian oil industry in 1951. It is the first time that an Arab oil producing country has taken legislative measures for the unilateral modification of its oil concession agreements, without having recourse to the arbitration clauses embodied in these agreements. It creates a precedent which could have momentous implications for the oil industry....

Hadid was not overstating the case. Already in 1961, Tariki was beginning to argue for legislation rather than negotiation, as many other more politicized observers of the oil scene had long been arguing. The decisive political intervention of Qassem and the Iraqi government had accomplished in one stroke

21 Hirst, p. 97.
22 Virtually the whole of Iraq was included in the IPC concession. Less than .5% actually being utilized.
what years of negotiations had failed to accomplish. The lesson was not learned, however, or rather a different lesson was learned than the one Hadid had in mind. The decade long struggle between IPC and the Iraqi government which followed Law 80, a period which saw Iraqi oil production emasculated much as Iran's had been after 1951, was a powerful demonstration of the power of the companies, the weakness of unilateral action by one country and the dangers of government intervention.

Muhammed Salman's role in this process seems to have that of a 'front man' for Qassem. He was part of the negotiating team, but had no significant role in determining policy, even being denied access to important information during some phases of the talks. The companies would have obviously preferred to have dealt with him, regarding him as both knowledgeable and moderate, most liable to play by the established rules of the game. Qassem capitalized on Salman's position, having him appear as conciliator after a verbal blast from the General. The pattern was repeated throughout Salman's time in office. In September 1961, Qassem warned the companies that legislation was being prepared to deal with IPC, that Iraq could dispense with oil revenues and that any problems were due to company intransigence. On September 4, two days later, Salman issued a statement emphasizing Iraq's patience, confidence that IPC would see Iraq's position and a general desire

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24 From the London Financial Times, reported in MEES, v.4:23, 14 April, 1961.
to settle all outstanding issues amicably. 25

The Qassem period in Iraq probably represents the nadir of the technocrats' ability to influence policy. It was not the dictatorial nature of the regime that determined this, but the decision to make oil a key issue in national politics. Utilizing the 'devil theory' to the extreme, Qassem generated a great deal of popularity and kept his political opponents off balance through the manipulation of oil policy. There was no room for the rational arguments of the technocrat in such a politicized environment.

With the death of Qassem in February 1963, the character of the Iraqi government changed considerably. The Iraqi communist party, which had enjoyed a great deal of influence during the Qassem regime, was suppressed and initiatives toward union with Egypt were begun. Between 1963 and 1967 the primary political debate within Iraq centered on relations with Cairo, a debate which oil and the technocrats were eventually drawn into. There were various pro-Egyptian factions in Iraq, the most influential being a group known as the Arab Nationalist Movement (ANM), a coalition of leftist (Nasserist) politicians, intellectuals and some technocrats.

In terms of oil policy, the new regime headed by President Arif began to de-politicize the negotiations with IPC. The implementation of Law 80 had been resisted by the oil companies, a resistance manifested through a slowdown in production and a demand for compensation. Oil production in the

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Middle East had risen eight per cent in 1962, while in Iraq it remained virtually static. An impasse had been reached with IPC and the new government was determined to come to an agreement with the consortium which would recognize the validity of Law 80 and at the same time satisfy IPC. In keeping with the new approach, the negotiations once again moved behind closed doors and the new Oil Minister, 'Abr al-Aziz al-Wattari, was given full authority to carry on the talks.

It was, of course, not possible to de-politicize an issue which had taken up so much of public discussion in the previous two years. Nationalist groups, particularly the ANM, were determined that the government not compromise Law 80 nor pay IPC compensation. The communists still called for nationalization and few Iraqi political groups were happy with the new secrecy surrounding the negotiations. With policy in the hands of Wattari, the Iraqi oil technocrats were being given the chance to extricate Iraq from the dilemma Qassem had created, but their eventual solution would have to be judged on an essentially political level.

Thirty years old upon becoming Oil Minister, Wattari was a petroleum engineer with a degree from the University of Texas and had held several important administrative posts in the ministry. He had represented Iraq at several Arab Oil Experts Committee meetings and was familiar with both the technical and commercial aspects of the industry. Like most Iraqi technocrats, he was more an Iraqi nationalist than an
Arab nationalist, having little sympathy for groups such as the ANM which would subordinate Iraqi interests to pan-Arabism. No doubt unhappy over his experience in the Quassem regime, he and the other technocrats in the Oil Ministry were anxious to keep politics out of oil affairs. Their primary concern was the welfare of the Iraqi oil industry, thus defining their roles in very narrow terms.

One of Wattari's first accomplishments as Minister was the implementation of a plan first initiated by Qassem; the establishment of a national oil company. The Iraqi National Oil Company (INOC) was to be the vehicle through which Law 80 was to be acted upon. The law had returned to the government many areas which were known to contain oil, particularly the North Rumelia field. This oil could be exploited by either granting new concessions or by the Iraqis themselves, nationalist sentiment obviously favouring the latter. The first step in this direction was INOC, an organization dominated by the technocrats. Wattari was careful to assure IPC that the new company was not "a step toward the nationalization of the oil companies operating in Iraq." IPC had reacted strongly to the formation of INOC, seeing it as another violation (along with Law 80, which they had never accepted) of the original concession.

Wattari's position on oil affairs can definitely be characterized as nationalist, and at the same time essentially

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26 MEES, v.7:15, 14 February 1964.
moderate in comparison to many other views. He went much further in confronting the oil companies than the Saudi government was willing to allow, for instance, calling on the producing countries to legislate their rights if necessary. Where he differed from the more extreme nationalists was in the end product of that legislation. In his eyes the countries had the right and obligation to force the companies to accept the nation's oil policy. Supporting the principle behind Law 80, he saw nothing wrong with unilateral action, but rejected a policy of nationalization. The companies were to remain, but on terms dictated by the governments of the producing countries.

This emphasis on the overriding importance of government as opposed to company rights, first enunciated by Saudi Arabia's early doctrine of 'changing circumstances', came to a head in Iraq's rejection of OPEC's royalty agreement with the major oil companies. The complex royalty issue itself need not concern us here, but Iraq's rejection (as well as Kuwait's subsequent rejection) illustrated the more nationalist approach. The agreement on royalties involved concessions on the part of OPEC and the oil companies, most of which Iraq was willing to accede to. The one issue Wattari would not accept was an arbitration clause inserted at company insistence. Under this clause any dispute between company and government would be subject to arbitration, a condition which for Wattari impinged on Iraqi sovereignty. In his view the increased royalty payments were a demand and a right and in any dispute
the government should naturally prevail. 27

This insistence on government rights was a revolutionary policy in terms of Middle East oil and reflected the political gulf between Iraq and the other oil producing countries. Like the unilateral action of Qassem, if generally accepted this approach would have altered the whole relationship of company and government, from equal partners in oil exploitation to employers and contractors. Qassem had received only verbal support from other producing nations after Law 80 and likewise the Iraqi stand on royalties received little support. Wattari was aware of this isolation, complaining that Iraq stood alone in its attempts to attain a more equitable relationship with the oil companies.

Wattari's policies were not as revolutionary as many both inside Iraq and out would have wished. He always held out the threat of nationalization if negotiations failed, but it never seemed a very realistic threat. In April 1965, Wattari took part in a symposium of Arab oil experts during which he debated the issue of nationalization with Tariki, by this time a private oil consultant in Beirut. Tariki had become the most prominent Arab proponent of nationalization and continually pressed Iraq to live up to its revolutionary and

27 The issue of arbitration was particularly important to Iraq because of Law 80. The government refused to arbitrate the seizure of territory, the companies insisting on it. Arbitration of the royalty issue would presumably have set a precedent.

nationalist slogans and nationalize IPC. Following a proposal by Tariki that Iraq and Kuwait should together nationalize their oil industries, Wattari begged off with a series of counter-arguments. He doubted that the two countries could pull it off, saying the companies already had contingency plans to find oil elsewhere. When Tariki provided figures to show that this was impossible, Wattari claimed that Saudi Arabia and Iran would make up the difference, thus crippling the Iraqi attempt. Again, Tariki countered, first arguing that Saudi Arabia would not take such action and then demonstrating the futility of such action even if it were undertaken. Not wishing to accede to Tariki nor attack the principle of nationalization, Wattari responded with a vague generalization, saying essentially that the issue should be kept out of public discussion:

Unfortunately, I don't think the other Arab states are ready to stand by Iraq against the cartels, even though it is their duty to do so in the common Arab interest. Our position is strong, but we must draw up a comprehensive strategy, details of which must be kept strictly secret on all but the highest levels. We hope, with God's help, to secure our rights without resort to nationalization.

29"I want to make this clear. You in Iraq produce 1.5 million b/d, and Kuwait produces 2 million b/d, making a total of 3.5 million b/d. The IPC participants do not possess any concessions comparable with those in Iraq, nor do the KOC partners have access to any oil which could replace that of Kuwait. In this respect Kuwait's position is particularly strong. On the other hand, any attempt made in Saudi Arabia to profit from the situation would come to nothing, because Saudi Arabia would be unable to fight against both Iraq and Kuwait in such circumstances. Iran could not replace both Kuwaiti and Iraqi oil, neither in the short nor the long term. Three years would elapse before efforts to increase Iranian production could take effect." MEES, v.8:23, 9 April 1965.

Wattari's stand on the issue of nationalization reflected the kind of political pressure under which he was forced to operate. In April 1965, the Iraqi government was moving toward union with Egypt under the guidance of a strong ANM faction in the government. Wattari, probably opposed in principle to the issue of nationalization and especially opposed since it entailed an economic risk for Iraq, could nevertheless not reject it outright. He had to somehow rationalize a policy which asserted the primacy of the government over the company while at the same time refusing to consider the ultimate in government control; nationalization. Having the largest pool of trained manpower of the Arab producers, Wattari was forced to fall back on factors of economic risks, sabotage and secret plans.

By August 1965, the ANM faction had resigned from the government and Wattari was better able to present his case. He demanded unanimity among all Arab producers as a precondition for any Iraqi move toward nationalization, the only exception being the outbreak of war. By September 1965, he was even more explicit in his denunciation of nationalization and in the process revealed his feelings for Tariki in much more stark language than he had been able to use in April:

The question of nationalization requires lengthy examination and intensive study — not irresponsible comment from certain persons in the press. Would the nationalization of oil serve the interest of the individual Arab? Frankly, I would say not, because nationalization is not the basic issue at the moment. It cannot be considered as a panacea for oil problems ... For the time being it is not in our interest to demand nationalization because
the law of supply and demand is not operating in our favour. We need customers for our oil and are at the mercy of the market. In my opinion, anyone who advocates nationalization is nothing but a professional politician whose object is to mislead. And such a man cannot therefore be considered a responsible person.

What greater insult to a technocrat than to be called a "professional politician"? As is outlined in subsequent chapters, the technocrats consistently opposed nationalization throughout the 1960's, tarring the concept with the brush of politics and thereby rendering it irrelevant to any serious discussion of oil policy. While desiring a greater share in oil affairs, they tended to accept the corporate argument that the industry was too complex, the companies' role an indispensable one and the economic risks too great. More than that, nationalization had become by 1964, a political issue, the implication of which was political involvement in oil affairs which the technocrats consistently opposed.

As a technocrat sharing these views, Wattari's position was somewhat awkward. In July 1964, a committee had been established by Iraq and Egypt to implement unity between the two countries. Had this come about the pressures for a change in Iraqi oil policy probably leading to some form of nationalization would have increased. From November 1964,

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31 Interview in al-Hadaf (Kuwaiti weekly) 26 August 1965. MEES, v.8:44, 3 September 1965.
32 As early as March 1963, the Iraqi government was coming under pressure from Egypt to adopt an 'Arab oil policy', a turning away from OPEC toward cooperation with other Arab 'progressive' states. Denied influence in OPEC, Egypt hoped to regain some say in Arab oil affairs through influence in Iraq. MEES, v.6:17, 1 March 1963.
to July 1965, several members of the ANM were prominent in the Iraqi government, pushing for unity with Egypt and nationalization of the oil industry. Included in the cabinet as Minister of Industry was Adib al-Jadir, a former Director General of Oil Affairs under Qassem, associate of Tariki, and advocate of nationalization.

The fact that Wattari survived these various cabinet changes and political shifts reflected the government's desire to reach some accord with IPC concerning Law 80. Jadir, a technocrat of at least equal standing with Wattari in terms of qualifications, opposed him on virtually every count. Jadir favoured making the negotiations with IPC public again and coordinating Iraqi oil policy with the policies of the UAR. Summing up the position of the ANM, Jadir was quoted as saying that complete agreement with Cairo was a pre-condition for Iraqi dealings with the oil companies. The negotiations continued nevertheless and when Wattari finally announced their conclusion in July 1965, the ANY members of the government used the occasion to resign, saying the agreement was too soft on the companies.

The negotiations had been secret and while the proposed agreement was not published in full, its main provisions were enough to stir up considerable discontent in Iraq. It was inevitable that the agreement Wattari would come up with would meet opposition from the ANM and other nationalist groups.

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The draft agreement involved concessions from both sides, the main one being the return of North Rumelia to IPC in return for recognition of Law 80, increased production and a series of joint ventures with INOC. Most western oil men viewed the agreement as highly favourable to Iraq, reflecting the hard-headed approach of Wattari. George Stocking claims it would have ushered in a major change in relations between companies and governments, acknowledging the latter's rights to expropriate most of a concession without compensation. Stocking says it embodied the optimum terms Iraq could reasonably expect to obtain in the prevailing circumstances.

The immediate nationalist response was that North Rumelia, a field with great potential, should be exploited by INOC and that the agreement was a betrayal of Law 80. The resignation of the ANM members of the government, partly over the oil agreement, was a severe blow to its chances for ratification, since they represented a considerable political force in Iraq and were actively campaigning against it. Tariki, writing in the Iraqi paper al-Hurriyah, assailed the agreement, saying its implementation "would be an enormous loss and a setback for Iraq's future and for future relationships between companies and governments in the area."

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34 Stocking, p. 265.

35 The oil agreement was the occasion, not the real cause of the ANM's break with the regime. They charged that the government had developed a lukewarm attitude toward socialist transformation and the projected union with the UAR. MEES, v.8:40, 6 August 1965.

36 MEES, v.8:40, 6 August 1965.
Wattari and other technocrats defended the agreement vigorously, saying its opponents were motivated by political aims which were a danger to the Iraqi economy. Nationalization or confrontation with the oil companies was impractical, Wattari claimed, arguing that "we ... must live in peaceful coexistence (with the companies) for a while to permit the normal and continued growth of our economies." The concessionaires were not to be discouraged, but allowed to make reasonable profits. "Our aim should be to improve the existing agreements bit by bit with a view to increasing the yield per barrel - that is what really counts."

Wattari was caught in the midst of a political struggle over which he had no control. For the Arab nationalist forces, Tariki and the UAR outside and the ANM within, Iraq was the one Arab oil producing country in which they had some influence. Iraqi policy was balanced somewhere between adherences to OPEC and accommodation with IPC to increase production on the one hand and nationalization and cooperation with the UAR to build a socialist society on the other. The Wattari agreement was the culmination of the struggle, making the stakes very high. Iraq had paid a price for Qassem's original action in terms of oil production, and there was a powerful pull toward accommodation with the companies, at least temporarily, so that Iraq could regain its position. This was especially true for Iraq's oil technocrats, who saw the Qassem regime as a disaster for

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38MEES, v.8:49, 8 October, 1965.
their industry and the emphasis on sovereignty a political issue that kept getting in the way of their work. But with the ANM, the Baathists and Tariki all attacking the agreement, there was the danger of a political crisis if it were implemented.

In the end, neither course was followed. After an attempted coup against General Arif, there was a general cabinet shake-up in September 1965, in which Wattari lost his job as Oil Minister. The agreement had aroused too much hostility in Iraq to be approved in the immediate future and Wattari had been too clearly identified with it, the more so once he entered the arena himself to take up its public defense. The change in government by no means represented a victory for the other side, since the new Prime Minister and Oil Minister, Dr. Abdul Rahman al-Bazzaz, was a moderate Arab nationalist. The agreement was put in limbo and eventually made irrelevant by the June 1967 war. Wattari moved on to Libya to be general manager of the Libyan National Development Company. He was offered a chance to return to office in 1966, but refused, preferring to stay clear of politics.

We thus have two oil technocrats of very similar backgrounds, each attempting to implement oil policy and each falling victim to political factors which they could not avoid and over which they had only marginal influence at best.

39 The new cabinet included a majority of Arab nationalists who leaned toward closer relations with the UAR, but no members of the ANM.
This similarity ends with their subsequent actions, Tariki going on to enmesh himself in Arab politics, and Wattari choosing political oblivion in Libya. Wattari is, however, representative of a type, the OPEC technocrat who eschews politics while serving political interests. From 1963 to 1967, the lines were drawn in Middle East oil between this approach, epitomized by Wattari's belief that increasing the yield per barrel was what really counted, and that approach pursued by men like Tariki and Jadir.

Wattari's career in Iraq and the policies he pursued are illustrative of both of the major themes of this study, the dominance of politics and the influence of intellectual dependency. Tariki was clearly a victim of politics and clearly not intellectually dependent, able to perceive and pursue policies aimed at a fundamental alteration of the status quo. Wattari, unable to support policies similar to Tariki's both because he could not perceive their value and because he was caught up in a much more delicate political situation, necessarily pursued policies aimed at reforming the status quo.
CHAPTER V: The Combatants: OPEC and The Nationalists

That oil and politics from the beginning have been inextricably connected is illustrated by the record of the early Arab Oil Congresses, the circumstances surrounding the formation of OPEC and the examples of Tariki and Wattari offered in the previous chapter. The oil technocrats had sought to neutralize this political interference in oil affairs through the formation of OPEC. While the primary aim of the organization was to facilitate producer unity in the face of the oil cartel, the technocrats also saw it as a way of maximising their own influence, perceiving that influence to be non-political in nature. By escaping from the confines of their national governments into an international organization, men like Tariki and Perez Alfonso thought the oil technocrats would be able to act as a powerful lobby in the determination of oil policy. But OPEC was, after all, representative of governments not individuals, and thus implicitly thrust politics back to the forefront.

This chapter is concerned with outlining the essentials of the OPEC approach to oil, the relationship of the oil tech-

In fact, the connection goes back much further, to the D'Arcy concession in Iran and the subsequent founding of the Anglo-Iranian Oil Company and the political machinations surrounding the Turkish Petroleum Company (later IPC) concession in Iraq.
nocrats to that approach and the opposition it created in the Arab world and among the technocrats themselves. The governments of the oil producing countries, through the good offices of OPEC, did find considerable areas of agreement on oil policy in the 1960's. There was a price to be paid for this unity, however, in terms of a limitation on OPEC's area of concern and a cautious if not outright conservative approach. The activist organization envisaged by Tariki and Alfonso failed to materialize because that approach was counter to the political interests of the organization's dominant members. As was stated above, for most of the Arab producer states, the negative factor of excluding Egypt from interference in Arab oil had been justification enough for forming OPEC. By limiting itself to issues related to prices and by requiring unanimity for any action, OPEC excluded itself from crucial matters such as Iraq's confrontation with IPC. OPEC did nothing, for instance, in response to the virtual stagnation of Iraqi oil production during this period, a blatant example of corporate blackmail. By concentrating on negotiation and rejecting any form of confrontation, OPEC became the spokesman for one approach to oil issues, an approach linked to the conservative politics of Kuwait, Saudi Arabia and Iran.

The cautious nature of OPEC, therefore, had its basis more in the material interests of the conservative oil producing states than in the special characteristics of the oil technocrats. Many of these men supported this approach, but many others were
disappointed. For nationalist technocrats such as Tariki the option was simple -- outright opposition to OPEC. Denied a position in the Saudi government he was automatically denied any role in OPEC. He had been over-confident in thinking that the technocrats could control OPEC and through it shape the oil policies of member countries and had misjudged the political implications of the organization for Arab politics. Tariki, by the luck of circumstance, was able to take a principled stand in opposition to OPEC's conservatism. The other technocrats, even if they had once shared Tariki's doubts, were forced to work within the parameters established by their respective governments. There was room in the Middle East for only a few independent oil consultants, so to fulfill their desire to be effective, to use the knowledge they had accumulated, government employment was essential. Once involved in the organization's work, they became dedicated to it and to their countries' interests.

This political function of OPEC assumes such an important role in this study because it is my contention that without the restraints imposed by that organization the governments of the oil producing countries and the oil technocrats would have been more susceptible to pressure for more decisive action against the oil companies in the 1960's. Arab nationalist opinion, manifested in the press and public opinion, was running high against the oil companies in the early 1960's, and to the technocrats in particular that view exercised a powerful
attraction. OPEC tended to insulate the oil producing states and the technocrats from that pressure, thus ensuring that they would work toward national as opposed to Arab interests.

Unlike malcontents like Tariki and Arab nationalist elements in the press, the governments of the major producing nations were basically satisfied with the system created by the oil companies. For the governments and the technocrats who served them, the primary consideration was always the maintenance or increase of prices, the issue of control becoming important only if it related directly to prices. Maintenance of prices meant that stability in the international petroleum industry was of prime importance. Any disturbance of this system in an era of excess supply would, according to the

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Such corporate policies and resulting attitudes in raw material producing countries are what many observers see as a new form of imperialist relationship. For instance, the following comment by Pierre Jalee seems particularly appropriate to the oil situation: "It is, however, even more important to realize that the organization of markets and stabilization of prices for primary products might prove to serve the purposes of imperialist strategy. Success in this matter could well be the best way of inducing countries of the Third World to continue for a long time to come in their role of purveyors of raw materials and exotic items for consumption (coffee, etc.) and thus to crystallize the present international division of labor which is one of the foundation-stones of imperialism. Most of the ruling persons, classes, and groups in the countries of the Third World are the objective allies of imperialism and, if the flow and the prices of primary products can be regulated, the following general line of argument might well appeal to such people: why go to too much trouble to try to process one's own raw materials now that their prices are, at last, stable and profitable, and markets steady and assured?" Pierre Jalee, The Pillage of the Third World (New York, Monthly Review Pr., 1968), p. 51-2.
technocrats and the companies, act to depress prices. This in turn would result in either a complete collapse of the industry in the Middle East or cut-throat competition among producers eager to sell more oil. The unstated further point was that such economic dislocation would result in political turmoil in states dependent on consistent economic development for political stability. The international companies were the mediators between producer and consumer, the guarantors of the system and at the same time the guarantors of the oil regimes. One must keep in mind the extremely narrow political base of most of the governments of the oil producing countries. Assuming that altruistic aims such as 'development' are important to the governments concerned only as a means of maintaining political power, the role of oil as a means to development is crucial. Even if the prospect of mass discontent or revolution is slight, rulers in monarchies such as Saudi Arabia or Iran must keep their armies happy and potentially important groups such as the technocrats convinced that progress is being made. Any threat to steady oil revenues, then, is more than a threat to royal coffers, it is a threat to political survival. Zonis makes this point in reference to the Shah of Iran saying that his secure position in large part stems from his ability to create a political elite drawn from non-aristocratic sources and thus dependent on the Shah for influence.

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3This was the companies' primary explanation for the 1959-1960 price cuts, i.e., that the entrance of small independent oil companies into the market had proved disruptive to the price system.
while at the same time not alienating the traditional elite. It has been the existence of oil revenues which has made this possible, avoiding the confrontation between the two groups so prevalent in most developing societies. The oil revenues have created sufficient new positions so that satisfying the aspirations of would-be elite members has not been done at the expense of the existing elite. In addition, oil resources have been used to satisfy other elite aspirations such as luxury imports, automobiles, modern water and electrical facilities in major cities, and so forth.

The acceptance by the technocrats of the crucial role of the oil companies in the past and present was virtually unanimous. Nadim al-Pachachi, one of the more prestigious of the technocrats, demanded that the companies be allowed a reasonable rate of profits to induce them to "... take the necessary entrepreneurial risks."  

Abd ar-Rahman al-Bazzaz, as head of OPEC, spoke out against those who referred to the companies as "foreign elements", pointing out that while the companies profit, the income of the producing countries "... could not possibly be obtained without the capital, the technique, and the experience of the companies." Wishing to achieve their goals by working with the oil companies in the framework of moderation and rationality, the technocrats warned the companies in no so subtle terms of a much worse situation if they, the technocrats, were supplantled by radicals pandering

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4Zonis, p. 339.
6MEES, v.8:24, 17 April, 1964.
to public opinion. With their eyes focused clearly on incre-
mental issues, the technocrats defined their interests as tied
to those of the international oil companies. For the producing
states, the system worked so long as they possessed enough
power to prevent arbitrary action by the companies or excessive
corporate profits.

It was in reaction to a clear case of such arbitrary action
that the producing countries had formed OPEC: the price cuts of
1959-60. In dealing with this issue, two fundamental aspects of
OPEC become clear: a policy of working with the oil companies
to redress grievances through negotiation attacked the problem
of unstable oil prices in the early 1960's in three ways: a
campaign to reverse the price cuts, negotiations over royalty
payments, and the attempt to prorate the production of crude
oil. I shall examine each of these moves in turn, since they
are illustrative of the OPEC approach to oil issues and are
fundamental to the subsequent opposition to OPEC among Arab
nationalists.

In dealing with the problem of price cuts the first OPEC
tactic was to commission an independent study of company profits
in order to combat their argument that the cuts had been
necessary to permit adequate profits. The study, completed in
1962, concluded that the current profit rate on Middle Eastern
operations was 64% if full posted prices were paid. Accounting
for losses in other phases of the operation, the study claimed
that 1958 prices could be maintained and still permit a 22%
profit rate on Middle East operations. At the Fourth OPEC
conference in 1962, the producing states demanded the roll-back of the price cuts and the expensing of royalties, demands met with silence. The companies refused to negotiate with OPEC and steadfastly maintained that the cuts were essential. The scene was thus set for the dramatic confrontation everyone had been expecting since OPEC had been formed. At a meeting in Riyadh, Saudi Arabia in 1963, OPEC was to take "decisive action" if no concessions from the companies were forthcoming.

The conservative nature of OPEC was by no means clear in 1963, and the threats issued by spokesmen for the organization carried a great deal of credibility in the Middle East and had the strength of the unknown in New York and London. For Arab nationalists, the showdown over prices proclaimed by OPEC was seen as the test of the organization's viability. Sheikh Yamani called it a "time of decision" for both the Arabs and the oil companies, promising the implementation of "certain measures" if agreement was not reached on prices and royalties. The oil companies, not sure at this point how seriously to take these threats, were nevertheless aware of the lack of enthusiasm in the governments of the producing countries for any kind of disruptive action. They demanded further talks, always holding out the carrot of future concessions. The OPEC Secretary General, Fuad Rouhani of Iran, made several trips to London and New York at company request, all to no avail. The refusal to treat Rouhani as a representative of

8 MEES, v.6:50, 18 October 1963.
OPEC and the tactic of prolonged negotiation caused considerable resentment in many Arab quarters. The companies would only negotiate with Rouhani as the representative of Iran, steadfastly refusing to recognize joint producer bargaining through OPEC. The sight of Rouhani pursuing the companies appeared undignified, and Tariki and the Venezuelans argued that the OPEC countries should simply legislate a price increase instead of negotiating, presenting the companies with a fait accompli. The two sides were 'eye-ball to eye-ball', and as in the other more famous confrontation halfway around the globe, one side had to blink first.

The confrontation was in the end defused by a minor company concession on the royalty issue just prior to the Riyadh meeting. OPEC had talked itself into a corner prior to the meeting and would have been forced to take some kind of action or lose all credibility. The mere hint from the companies that a concession could be made was enough to forestall the crisis. The whole episode was demonstrative both of OPEC's timidity and the insight of the oil companies into the political dynamics of the organizations.

The incident was the first significant sign of weakness in OPEC and the initial cause of many Arabs' disillusionment with it. By rejecting confrontation as a tactic, OPEC had failed in its primary aim, the restoration of prices. On this issue the companies had refused even to negotiate. By its very existence, however, OPEC was able to prevent any further decline in posted prices, accomplishment enough for many of the technocrats. The international oil companies were aware that OPEC's
powers were limited, but they were also aware that they could only push so far. The producer unity manifested in OPEC made it impossible for the companies to arbitrarily lower posted prices without consulting the producers and presenting a good case. The concept of posted prices, therefore, ceased to exist since it was no longer related to the realized price. Instead the price became simply a reference point for tax computation purposes, remaining stable despite fluctuations in the actual market price. For the producer governments this was an essential first step since they now had a guaranteed income assuming production did not fall. Their economies and development plans were therefore freed from the company controlled market system.

In a speech given to the Society for the Advancement of Management in Teheran, Rouhani stressed this point, saying consistently increasing revenue was essential to keep pace with development programs. "Continuity of revenues, on an expanding scale and free from undue fluctuations, is the cornerstone of economic development." This attitude, manifested not only in such public statements but in the behavior of OPEC during the struggle over restoration of prices, remains the key to OPEC policy throughout the 1960's. While many technocrats and certainly most Arab nationalists were anxious not only for more revenue but for more control, the producer governments and the technocrats who served them were

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9Lutfi, p. 29.
concerned primarily with stability. This search for stability was all too easily translatable into the maintenance of the status quo.

As in the struggle over prices, the OPEC technique in dealing with the royalty issue was persistent negotiations aimed at convincing the companies of the justice of the producers' case. The less than satisfactory results of this process added to the frustration that many Arabs were beginning to feel about OPEC by 1964. The royalty issue was another attempt to get more oil revenue diverted to the producing country and with the failure to reverse the price cuts it became the major OPEC issue. As discussed in chapter one, oil revenues came from two sources, a 12.5% royalty payment per barrel and a 50% profit split. The royalty payment, however, was included in the total 50% payment. OPEC argued that it should be paid first, treated as an expense by the companies, and then 50% of the profits paid. Hisham Nazer, a Saudi technocrat, made the point that the producer should be paid for the intrinsic value of the oil (royalty) and then impose a tax as a sovereign state instead of engaging in mere profit-

10 We must not forget what that status quo was. While stable prices undoubtedly seemed attractive to many governments of the area, we know in 1976 that the $1.80 posted price for a barrel of oil was far below its real value as an energy source, that the maintenance of that price for over a decade failed to recognize the rate of inflation in the West and that the ability of the companies to manipulate production and thus frustrate independent producer action remained unimpaired.
... just as the companies do not count their contribution of know-how and capital as part of their share of the profits but deduct its value before hand - which indeed is as it should be - so the states which own the oil must also have the right to deduct the value of their contribution before-hand rather than counting it as part of their share of the profits. 11

The tenor of the argument is important. The issue of sovereignty was raised, of ownership rights and of justice. These were more than mere window dressing for a call for more money, and reflected the level of consciousness reached by most of the leading technocrats. Implicit in the argument was a desire to change the basic structure of government-company relations from profit-sharing to payment plus taxation.

Besides revealing much about OPEC policy, the royalty issue highlights the thinking of the technocrats in the early 1960's. Reflecting many of the ideas and attitudes that Tariki had initiated in Saudi Arabia, the technocrats argued for the expensing of royalties as a principle which if recognized by companies and governments could lead to further erosion of the predominant position of the oil companies. After considerable resistance, the oil companies agreed to the royalty expensing program, but at a price. The price OPEC agreed to was the granting of discounts off posted prices for the calculation of tax revenues, beginning with 8.5% in 1964, 7.5% in 1965 and 6.5% in 1966. At that point the rate of discounts was to be

re-negotiated. With this provision the governments would receive about five cents more per barrel than before the agreement, as opposed to eleven cents more per barrel if the discounts had not been granted.

The technocrats in OPEC had thus considered the principle of royalty expensing important enough to agree to at least temporary losses of potential income in order to attain it. As for the companies, they were able to relieve some of the pressure being caused by high posted prices and dropping realized prices without publicly accepting OPEC's interpretation of royalty expensing's significance.

The royalty agreement caused considerable furor in the Arab world and came close to splitting OPEC. Iran had emerged as the most moderate and conciliatory toward the companies, quickly agreeing to the settlement. Venezuela and Iraq urged joint legislation imposing a settlement while Saudi Arabia played the role of mediator, covering up any dangerous dissention. Libya did not ratify until 1966, Kuwait in 1967 and Iraq never agreed to the plan, as was mentioned in the previous chapter. In the end OPEC washed its hands of the whole affair, leaving it up to each country to accept or reject the companies' offer.

The various objections to the agreement are not as important for this study as is the whole process by which it was obtained. Despite the proddings by Iraq and Venezuela and the external pressure from Tariki and the nationalist press, OPEC strictly.

\[12^{12}\text{Stocking, p. 379.}\]
followed its policy of negotiation with the companies, avoiding any confrontation. It had drawn up a list of minimum demands (which was never released) concerning royalties but ended up accepting far less; it had set several time limits for negotiations, and extended them each time.

It must be kept in mind that OPEC had been one among several alternative courses of action open to the Arab states in 1959. Even more important, after OPEC was formed there were several directions in which it could have moved. There were competing voices attempting to influence the young organization and the men who served it and the fact that one direction was chosen over others reflected the political situation as well as the character of the men involved in the choice. The point is that in this early period (1960-1964) OPEC was very definitely 'on trial'. The governments of the oil producing countries, with the possible exception of Iraq, were generally pleased with the organization's actions, since their incomes were stabilized and the feared disruption of the industry was avoided. The technocrats involved in OPEC were perhaps less satisfied, but firmly believed in the negotiation process and felt that in the face of disadvantageous international conditions and a powerful cartel they had done well to hold their own and force even minor concessions.

The larger OPEC grew, the more extensive the studies of the industry it undertook, the more the growing number of Arab technocrats became involved in it and wedded to its programs.
As OPEC came under increasing attack in the mid-1960's, the technocrats' defense became even more firm. But as the MEES editors pointed out in 1964, in order to continue in existence, OPEC had to achieve something that would be understood by the man in the street as well as the expert. "Oil has aroused certain emotions in the Middle East which must be satisfied, and this is OPEC's task." Most of the oil technocrats approached the industry with a general feeling of deference, being pleased at even the most minor success against the companies or satisfied with negative results such as OPEC not collapsing after four years of internal and external conflict. The public, however, did not share this deference and OPEC's performance in the posted prices and royalties issues had done little to bolster their confidence.

The third and final aspect of OPEC policy I wish to discuss, the issue of prorationing crude oil production, had greater political overtones than the others. Prorationing had first been raised in 1959 by Tariki and Perez Alfonso as a method of stabilizing prices and returning a measure of control to the producing countries. Venezuela was the most active proponent of the concept, having high production levels and relatively low reserves. Venezuela was prepared to cut future increases in production in return for guaranteed high prices for a rapidly diminishing resource. Tariki's support for the

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13 **MEES**, v.7:9, 3 January 1964.
plan had been based primarily on the increased control over the industry it would afford the producers. If crude oil production were jointly agreed upon by the producers a large measure of company power would disappear. No more, for instance, could the companies sabotage one producer's attempt to nationalize its industry by simply increasing production elsewhere, as had happened in Iran. Likewise, governments could not be 'punished' for recalcitrant negotiations by cutbacks or slowdowns, as was then happening in Iraq.

OPEC formally adopted the prorationing idea from the very beginning, at the insistence of Venezuela, but took no steps to implement it. It was not until November 1964, that OPEC gave in to Venezuelan pressure and agreed to set up a plan for prorationing, though with a noticeable lack of enthusiasm. Middle East producers, unlike Venezuela, had large reserves, which were increasing each year. Iran, Saudi Arabia, Kuwait and Libya were all very reluctant to impose any limitations on their future expansion. Iran and Libya were especially determined to expand as quickly as possible.

Despite these difficulties, OPEC agreed to draw up a plan. The willingness to try prorationing did not stem from a political desire to have more control over the industry, but rather from fear of falling prices due to an unstable market. The pressure on posted prices resulting from the use of discounts was reaching a peak in the mid-1960's, and the producers were beginning to worry about a complete collapse of the price structure. There was very little they could do, having no control over the pricing of products or the production of
crude oil. The latter was one thing they could potentially affect, however, and it was the key to the prevalent problem of oversupply. The prorationing plan drawn up by OPEC in the summer of 1965 established a table for scheduled production increases. Iran and Libya were given the greatest allowable increases (16 and 33%) while Kuwait's and Saudi Arabia's were much lower (9%).

The plan never had a chance of success. Venezuela accepted its small rate of increase, but Iran opposed any limitation on its plans to regain the number one position in the Middle East. Kuwait objected to its rate of increase and demanded OPEC study the project in greater depth. Saudi Arabia agreed to only a six month adherence and eventually rejected the whole concept. Oil Minister Yamani had many reasons for rejecting the prorationing system but the fundamental issue was that in order to contain supply it was necessary to protect those countries with high cost oil such as Libya and Iran at the expense of those countries with low cost oil such as Kuwait and Saudi Arabia. Saudi Arabia was simply not willing to slow down its own production while its neighbours were allowed increases.

But why, if these countries were so preoccupied with stable prices, were they so reluctant to go along with prorationing? I have outlined the objections of the various

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governments to the plan, the positions of Iran and Libya being particularly strong. These conflicting national interests would have made any attempt at voluntary production restrictions very difficult. On this issue, however, had the oil technocrats argued convincingly for prorationing they might have been able to overcome these objections. Prorationing was a tactic to achieve a higher aim of national policy, higher and stable prices, and in the area of tactics the opinions of the technocrats did carry considerable weight.

Few of the technocrats in OPEC believed in the concept, however, a fact which goes a long way toward explaining its failure. This issue, when combined with their actions on prices and royalties, enables us to discuss more clearly the technocrats as a group, to define through their approach to these issues their common ideology. With the failure of the prorationing plan in 1965, the split within the technocrats became final, the moderates grouped around OPEC and the nationalists on the outside.

The policies and actions (or lack of action) of OPEC on prices, royalties and prorationing had by 1965, caused a widening split among the technocrats. There had long been a 'radical', or what I choose to call 'nationalist' view of Arab oil, but it had been largely restricted to the press, trade unions and politicians. As such it remained 'uninformed' opinion and carried little weight in the formulation of policy. By 1964, men like Tariki and his partner Nicholas Sarkis had become thoroughly disillusioned with OPEC and in conjunction
with Iraqi nationalist technocrats like Adib al-Jadir, dissident Kuwaiti political figures, and spokesmen for Algeria's oil industry they became the standard bearers for the nationalist cause.

This dissenting view of Arab oil policy forms a major part of the remainder of this study, many of its programs becoming policy in the 1970's. As in so many cases of co-optation of dissenting views by those in power, the explanation for the resistance and delay can assume two forms, either circumstances were not right for their immediate adoption, or the ideas ran counter to the interests and orientations of those in power. The former explanation was argued consistently by the OPEC technocrats and the producer governments while the latter, of course, was maintained by the nationalists. Tariki especially argued that OPEC had several options open to it in the early 1960's, and could have accomplished much more in terms of prices and control. In seeking an explanation for the course of action OPEC did take in the 1960's, three main factors can be isolated.

First, the international economic situation did not appear at all favourable to the OPEC technocrats. The late 1950's and early 1960's was an era of intense exploration for oil all around the world, with new fields opening in Nigeria, Libya and Indonesia and the promise of more in the North Sea and Alaska. There appeared to be a glut of oil on the market and at the same time an increasingly unstable industry unable to control the situation. Middle Eastern oil remained, however,
the most attractive for companies and consumers and the gloomy situation described by the companies and believed by the technocrats was certainly open to some debate.

Secondly, OPEC's predilection to avoid any confrontation with the oil companies was buttressed by the political conservatism of a majority of the member governments. I have discussed this aspect of the Arab oil situation earlier but it is important to emphasize that the Arab-Israeli conflict was only one dimension of political conflict in the Middle East, and that the disagreements between Egypt-Syria-Iraq and the conservative Gulf states were equally strident in the 1960's. By the mid-1960's the United States had put all its diplomatic cards on the oil producing states, ceding the larger Arab countries to Soviet influence. By supporting these states in their sputtering conflicts with Egypt and Iraq, the United States mitigated its own support of Israel in the eyes of the conservative states. Thus despite its stand on Israel, the United States was able to maintain its influence in Saudi Arabia. Britain provided assistance to Kuwait and several Gulf sheikdoms while Iran moved ever closer toward 'clienthood' with the United States. Besides the need for steady revenues to ensure domestic tranquility, the structural political ties

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15 For the best single volume treatment of Arab politics during the 1958-67 period, see Malcom Kerr, The Arab Cold War, 1958-1967 (London: Oxford Univ. Pr., 1967). Kerr is especially good on relations between Egypt, Syria and Iraq,
with the West made any action against western corporations not only difficult but undesirable.

Opposition to OPEC was founded on disillusionment with the lack of progress made on substantive issues like prices and production controls and on a more fundamental political disagreement as to the very nature of the issues. The nationalist opposition was largely based in the non-producing countries such as Egypt and Syria, and with political factions in producing nations, particularly Iraq and Kuwait. It was by no means a unified group, its spokesmen ranging from radical technocrats like Tariki and Sarkis, communist labour leaders, moderate Arab nationalists and Egyptian technocrats.

Of these groups opposed to OPEC policies, the radical technocrats were the most important. The team of Tariki and Sarkis, the ANM spokesmen in Iraq and men like Mazidi and Atiqi in Kuwait mounted a consistent and wide-ranging attack on OPEC, the oil companies and the governments of the producing nations. Besides being able to attract a great deal of popular support through the press, their position had the advantage of being 'inside' attacks, meeting the technocrats on their own ground and arguing on the basis of the same facts.

The differences between the two groups of technocrats were quite profound. The OPEC group saw oil issues through

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Speaking of the conservative states of the Gulf, Walter Laqueur has emphasized this reliance on the West, saying "they will need the West at least as much as the West needs them, not for economic reasons but to ensure their political survival." Commentary, v.56, October, 1973.
the prism of national states, or at best through a collective prism made up of the oil producing states. They stressed economic factors, increasing the 'take' of the producers, and actively worked to minimize political considerations. The nationalists, on the other hand, started their analysis from a fully politicized position. Tariki argued in early 1965 that the Arabs had to "... advance from the plane of technical discussions to the level of politico-economic discussion." Oil prices were always a political factor to the nationalists, having no real correlation to supply and demand, market conditions or corporate profits. Prices would go up only after political pressure had been applied, not through rational negotiations with the companies. The same characteristic held true in their treatment of the other aspects of the industry, politics always having primacy over economics. The companies were condemned not only for excessive profits, but because of their political interference in the Arab countries. Declaring they were governments, not merchants, the nationalists argued for the independent sale of crude oil and building of state owned refineries, even if the profit margins were lower.

Nationalization, the keystone of the nationalist case, was pushed not only because it was believed to be economically advantageous, but primarily because of the control it would give the Arabs over their economies. Far from being a difference over tactics or the jealous ravings of those denied

17 Speech at the Fifth Arab Petroleum Congress (Cairo), MEES, v.8:21, 25 March 1965.
access to power, the nationalists argued from what they at least perceived to be a socialist position as opposed to the capitalism enshrined in OPEC. The content and quality of this socialism varied considerably among the technocrats, but it is nevertheless this ideological split which was at the base of the conflict.

The treatment of the oil companies by the nationalists underscores the difference in approach of the two groups. As was stated above, OPEC started from the premise that the oil companies were an essential and integral part of the industry, the middlemen which guaranteed stability and prices. For the nationalists, the companies were a particularly insidious group, reaping vast unjustifiable profits and interfering in Arab politics in their own interests and on behalf of imperialist governments. Packed full of by this time traditional nationalist rhetoric, the tirades against the companies were a powerful tool for attracting popular support. Beneath the rhetoric, however, there was an element of truth that was difficult to refute.


19 The nature of their socialism is of course a contentious issue. As a starting point we can state that most of the nationalist technocrats were anti-capitalist in the sense that
The whole record of corporate involvement in the Middle East was seen by Tariki as a continuation of the West's well-established policy of imperialism. Calling the situation "petroleum colonization", he said at the Fifth Arab Congress in 1965 that:

... the prevailing situation is nothing but the continuation of colonialism which has withdrawn its armed forces from the countries which are called to independence, and it succeeded in making the national forces defend its interests. 20

The fundamental relationship between the West and the Middle East thus remained the same as before, only the technique of domination had changed. The agents of this new imperialism were clearly, in the eyes of the nationalists, the oil companies. Capitalizing particularly on the fact of British Petroleum's control by the British government, Tariki stressed that company and government were really the same:

It has long been thought of the oil industry as comprising three parties: producing nations, the oil companies and the consuming countries. These three parties are really two, because the oil companies form a part of the consuming nations. American and British Governments and their peoples hold major interests in these oil companies. 21

Starting from this premise that there was really very little

they were convinced of the implicit and irreversible connection between capitalism and imperialism. Being nationalists, they naturally rejected imperialism. Given that situation and a political environment already split between Arab socialist and conservative (capitalist) states, their turn toward a socialist ideology was inevitable.

20 A. Tariki, "Nationalization of the Arab petroleum industry is a national necessity", paper presented at the 5th Arab petroleum congress, March, 1965, p. 2.

difference between the companies and their governments, and that these governments remained essentially imperialist, the nationalists could then link virtually all of their grievances against the western powers directly to the oil companies.

The list of specific complaints concerning corporate political interference is a long one, but a few examples will suffice to illustrate their tenor and the effect such arguments might have on the general public. One of the primary complaints concerned the existence of the small oil states of the Persian Gulf region which owed their very existence, according to the nationalists, solely to the actions of Great Britain. Calling them "quasi nations", Sarkis argued that they only existed to serve as "juridical wrappings for those large inter-territorial units, the oil companies." Focusing on the perfidious record of British Petroleum, Tariki blamed that corporation and the British government, its owners, for the festering Buraimi Oasis dispute between the Sultan of Muscat and Saudi Arabia. More important, by encouraging the immigration of non-Arabs into these sheikhdoms, the British were creating the conditions for another Israel.

Shifting the attack from Great Britain to the United States, Tariki said there was little difference between the

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23 al-Anwar (Beirut) 30 April 1964, MEES, v.7:26, 1 May 1964, suppl.
two, each being as predatory as the other. The American
companies, following instructions from their government, pro-
hibited the sale of Arab oil to China, regarded by Tariki as
a "major natural market". It was common practice for the
oil companies to manipulate production in the political
interests of their home governments. In the period from 1954
to 1958, according to Tariki, the British government was able
to forestall any increase in oil production in Saudi Arabia
in order to prevent that government from assisting Jordan
which was coming under strong pressure to join the Arab League.
The same method was used during the crisis over Law 80 in Iraq,
a freeze being placed on Iraqi production from 1960 to 1963.
This ability to manipulate production and thus have a direct
role in Arab politics stems from the very nature of the indus-
try in the Middle East. As Sarkis pointed out, the multi-
plicity of concessions and the close cooperation among
companies has given them the flexibility essential to "put
pressure on countries considered politically dangerous and
play off one against another the interests of the various

\[24\] Al-Anwar, (Beirut) 30 April 1964, MEES, v.7:26, 1 May
1964, Supl.

\[25\] Tariki, paper presented at 4th Arab Petroleum Congress,
1963. He cites the case of Aramco, following instructions from
Washington, refusing to sell Saudi asphalt to a Saudi citizen
simply because the latter wanted to supply it to Yemen to be
used by a Chinese contractor in the construction of roads in
Yemen.

\[26\] Tariki, "Political and economic aspects of the Arab oil
countries in which they operate.\textsuperscript{27}

It was this divisive role of the companies which was central to the nationalist critique. Being ardent pan-Arabists, they were unhappy with the location of oil wealth in the sparsely populated areas and blamed the companies and their governments for first creating and then supporting these states. More than that, they perceived that the inability of the Arabs to cooperate politically was not solely explained by traditional rivalries and the Arab 'nationalist character'.

The lack of unity among Arabs served the interests of the oil companies and their governments and, they had a hand in perpetuating and exacerbating that disunity. A prime example of this process was oil company policy in Libya. The massive corporate invasion of Libya in the early 1960's was seen by the nationalists as a clear case of retaliating against more aggressive producers in the Gulf and in Algeria. This view is in fact borne out by the petroleum trade journals which consistently warned the Arabs in somber editorials that alternative sources such as Libya could make Gulf oil superfluous if too much pressure were exerted. So completely were the companies in control in Libya that they forgot they were still dealing with Arabs. The Libyans, much to the chagrin of OPEC and the nationalists, let the companies run rampant, granting concessions, allowing discounts and refusing to join OPEC, the price they had to pay to break into the oil market.

\textsuperscript{27}MEES, v.7:29, 22 May 1964, suppl.
\textsuperscript{28}In a formal statement the chairman of the Libyan Petro-
The example of Libya was illustrative of a much more fundamental point which the nationalists wished to make about the relations of oil to Arab politics. Oil seemed, on the surface, to be a powerful force for Arab unity, providing the means for modernization and the advancement of the Arabs as one people. Yet, in reality, it was a divisive force in the Arab world and most of the blame for this situation was attached to the companies. Sarkis pinpointed two primary problems; the location of oil in the less populated areas and the lack of any integration between the oil sector and domestic Arab economies. Speaking of the regional disparity, he echoed Tariki's complaint:

The history of the Arab states since the beginning of the 20th century is the history of the rivalries between various oil companies, supported by their respective home governments, for control of Middle East oil resources. As for the petty states that have grown up round the oil fields and acquired national sovereignty and independence, their obvious purpose was to insulate these oilfields from densely populated areas and to provide a favorable atmosphere for establishing exclusive control over them. 29

Thus instead of acting as the mainspring for economic development, the oil industry has been the cause of dissension and political instability as the more populous states jockey for

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leum Commission, Muhammed a-Saifat, said that Libya had "... no interest in any world oil price control or production restriction schemes, has no intention of joining OPEC in the foreseeable future, and intends to reaffirm the 50/50 oil profit sharing principle for Libyan concessions." He declared that the oil companies were the best judges of the proper price for Libyan oil. Petroleum Week, 20 January, 1961.

some share of what they consider Arab wealth and the oil sheikhdoms seek the support of foreign powers.

Within the oil states themselves oil has resulted in certain problems. The oil sector of the national economy remained isolated from the other sectors, the state being reduced to supplying the site on which the oil companies operate. What economic linkages that did exist were vertical, the typing of the local economy to the country of origin of the oil company, turning them into mere extensions of its market. In spite of capital inflow, the economies of the Arab states remained chronically underdeveloped, a function, according to Sarkis, of the lack of integration between the oil and domestic sectors. "The existence, in a separate enclave, of an ultra modern oil industry in the midst of an underdeveloped economy is a feature common to backward countries which entrust the development of their resources to foreign firms that fail to integrate into the local economy." The lack of any significant refining industry in the Arab countries was usually the prime example chosen by the nationalists to illustrate this point. Refineries, petro-chemical plants and so forth would provide the obvious link between oil and local economic development, the key to self-sustaining economic development.

Sarkis, "Oil and Poverty", p. 17. Noting a key factor in this dependent economy, Sarkis notes that "the mechanisms of investment growth do not function therefore as they ought; and the main effect of the acceleration brought about by the growth in public and private income has been to step up imports."
All of these issues, the isolation of oil in the small easily manipulated oil states, the rivalries caused by this regional disparity and the resistance to the establishment of secondary industry result in the opinions of the nationalists from the coincidence of interests between the oil companies and their governments. Oil states such as Libya became totally dependent on the oil revenues coming from company production and had no way of exercising any countervailing pressure. This picture of the company/government giant creating submissive states, perpetuating underdevelopment and manipulating governments led inexorably to the position that the companies must go:

We Arabs must think deeply about this situation. We always talk about the tail of the snake (Israel) and leave the head (foreign monopolies). We cannot liberate ourselves and get rid of Zionism except after we are liberated from foreign monopolies....

This view of the oil companies had great appeal in the press and in the speeches of politicians, providing the public with a made to order scapegoat for a wide range of grievances. For the nationalist technocrats, however, the position was more than merely a tactic to gain popularity. It reflected a genuine concern with the issues of sovereignty and Arab unity, the twin pillars of their concern with oil. Fully attuned to the potential of oil becoming their education and experience, they saw it as the key to Arab advancement and the logical cement for binding Arabs together. In both cases it was serving the opposite ends, due in their eyes to the actions of

31 Tariki, "Political and economic aspects of Arab oil battle."
the oil companies. It was little wonder then, that a chasm soon opened between the nationalists and OPEC.

The nationalists and OPEC differed in terms of perception and solution. Starting from the premise of imperialism, it was logical for the nationalists to argue that seizing control was the essential first step. Rejecting the imperialism argument, the OPEC technocrats saw the companies as at least a potentially neutral mechanism which could be turned to their advantage. Forced by the nature of their employment to be primarily concerned with prices and production, they could do little else. The vast gulf between the 15¢ cost of production and the $1.80 posted price was bridged by the companies' ability to organize the market. The OPEC technocrats and their governments had no confidence in the producers' ability to maintain the same price differential in the absence of the companies. The nationalists were confident that the governments would be able to cooperate on prices and it was on this political judgment concerning potential Arab unity that the dispute centered. As the debates of the mid-1960's demonstrate, the nationalists believed the two positions were not frozen in ideological straitjackets but rather were open to argument. On familiar terms with the OPEC technocrats, Tariki in particular believed he could convince them of the error of their ways through rational debate.

Immediately after his dismissal from Saudi Arabia in
March 1962, Tariki still had high hopes for OPEC, considering it the most important single accomplishment of his career and the key to the problems of the oil producing nations. By April 1963, he was expressing bitter disappointment with OPEC's tactics, especially the long drawn out negotiations. He claimed that OPEC had been conceived of as an organization that would deal directly with the importing nations. Governments, he maintained, should negotiate with each other, as between equals and not with companies. "Governments of civilized countries do not negotiate, they legislate." The companies were to come to Geneva and have terms dictated to them. Sentiments such as this carried a great deal of weight coming from Tariki, since he spoke as a technocrat with impeccable credentials and as the co-founder of the organization he was attacking.

Adib al-Jadir saw through the companies' tactics as well, arguing that they and the consumer nations had nothing to lose from prolonged negotiations, but the producing countries were losing millions each day. Sarkis in October 1964, noted that the OPEC technique of negotiation was having a "soporific" effect on Arab oil affairs, concentrating the attention of Arab

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32At this time it was widely assumed that he would work closely with OPEC, acting perhaps as a goodwill ambassador between the various members. MEES, v.5:22, 6 April 1962.
33al-Anwar (Beirut) 20 March 1964, MEES, v.7:22, 3 April 1964.
public opinion exclusively on the prices and royalty talks at the expense of equally important issues such as local refining, unification of Arab oil legislation, utilization of natural gas, and the use of Arab oil revenue. "Since OPEC is not competent to deal with these issues, it can be said that Arab oil policy is frozen in the OPEC refrigerator." Both he and Jadid called for immediate legislation of price hikes and royalty revision. One can see their dilemma. Denied access to government authority or a voice in OPEC, the nationalists were forced to rely on public pressure. Seeing OPEC as a cure-all, the Arab public was no longer as concerned with oil affairs as it had been in the late 1950's.

The nationalists retained faith in the concept of OPEC, though by 1964 they were urging a parallel Arab organization. The direction of OPEC, however, only served to increase their sense of frustration. Calling the royalty agreement as "insult to the Arab people", Tariki launched a blistering attack on the organization at the 5th Arab Petroleum Congress in March 1965. Singling out Saudi Arabia and Iran as the main problem, he reserved a special invective for the latter, calling it a "creature of the CIA" and claiming that through Iran "imper-

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34 MEES, v.7:50, 16 October 1964.
35 As will be discussed in the next chapter, Egypt was at this time drawing away from a radical stance on oil affairs in 1964, having discovered oil itself and granting concessions to American companies. This was a major blow to the nationalist attempt to apply pressure on the oil states.
36 MEES, v.8:21, 26 March 1965.
...capitalism has succeeded in transforming OPEC into a purely nominal body.

"OPEC was being sabotaged from within according to the nationalists, with only Venezuela and Iraq adhering to the original purpose of the organization. All of its studies, reports, resolutions and meetings were to no avail if the key members were determined to thwart any attempt to put them to use. The extent of bitterness and frustration evinced by the nationalist technocrats is a good indication of the high expectations that had been placed on OPEC in 1960.

It had become clear to the nationalists by 1964 that due primarily to political considerations among the producing nations, OPEC was not going to implement the programs they desired. During the period 1964-1967, they developed a clear set of alternatives to OPEC policy, the debate over which occupied the remainder of the decade. The initial attempt at a technocrat inspired Arab oil policy had failed, wrecked on the shoals of political conflict. The organization which had been meant to carry out that policy proved to be merely the tool of states whose policies were determined by factors too powerful and internalized to combat through rational debate. As the politics always inherent in the issue of oil policy came more into the open, the positions of the two sides hardened and political questions took clear precedence.

The mid-1960's were not good years for Arab nationalists concerned with oil affairs. The drive for a common Arab oil policy had come to a halt in 1960 with the formation of OPEC. The plans such as the tanker and pipeline projects initiated by the various petroleum committees within the Arab League were allowed to die administrative deaths or expired due to lack of interest. Egypt, a prime mover in these early attempts at Arab economic coordination, was excluded from oil affairs as the producing nations turned their full attention to OPEC's struggle with the oil companies. None of these developments, however, blunted Egypt's desire to involve oil in Arab politics. As OPEC proved less than the utopia it had once seemed, the Egyptian argument for an Arab oil organization gained support in Syria and Iraq and among nationalist technocrats like Tariki.

After an interval of two years the Arab Oil Experts

1The Egyptian press had been attacking the oil states for wasting oil wealth since the late 1950's. Arab nationalist elements throughout the Middle East urged cooperation of the oil states with Egypt. In 1961, during one of the many Israeli atomic bomb threats, the Beirut nationalist paper al-Masa called on the oil kings and rulers to put their wealth at the disposal of Nasser so he could counter the threat. Throughout 1961 this kind of pressure intensified in the press, finally coalescing in 1964 in the demand for an Arab oil organization. See MEES, vol. 1:12, 4 Feb. 1958, suppl.; vol. 4:9, 6 Jan, 1961; vol. 4:48, 6 Oct. 1961; and vol. 7:34, 26 June 1964 suppl. The strident nature of the Egyptian appeal so evident in the early 1960's, changes after 1964 as Nasser embarked on his policy of 'co-existence' in the Arab world. The series of summit conferences which began in January 1964, marked the end of any overt attempt to dominate oil affairs.
Committee (part of the Arab League) held its 9th meeting in Cairo in April 1963. The political situation in the Arab world was more conducive at this time to possible cooperation on oil affairs, particularly in terms of the relations between Egypt and Iraq. In addition, the Jordan Waters dispute proved a powerful impetus for coordination of policies, and the scheduled Arab summit conference in 1964 was dedicated to the whole issue of Arab unity. A decision was made in the April meeting to go ahead with the much delayed 4th Arab Oil Congress to be held in Beirut. This in itself was somewhat of a turning point since many had believed the formation of OPEC had ended the need for such exclusively Arab meetings.

The real impetus for attempting to resurrect the idea of an Arab oil organization came from a series of newspaper articles by Muhammed Fassanein Haykal in June 1964, and from the revival of an Iraqi plan of 1959 for the coordination of Arab oil policies. Basking in the success of the First Arab summit conference of January 1964, Haykal called for the next scheduled summit meeting in September to form an Arab oil organization "...within whose framework the Arab countries could coordinate their petroleum policies, safeguard their interests from a unified defensive position and secure for themselves in one fateful stroke great political leverage that

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2The so-called "Ramadam Revolution" of 8 February 1963 in which the Ba'ath party ousted Qassem from office was the signal for a new pan-Arab policy in Iraq. Talks began immediately concerning union with Syria and Egypt and the latter in particular began to show great interest in Iraqi oil policy. The Cairo press urged Iraq to adopt an 'Arab' oil policy and that in its disputes with the companies it should rely on the support
would keep the scales permanently tipped in their favor."  

Generally, regarded as a signal that President Nasser was once again determined to have a say in Arab oil policy, the Arab League, almost too quickly, responded to Haykal's proposal in July, formally investigating the feasibility of such an organization.

Besides the pressure from Egypt for a new approach to oil issues and the decision of the summit meeting to investigate the possibility of using oil as a weapon in the festering dispute with Israel, there were increasing demands for a more equitable 'sharing of the wealth'. Emile Bustani was a champion of this cause, calling for distribution of funds through an Arab bank. More threatening noises were coming out of Syria in early 1965. Prime Minister Hafiz attacked the hoarding of oil wealth by the sheikdoms, calling for the "rightful property of the Arab people as a whole." Dr. Munif al-Razzaz, Secretary-General of the Syrian Baath stated the position of the oil-poor countries quite clearly:

The catastrophe lies not only in the surrender of part of Arab oil wealth to our adversaries, but also in the misuse of the Arab revenues by the oil sheikhs. For at a time when the Arab states bordering on occupied Palestine are bearing all armament costs to stand up to the Zionist conspiracies - and paying them with the blood and sweat of their citizens - the owners of the

of the 'progressive' elements in the Arab world rather than OPEC. al-Jumhurriyah, 19 Feb. 1963 in MEES, v.6:17, 1 March 1963. For details on the revolution and Ba'hist policy, see: Majid Khadduri, Republican Iraq, chapter 8.

3MEES, v.7:34, 26 June 1964.
4As a follow up to Haykal's article, Tariki wrote a four part series of oil for al-Ahram in August 1964.
5Speech in Aleppo, reported in MEES, v.8:25, 23 April 1965.
Admittedly the voice of a bitter man from a bitter and isolated country, but he vocalized what many Jordanians, Lebanese and Egyptians felt but were reluctant to say. The oil producing states of the Gulf were particularly vulnerable to this kind of critique. Emotionally committed to the Palestine cause, any material commitment in terms of oil would nevertheless conflict with their national interests. They faced not only threats from other Arab states, but harboured within themselves elements that were sympathetic to the nationalist cause.

There was little agreement among the nationalists on the type of organization necessary to meet their needs. Nationalist technocrats like Sarkis called for an Arab oil organization, parallel to OPEC, which would look after problems unique to the Arab countries. Tariki supported this concept, but warned that it must bring together the Kings and Presidents, "those who have the final responsibility for their countries' oil policy", not just another team of technicians. He had

6Statement issued in Damascus, MEES, v.8:28, 14 May 1965. In December 1964, Syria had gone through a political change which partially accounts for the tone of the passage. The real power behind the Syrian government were a group of young officers and civilians who were of a much more radical stamp than the earlier Ba'athists or then President Hafiz. They pressed for militancy against both Israel and the Arab monarchies and rejected any thought of union with Egypt assuming, as Malcolm Kerr notes, a "Chinese-like contempt for 'Abd al-Nasir's Soviet-style espousal of peaceful coexistence." They had moved beyond the traditional Ba'hist pre-occupation with Arab unity and become Marxist radicals committed to the class struggle. Kerr, p. 157.

7MEES, v.7:40, 7 August, 1964.
learned the limitations of the expert during his tenure in Saudi Arabia where his attempts to make policy were heeded only at the King's pleasure. The Syrian and Egyptian view was weighted much more heavily toward politics, seeing the coordination of Arab oil policies via-a-vis Palestine as most important issue.

In December 1964, at the height of hopes for Arab unity, the Arab League approved the founding of an Arab oil company. Capitalized at $100 million through contributions from all Arab states, it was to be a fully integrated company, coordinating its activities with the already existing national oil companies. Iraq pledged full support and offered the oil potential of the areas seized under Law 80. The decision by Saudi Arabia in February 1965, not to participate, however, killed the plan and set the pattern that was to last up to the present; a pattern of Saudi domination of oil affairs. The explanation offered by Yamani of Saudi Arabia's decision is illustrative of the approach to oil affairs and Arab politics taken by the technocrats and the more conservative oil states:

We think that such a company will be up against very difficult problems. Where, for example, is the market for its future production? It is not an easy task to enter the world oil market without disrupting the price structure. We know from experience and are aware of all the complexities involved. We think we can manage to do this without harming the price structure, but others may have difficulties. There are other factors, too, from our point of view. Firstly, oil exploration is a very costly business and we don't want to gamble our money so long as we can get an oil company to share the risk. Secondly, we are not prepared to gamble our money outside Saudi Arabia. And thirdly, we in Saudi Arabia have just established Petromin and we
consider that it is our duty to devote all our efforts to building up Petromin, which, if it prospers, will serve not only Saudi Arabia but the whole Arab world as well. If Saudi Arabia can stand on its own feet in the oil business, that will be a net gain for all the Arabs. Therefore, we don't think that this is the proper time for us to participate in the proposed pan-Arab oil company. But, as a government, we will open the door widely to cooperation with this company and when it is formed on a sound basis we shall give it special treatment.

Clearly, Saudi Arabia had little interest in pursuing schemes of Arab unity or coordination of oil affairs. Once again, the issue of price and stability of markets was the chief Saudi concern. An Arab oil company would be a disruptive force in Saudi terms, upsetting the system established by the major companies which were serving Saudi interests so well. Without Saudi participation no pan-Arab company could succeed, as Yamani knew quite well.

Tied closely to the opposition to the western oil companies and the desire for an Arab oil organization, was the third component of the nationalist approach to oil, direct links between consuming and producing nations. Long a goal of Tariki, the possibility of such a connection seemed increasingly realistic in the mid-1960's. Sarkis stressed the economic changes which had taken place since the 1950's; the emergence of the USSR and independent companies and the growing independence of major consuming countries such as Japan and France, all of which undermined the position of the major companies.

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8 MEES, v.8:16, 19 February 1965.
Since the private companies were no longer the masters of the market, he maintained that "the times seem ripe to go beyond the company-producer dialogue, and to establish direct relations between the main parties involved - namely, the producing and consuming nations." Tariki saw the EEC and OPEC as natural partners and warned the consuming countries against combining with the companies during the prevailing unstable market to force prices down.

The most controversial plank in the nationalist's platform was nationalization. It was on this issue that the oil states put up the most resistance and on which the nationalist themselves split. As early as 1963, Tariki began his public crusade for nationalization, supported by Sarkis and other sympathetic technocrats, much of the Arab press, labour unions and for a while the UAR. The case was made on several levels. The first obvious step was to convince both Arabs and Europeans of the crucial importance of Arab oil, since some form of corporate and perhaps consumer action would be sure to follow any attempt at nationalization. This was an era of great optimism in the oil industry, with new discoveries being made every year indicating a surplus of oil. In his public talks, papers, interviews and work as a consultant, Tariki constantly stressed the dependence of the European consumers and western companies on Middle East oil. He insisted that if unified action were taken by even two of the major producers a European boycott could not last, that there were simply no alternative sources.

9MEES, v.7:29, 22 May 1964.
of the magnitude of Kuwait, Saudi Arabia and Iraq.

Tariki next attacked the company argument, echoed by many Arabs, that the industry was too complex for the Arabs to manage. He pointed out the increased number of trained Arabs, the work of OPEC and the willingness of many developed countries to assist. It was a point the technocrats could hardly argue against without belittling their own abilities.

The case for nationalization was made much stronger in the mid-1960's by the apparent failure of the OPEC tactic of negotiating with the oil companies. The nationalists called for legislation rather than negotiation. Kuwait Oil Minister Mazidi, known as a moderate, called for such a move in 1965, and said the government should simply nationalize the industry if the companies refused to comply with the legislation. The Kuwaiti Arab nationalist daily al-Tali'ah summed up the nationalist view of negotiation:

Negotiations are the preferred sport of the oil companies for they are past masters at this game and would have invented it if it had not existed. There is a basic principle which we must not overlook in our relations with the oil companies, namely, that they never concede anything peacefully except that which they feel would in any case be wrested from them by force. 11

In support of this Tariki offered a long list of examples in other areas where governments had seized their rights, including

10 "I want to make this clear. You in Iraq produce 1.5 million b/d, and Kuwait produces 2 million b/d, making a total of 3.5 million b/d. The IPC participants do not possess any concessions comparable with those in Iraq, nor do the KOC partners have access to any oil which could replace that of Kuwait." MEES, v.8:23, 9 April, 1965.

Venezuela, Mexico, Ceylon and the nationalizations in Egypt in 1964.

In an effort to please the technocrats and the producer governments, Tariki went to great lengths to demonstrate that incomes would be even higher with nationalization, though his figures were received with skepticism. Not sharing the nationalists' assumptions about Arab unity, they foresaw chaos in the marketplace if the companies were not there to regulate production and prices.

The moderates' response to this heretical attempt to mix oil with Arab politics was not long in coming. By 1966, the domination of OPEC by Saudi Arabia and Iran had been clearly established. In combination with the Kingdom of Libya, the client states of the Gulf and to some extent Kuwait, the Saudis were able to counter the more radical and potentially upsetting policies of Iraq, Algeria and Venezuela. In terms of Arab oil policy, therefore, Saudi Arabia exercised by far the greatest influence, the Saudi technocrats taking upon themselves the task of blunting nationalist threats to the oil states and convincing Arabs of the wisdom of adhering to OPEC policy. It was in this period, then, from 1964 to 1966, that the ideological hegemony of the moderate, dependent approach to oil enshrined in OPEC, was first challenged. The polarization between moderate and radical implicit in this challenge was by no means confined to the world of oil. As I have indicated throughout, debates over oil policy in the Arab world were
were simply reflections of a larger political reality. The
socialization of the Egyptian economy begun in the early 1960's
and in particular the open clash between Egypt and Saudi Arabia
in Yemen had given firm outline to the two basic approaches to
politics and economics evolving in the Middle East. To be sure,
there were various shadings within the two camps and even bitter
conflicts among ideological bedfellows, but this could not miti-
gate what Malcom Kerr has referred to as the Arab Cold War.

With the solidification of Faisal's position in Saudi
Arabia after 1962 ending any move toward a rapprochement between
that country and Egypt, the major oil states shared not only
common economic interests but a common political orientation.
The fear of Israeli expansionism had fallen into the background
in the major Arab states permitting the luxury of inter-Arab
political conflict. Added to this was the strong socialist
content of Nasser's domestic and foreign policies manifesting
itself in the notion that Arab unity was only possible after
Arab ideological unity. Under these conditions, oil was a
logical issue upon which to focus.

1966 and 1967 were years of confrontation and bitter con-
frontation between OPEC and the nationalists. The developments in
oil affairs outlined in preceding chapters led inexorably to
this conflict, as did the increasing political polarization

12Iraq, of course, remained the anomaly. The only radical
nationalist oil state, she could do nothing but go along in
most cases with the more conservative oil states. This was made
easier for Iraq by the running hostility between that country
and Egypt. See, for information, Uriel Dann, Iraq Under Qassam
(Jerusalem, Israel Univ. Pr., 1969), Part 4; Khadduri, Republican
Iraq.
in the Arab world. My frequent reference to Arab political conflicts is not meant to minimize the very real economic differences among the technocrats, differences which to a large degree dominated the actual debate over oil policy, but those economic arguments were each given strength and credibility through their relationship with the overriding political split in the Arab world. As in the political struggle, by the spring of 1967, the OPEC moderates were clearly the dominant element. The 6th Arab Oil congress held in March 1967, was in many respects the high water mark of the Saudi-OPEC approach to Arab oil policy, a policy resting on the premise of the separation of oil from politics.

In attempting to delineate more clearly the moderate position my emphasis once again is on the nature of the men in charge, in this case Oil Minister Ahmad Zaki Yamani and the other Saudi technocrats. Yamani's administration marked a dramatic change in Saudi public policy compared with that of Tariki. Reflecting Faisal's belief that internal dissidence could be neutralized through the judicious distribution of the benefits of oil revenue and his fear of a nationalist 'fifth column' inspired by Egyptian connivance, the emphasis was placed on cooperation with the oil companies to ensure increasing revenues and a disassociation from nationalist politics in general.

A lawyer by profession, smooth, articulate in the western
idiom, and politically astute, Yamani had none of the abrasive qualities of Tariki nor his sense of passionate commitment. Instead of having been alienated from the West as a result of his tenure in the United States, as Tariki apparently had been, Yamani was positively enamoured of it. He was by no means, however, an 'easy mark' for the oil companies, pressing them just as hard as Tariki had on major points of contention, but his negotiating manner and tactics were more amenable to the corporate executive and the threat of imminent drastic action somehow never as real. Abandoning the fight for integration and any pursuit of nationalization, Yamani concentrated on getting a better deal from Aramco, building up the state oil company and ensuring Saudi dominance of Arab oil affairs.

The Saudi technocrats chiefly responsible for implementing the policies established by Yamani were 'Mohammed Joukhdar, Hisham Nazer and 'Abd al-Hadi Tariki. All had joined the Oil Ministry under Tariki's administration and had taken part in his early struggles with Aramco and the formation of OPEC. They quickly adapted themselves to Yamani's more moderate approach, one which they were probably more comfortable with anyway. Saudi oil policy, paralleled by that of Iran, so completely dominated OPEC that the two became virtually indistinguishable. Choosing the path of "... prudence, wisdom and

13 See his first policy statement after taking over the Oil Ministry. MEES, v.5:25, 27 April 1962.
negotiations based on reason rather than emotion", the Saudi expected reward in return. Stressing OPEC's moderation and sense of responsibility and at the same time the pressing need for more economic development, Joukhdar told a group of financiers in New York that:

At this time when the developing world seems to be oscillating between evolution and revolution, moderation and extremism, the existence of an organization which carries the interests of Member Countries and the industry at heart is a big asset to all concerned. 15

The appeal is clear. For political and professional reasons the Saudis and OPEC had eschewed any attempt at restructuring the industry at the cost of considerable enmity from other Arab states and a reward was accordingly expected. The Saudis followed the same line in political affairs, never attempting to play one power off against another but appealed rather to the beneficence and self-interest of their chief supporter, the United States. That policy was followed right up to October 1973, when another policy proved to be more effective.

Once again, the context of Arab politics must be kept in mind. It is a central thesis of this study that the rational/scientific and therefore necessarily moderate approach illustrated here provided the right 'fit' or resolution for the intellectual and emotional proclivities of the technocrats

14 Interview with MEES, v.10:27, 5 May 1967.
15 MEES, v.10:25, 21 April 1967. The Shah of Iran had long pursued this line with the oil companies, saying in 1960: "In twenty years from now, we expect our population to have doubled to forty million people. If we can push our economic development to the point where we can reach a living standard by then comparable to that of a European country today, just imagine what a nation of forty million prosperous happy Iranians can
more comfortably than the reckless emotionalism and confrontation mentality of the nationalists, and that this fact was important in making that policy dominant. This thesis does not, however, fully explain the policy. Just as the late 1950's in many ways witnessed the height of anti-western sentiment among all the Arab states, the mid-1960's represent the height of the Arab cold war. As the nationalists intensified their propaganda and efforts at internal subversion and moved closer to the Soviet Union, the conservative states became ever more jealous of their oil resource and fearful of their security. They needed the support of western governments and cooperation from the oil companies in order to increase revenues and thereby buy political time. OPEC served their purpose admirably since they were able not only to exercise a veto, but to constitute a majority and thus control Arab oil policy, vital to their ties to the West.

Through their domination of OPEC Saudi Arabia and Iran were able to blunt each of the nationalist programs aimed at confrontation with the companies. In the period from 1964 to

mean. Iran would be a bastion of freedom, and a sound policy in this part of the world." MEES, v.4:5, 9 December 1960. 16

When asked about the possibility of Egypt joining OPEC, Joukhdar summed up Saudi feelings about OPEC, oil and Egypt: "... I believe that it is abundantly clear to all those concerned with the oil industry that the UAR does not, at the present time at any rate, possess the basic qualifications for OPEC membership in the first place because it has not yet become a substantial exporter of oil, and in the second place because its basic interests do not coincide with those of the OPEC member countries." MEES, v.10:27, 5 May 1967.
1966, the prorationing plan was defeated, the controversial royalty agreement accepted and the moves toward an Arab oil organization stifled. Iraq and Algeria, the only oil states adhering to policies that at least erratically followed the nationalist line, remained in OPEC but pursued highly independent national oil policies. As the record of the late 1960's demonstrates, it was the actions of these countries plus republican Libya, acting outside OPEC, that initiated the policies which resulted in the radical revision of government-company relations. From 1964, OPEC became a solidly conservative organization reflecting the foreign and domestic interests of Saudi Arabia, Iran and the apolitical ideology of the oil technocrats. Conservative of course is a relative term but in this context is used in both a relative and absolute sense. We must not view OPEC in 1966 from the vantage point of 1976. Far from the change-agent that it appears to be today (and there is room for argument even here), OPEC in the mid-1960's was wedded essentially to the classic conservative outlook, the maintenance of the status quo. This is meant in an essentially cosmetic rather than fundamental nature. OPEC was conservative in relation to the other major political and ideological force in the Arab world, radical nationalism, whether Nasserist, Baathist or other variety. The nature of

See in particular Joe Stork, Middle East Oil and the Energy Crisis (NY, Monthly Review, 1975); chapter 9; and J.E. Hartshorn, "From Tripoli to Teheran and back", The World Today, vol. 27, July 1971.
this conservatism is best revealed in a detailed examination of the OPEC position on the major oil issues of the period, especially when juxtaposed with the nationalist position on the same issues.

The lines were most clearly drawn on the issue of nationalization, an issue which was debated on both economic and political levels. The technocrats' primary case against nationalization was based on their perception of the economic situation, a perception dominated by the picture of producer dependence on the corporate structure for price maintenance. In terms of altering the status quo, the technocrats were willing to go only as far as considering participation with the major companies in managing the industry, and then only on a limited scale. They used political arguments only secondarily and then generally in a negative sense in attacking their opponents. The nationalists on the other hand began with the political issues of sovereignty and imperialism and only argued the economic points later, making reasoned debate between the two groups quite difficult.

Besides being convinced of the economic wisdom of working with the oil companies, the Saudi view on nationalization (which was shared by many in OPEC) was based on a fundamental ideological point; the belief in free enterprise. Soon after becoming oil minister Yamani announced that Saudi Arabia was opposed in principle to nationalization, government policy
being based on free enterprise. His Deputy, "Abd al-Hadi Tahir, reinforced the point in an article on Saudi Arabia in a special issue of Emergent Nations in 1966:

There are two possible methods to conduct business: on a government to government basis or in a climate of free enterprise. A government controlled trade operates in a predominately political framework. Politics - international politics in particular - are unstable. Saudi Arabia believes that stability - both political and commercial - brings confidence and creates a healthy atmosphere for productivity and expansion. Therefore we are determined to achieve our development within the framework of free enterprise. 19

Was this just rhetoric, just an appeal to western sympathies? Perhaps, but one must credit these men with some sincerity and a more complete ideological base than mere pragmatism. In Saudi Arabia and the Gulf states there was and still is a pervasive fear of communism as well as socialism and the rulers and technocrats no doubt would have preferred to carry on economic development within the context of free enterprise. 20

This commitment to free enterprise was decisively confirmed, of course, by the prosperity which it was perceived as being responsible for. As Yamani correctly pointed out, even the socialist Arab states were hardly engaged in wholesale

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18MEES, v.7:3, 22 November 1963, press conference in Beirut. 19Emergent Nations, v.2:2, 1966. 20In some cases, however, nationalization can be seen as the savior of free enterprise as one Saudi writer pointed out in 1962. He saw nationalization as perhaps necessary to prevent the spread of communism "which is liable to occur when economic conditions are disturbed as a result of low wages, high prices and the spread of unemployment." MEES, v.6:8, 28 Dec. 1962, in Jidda business weekly, al-Usbu' al-Tijari.
nationalizations in the 1960's. On the other hand, if this commitment to free enterprise were ever to conflict with Saudi self-interest, Yamani clearly left the door open for state intervention. Expressing distaste for unilateral action in regard to oil issues, Yamani nevertheless warned the oil companies that Saudi Arabia could act differently: "... I am sure that the oil companies operating in Saudi Arabia have no interest whatsoever in shaking our faith in this philosophy by showing us that other means are more rewarding in safeguarding our oil interests." These thinly veiled threats carried little substance, however, since the companies knew that besides an ideological commitment to free enterprise/capitalist development, the dynamics of Arab politics made it virtually impossible for states such as Saudi Arabia to challenge the status quo.

Besides the Saudis, another powerful spokesman for OPEC and the struggle against nationalization was "Abd ar-Rahman al-Bazzaz, an Iraqi political leader, lawyer and Secretary General of OPEC from 1965 to 1966. A long-time Arab nationalist, Bazzaz approached the issue somewhat differently than Yamani. Rejecting what he called the "extremist" argument that the companies were a "foreign element which must be purged", he reminded the producers that "without the capital, the technique and the experience of the companies", their economies would

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21 MEES, v.10:3, 18 Nov. 1966, interview with editor.
collapse. He took a middle ground on the issue of state intervention, urging the Arab governments to "leave sufficient room for private initiative side by side with the state's initiatives...". Less convinced than Yamani of the beneficience of the oil companies, he nevertheless relied on appeals for equity and justice rather than threats of unilateral action. "... when the rules of law and the rules of equity must prevail." The basis of his appeal was the same as that first advanced by Tariki in 1958 and it met with equal resistance.

Once again, the key was the position of the oil companies which in the end was a political question. The economics of the issue could presumably have been debated, investigated and perhaps resolved, but politics made that impossible. Depending on where one stood on the issue of corporate involvement in oil exploitation, political lines were drawn. To criticize or openly attack them was to be a radical; to defend or support them a lackey.

Bazzaz clashed with Tariki at the 5th Arab Petroleum Congress in 1965. At the congress Tariki had made his most impassioned and powerful plea for nationalization to date, speaking as he put it, "not with emotion but with facts and

22MEES, v.7:24, 17 April 1964.
23MEES, v.8:48, 1 October 1965.
He failed to convince Bazzaz, however, who was given the task of replying to Tariki's challenge:

I am embarrassed to have to comment on the views of a friend of mine. I would like to comment on the bold ideas of Mr. Tariki. I would like to add that I am embarrassed not because I am Secretary General of OPEC, which I am leaving soon in any case, nor because of my post as Iraqi Ambassador to London. My embarrassment is due to the fact that I am obliged to disagree with Mr. Tariki. I will not say Shaikh Tariki because 'Shaikh' has unfortunate connotations. Mr. Tariki is a man of spirit. He and I agree in principle on a great many things for we are both Arab nationalists who believe in a united Arab world. I have been imprisoned, many times, lost my job on more than one occasion, and nearly got killed on account of my nationalist convictions.

Though I don't doubt Mr. Tariki's sincerity, I disagree with him on the correctness of his approach. He said he wanted to address our minds but, to be frank, he was appealing not to our minds but to our emotions. What he advocates is not the correct course of action to achieve our objectives. Mr. Tariki disappointed me.

I was expecting a lecture on practical measures for achieving our aims and aspirations — what the obstacles are, what our plans should be, how to avoid repercussions, etc. The figures and information he gave are interesting, but it is old stuff. Some of it is inaccurate, and certain parts are full of half-truths. Half-truths are dangerous. In dealing with our problems at this crucial juncture, we must avoid getting swept away by our emotions... It is better that we should over-estimate our responsibilities rather than under-estimate them and fall into catastrophe. 26

The tone of the critique is especially important. Bazzaz was speaking to a fellow nationalist, in a sense urging him and those he represented to come back to earth, moderate their

26 MEES, v. 8:21, 26 March, 1965. The line which Bazzaz is drawing between himself and Tariki is one based on the issue of 'emotionalism', or put more harshly by other critics, irrationalism. More to the point would be 'romantic' or 'emotional'. It was the rational, reasoned nationalist opposed to the romantic, emotional nationalist that defined the conflict for the moderates. Richard Pfaff, among others, has noted the strong emotional
positions and work with OPEC, the child of an earlier generation of nationalists. The split in the technocrats was only two or three years old and was not seen as irreparable. This was to be in sharp contrast to the tone of the 6th Arab Congress two years later when the Saudis were to carry the flag of OPEC and denounce the nationalists in a manner seldom used during such affairs. By then politics would have made the split unbridgeable and attempts at reconciliation meaningless.

The years from 1965 to 1967 witnessed the consolidation of the Saudi-Iranian control over OPEC and the growing influence of the nationalist view of oil policy. Tariki and Sarkis through their consultant activities were quite busy during this period advising various Arab governments on policy matters. Tariki was especially influential in convincing the Syrians to 'go it alone' in the development of their oil resources and played a role in the Kuwait Assembly's refusal to ratify the OPEC royalty settlement. One gets the impression that the hiring of Tariki as a consultant was often a tactic used by

aspect of Arab nationalism: "In striking contrast to the rationalism and empiricism of technicism, the concept of nationalism that emanated from the West during the 19th century put stress on the romantic, intuitive, and emotional interpretation of life. The nationalism adopted by the Middle East is Rousseauist romanticism with an Hegelian teleology. Faith and intuition, sentiment and feeling are exalted over reason." The technocrats as a group rejected this kind of nationalism from the very beginning and to tar one of their members with its brush was indeed a harsh attack. Richard Pfaff, "Technicism vs. Traditionalism: the developmental Dialectic in the Middle East", in Carol Leiden, ed., The Conflict of Traditionalism and Modernism in the Muslim Middle East (Austin, Univ. of Texas pr., 1966), p. 108.
producer governments to intimidate the oil companies and force at least minor concessions lest major demands be in the offing.

In September 1965, the Tariki-Sarkis team published the first issue of their magazine, The Arab Oil and Gas Journal, designed to "... promote an awareness of oil affairs in Arab public opinion and to secure our national interests in the oil industry." A firm believer in the 'brainwashing' effect of foreign domination of petroleum information and media, Tariki saw his journal as one way to counteract that influence.

In his ideas, particularly on nationalization, Tariki's position had hardened considerably. At the 1965 Petroleum congress he had advocated the nationalization of all foreign oil companies operating in the Arab world in a paper entitled "Nationalization of the Arab petroleum industry is a national necessity". A month later, in April 1965, he tempered his stand somewhat, stressing that some form of cooperation was necessary:

In my opinion, immediate nationalization is possible, but it is dependent on the agreement of a number of Arab countries. For example, if Iraq and Kuwait agreed to nationalize they would succeed. If Libya and Algeria agreed, they would also succeed. If Syria, Egypt and Iraq entered into a union with each other, they would succeed, for their joint action would encompass the pipeline system. What I don't think is possible at present is nationalization by all the Arab countries simultaneously. 28

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28 Panel discussion on Arab oil and nationalization, MEES, v.8:23, 9 April 1965.
Tariki had thus accepted the political reality that Saudi Arabia and the Gulf states were nowhere near nationalization and was concentrating instead on arguing for the viability of an Iraqi, Algerian or Libyan attempt.

In the light of Saudi intransigence and indeed open hostility, the nationalists concentrated on Iraq as their main hope. If Iraq succeeded, Kuwait was likely to follow given the influence of the nationalist contingent in the Kuwaiti Assembly and several long-standing disputes with the concessionaire. During a bitter dispute between Syria and the IPC in 1966, Tariki and others urged the nationalization of Iraqi oil. "... the time is ripe and it has become essential for Iraq and Syria to take the plunge together up to the victorious outcome." "Taking the plunge" was all that was required, since the nationalists were convinced that the subsequent problems would all be capable of resolution. Great stress was placed on France and the USSR absorbing Iraqi oil which would assuredly be boycotted by the oil companies at least initially. To ensure success appeals were made to other Arab producers not to increase production in such an eventuality.

This focus on Iraq was preceded by a new government in August 1966, a change which moved Iraq considerably to the left. The conciliatory regime of Bazzaz was ousted and the new government made intensive efforts to gain the support of the ANM and

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the moderate wing of the Ba'th party. Both of these groups were opposed to the previously discussed Wattari agreement and were determined to carry out Law 80 and develop oil fields independently. The ANM placed great stress on developing a marketing capability for Iraqi oil and creating an inter-Arab oil organization. The influence of these ideas in Iraq made that country a logical choice for the proposed experiments in nationalization.

Further insight into the nationalists' involvement in the Iraqi oil situation and to their influence in the Arab world in general can be gained by looking at their relations with Egypt. For Tariki, organizations like the ANM and Arab nationalists in various countries, Egypt was the model, the leader in virtually all aspects of nationalist politics. Its land reform policies, nationalization of industries, political organization and foreign policy were the guides that nationalists elsewhere urged their government to emulate. In terms of oil policy, however, this relationship suffered some rather severe strains in 1965. One of the main reasons Tariki's paper at the 1965 Congress met with such opposition was the failure of the Egyptian delegation to support him. In fact, they openly attacked his demand for nationalization, leaving him virtually alone in his defence.

The break between the oil nationalists and Egypt began in

See Above, pp.
1963, at the 4th Petroleum Congress. Prior to that, as I have emphasized earlier, a great deal of the credibility and strength of the nationalists came from their backing by Egypt. By 1963, however, Egypt was becoming interested in the possibilities of domestic oil resources and as a result concluded several partnership agreements with American oil companies for exploration in the western desert. Oil Minister Aziz Sidqi stressed at that time the political stability of Egypt as a major selling point for foreign investment. In answer to critics of the policy of working with western oil companies, he explained that Egypt could not gamble its foreign exchange on risky oil ventures and could not direct funds from more important industrial and agricultural ventures to explore for oil. Tariki disagreed in principle at the 1963 congress but concluded that the agreements were acceptable since they were made with independent small companies and not the majors.

By 1965, at the 5th Oil Congress, the nationalists were even more strongly committed to nationalization and Egypt more firmly wedded to the partnership approach. At a symposium on nationalization in April 1965, the Egyptian delegate al-Badri

31 The Egyptians defended their moves on the basis of the unique features of the concept of partnership. They saw them as an almost ideal compromise between complete independence, which was impractical, and the concession system. See Mahmoud Amin, "The main features of the partnership petroleum agreements in the UAR and other developing countries", L'Egypte contemporaine, v.59:333, July 1968, p. 165.
called Tariki's proposals "fraught with dangers". He argued that unanimity of producers was essential and at that time impossible and therefore the idea should be shelved. This was always the key to the debate. Those who opposed nationalization argued that it would only succeed if all the producers acted in unison. Since this was a practical impossibility, the issue died by default. States such as Egypt which supported nationalization in principle but whose interests were not served by it in this particular case could thereby evade the seeming contradiction of their position. The oil nationalists from 1965 attempted to build a case for the success of a less than unanimous nationalization. They were convinced that a smaller combination could pull it off and they directed their efforts at simply starting the process after which it would assume a momentum of its own.

The defection of Egypt from this group, however, severely limited its influence. The Egyptians by no means supported the Saudi-Iranian viewpoint in OPEC, remaining estranged from that organization and from Saudi Arabia, but their failure to support the nationalist automatically aided the OPEC group in its on-going debate with the likes of Tariki. The advantage and influence this gave to OPEC was made clear at the 6th Arab oil congress in March 1967.

The 6th Arab oil congress was the climax of a five year

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struggle within the Arab world over oil policy. It marked
the apogee of moderate influence over that policy and was the
last Arab oil meeting in which an explicitly apolitical stance
toward oil could be maintained by representatives of Arab
states. Just two months later the June 1967 war was to change
the whole nature of the debate and alter significantly the
relative strength of the two factions. From a position of
confident and aggressive hegemony so evident in March, the
OPEC moderates were forced after June to assume a defensive
posture against the rising clamour for the oil states to take
more definitive action vis-a-vis Israel and the United States.

My emphasis on this congress as a turning point in the
Arab debate over oil was shared by several at least relatively
dispassionate observers of the affair. Mr. T. I. Bawarshi and
Ian Seymour, editors of the Middle East Economic Survey saw
in the congress the final break between what they called
technocrats and politicians:

Already at previous congresses a widening gap could be
detected between the Arab oil technocrats faced with
the practical problems of the real world of oil and those
whose prime motivation is a nationalist fervor determined
to sweep away the foreign 'exploiters' and all their
works. It is of course dangerous and often invidious
to attach labels and pigeonhole a wide diversity of
views into neat classifications. Nevertheless, the
division between oil 'technocrats' and 'politicians'
in the Middle East has come to represent something
tangible. 'Evolution versus revolution; reason versus
emotion - call it what you like, but it is there ex-
emplified by the cri-de-coeur of Dr. 'Abd al-Hadi Tahir:
'I speak to your minds and you listen with your hearts.'

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They note that despite tactical public disagreements, the technocrats in private shared a common approach to oil problems and that it was at this Congress that they felt confident and bold enough to reject the highly popular slogans of the nationalist delegates, a reflection not of their desperation but of a new found strength. The nationalists played to the galleries as usual and garnered their usual support, but the moderates had the delegates and were no longer intimidated by the others.

The influential Egyptian journalist Mahmud Amin saw in the Congress a definite shift from Arab versus company to Arab versus Arab: "... this time the heated exchanges were between the representatives of the Arab states whose interests are closely tied to those of the oil companies and partisans of the Arab nationalist point of view." He notes that the domination of the former was evident in the final resolutions of the Congress which said nothing about united Arab action, coordination of oil policy or the establishment of an Arab oil company, standard fare on previous occasions.

Finally, the Petroleum Intelligence Weekly in commenting on the Congress saw it as symbolizing once again the inevitable mixture of oil policy and politics in the Middle East. The split on nationalization followed the socialist/monarchical split and this political division once again prevented any

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All of the standard issues were raised during the course of the meeting; prorationing, OPEC's failure to effect a rise in prices and the Arab petroleum organization, but the main debate centered on the question of nationalization versus participation. Tariki and Sarkis, the Syrian delegation and the representatives from the Arab Federation of Petroleum Workers carried the case for nationalization, or "slogan-mongering" as the technocrats put it. The latter, led by Tahir of Saudi Arabia, argued for cooperation with the companies in existing concessions and for joint ventures in new areas.

Tariki, as the chief representative of the nationalist position, argued on three levels. He began with the straightforward premise that the industry should be nationalized. "The Arab nation cannot hope to realize its aims of unity, freedom and socialism without the nationalization of the oil industry..."

35 Always present in situations such as this is a conspiratorial explanation of events. It was so clearly in the interests of the United States government, balancing between support for Israel and need for Arab oil, to have exactly these kinds of divisions within the Arab world. Likewise, it was so clearly in the interests of the oil companies themselves to have such divisions, which served to direct attention away from themselves. And, as so many observers have pointed out, the connection between the U.S. government and the oil companies was always an intimate one: "Just as the active diplomatic and, when necessary, military intervention of the U.S. government has been considered by the oil companies to be a necessary adjunct of their business operations, so the continuing productivity of the companies is considered by the government to be a national security asset." Richard Barnet, Roots of War (N.Y., Atheneum, 1972), p. 199. While not completely averse to this kind of explanation, I have tried to emphasize in this study that there were internal, integral reasons enough for such a division in the political dynamics and economic geography of the region. Outside interference,
... "36 Fully cognizant that this kind of rhetoric would have little impact on the Arab oil men, he recognized that the mere aspiration to nationalize would not be sufficient to make it a success. Since the requisite unity was politically impossible at the time, Tariki's next argument was that "liberated" Arab states should take the initiative, particularly Iraq and Algeria. Willing to compromise his initial premise even further, Tariki recognized the risks to a state such as Iraq of such unilateral action. Unless prior agreement to purchase Iraqi nationalized oil could be obtained from states such as Russia, China or Cuba, he advised delay. He therefore fell back to the final position that states such as Iraq should at least begin to market the 12.5% royalty crude entitled to them under the existing concessions. 37 He stressed that as a minimal step the producing countries must take this percentage in kind and sell it themselves to gain market experience:

... We should nationalize in stages and the first step is to get into the market. We must start selling our 12.5% of royalty oil, even if we take losses at first, this is the price of experience. All right, let us be prepared to lose three, four or even five per cent in return for the knowledge that will enable us to get rid of the foreigners. 38

This was hardly an irrational let alone a radical program.

The OPEC delegates, of course, did not fully appreciate Tariki's

whether overtly diplomatic or covertly subversive could in fact only exacerbate a situation.

37 The producing countries had traditionally taken this percentage in cash, allowing the company to sell the oil.
willingness to sacrifice their incomes in such experiments and concluded that he had in reality abandoned nationalization as a serious possibility.

Throughout the Congress 'Abd al-Hadi assumed the role of spokesman for the OPEC approach, the voice of reason and rationality in a sea of radical rhetoric. He put forward arguments that the technocrats had long believed but seldom publicly proclaimed because of their 'reactionary' quality in the context of Arab nationalism. It was evidence of the very real strength of the technocrats and OPEC in Arab oil that these positions were in fact supported by most of the delegates. They were positions that a few years earlier would have been untenable. He openly attacked the long-standing nationalist demand that Arab oil wealth be shared, arguing that cotton, water, the Suez Canal and Lebanese apples should also be shared. "Why single out petroleum?", he asked. Besides, he made it quite clear that Saudi oil was available to the Syrians, Jordans and Lebanese to buy. Attacking what by this time had become something of a sacred cow among nationalists inflamed the galleries and delegates from non-producing states, but was heartily supported by oil states weary of pressure from jealous neighbours.

His most controversial point, however, was on a more complex issue and was aimed at an even more fundamental article of faith in the nationalist cause. Nationalists and moderates

39 His arguments are presented in full in the MEES verbatim records of the 6th Arab Petroleum Congress, vol.10:23, 7 April, 1967.
alike had long maintained that the Arabs should eventually 'go it alone' in the petroleum industry. The disagreements had not been on that assumption, but rather on timing and tactics. The nationalists believed that the time was ripe either for a complete takeover or at least for Arab management of new oil discoveries and the moderates held that it was too early for such complex moves. Tahir suggested in his paper at the Congress that even though the Arab countries had the technical and administrative capacities, they should try independent action for economic reasons. Instead he urged partnerships with foreign companies which would cut costs for the Arabs, enabling them to invest in other areas of their economies. Beyond that, he defended the monopolistic character of the international oil industry, saying it was precisely this attribute which kept prices stable. Any attempt by the Arabs to enter the market could only result in depressed prices and thus do more harm than good.

Tahir's arguments made good economic sense, at least for the major oil producing countries, and by 1967 that was sufficient for the technocrats. In their minds; at least, the separation of oil and politics was an accomplished fact. Oil policy could be based simply on the most advantageous economic terms, irrespective of political issues.

His paper provoked a storm of protest from many of the delegates. Not only was he rejecting schemes such as Tariki's

\[\text{\footnotesize For a record of the discussion, see } \text{MEES, v.10:23, 7 April, 1967.}\]
seemingly quite moderate royalty crude plan and Iraq's determination to develop areas seized from IPC, but he was questioning the basic assumption behind most Arab thinking on oil issues, the ultimate desirability of independence from foreign control.

The conflict engendered by Tahir's paper and other statements soon crystalized into a debate between him and the Tariki/Sarkis combination, the "redoubtable tandem". Tahir was quick to point out the apparent waffling of Tariki's position saying he had "adopted the policy we ourselves advocate and has returned to the right path - the true Arab path undistorted by fake imported slogans." Characterizing his opponents' call for nationalization as "naive" and "devoid of reason", Tahir launched an attack on the nationalists which was unprecedented in its candour and vitriolic tone.

Tariki and Sarkis were quick to respond to Tahir's paper. Both questioned the empirical validity of the points he made about the excessive costs of Arab involvement in the industry, Sarkis in particular accusing him of deliberately inflating the figures to discourage independent action. Both rejected Tahir's call for partnership agreements with oil companies, arguing that the state did not participate fully in such agreements. "It took the producing countries thirty years to wake up to the fact that the concession agreements were no good:

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Let's hope that it doesn't take them another twenty years to realize that the participation system is just a mirage which does not serve their interests either."

The delegates representing the national oil companies such as INOC and KNOC were hardly pleased by Tahir's remarks either. These companies were then in the process of attempting independent production and marketing and to hear Tahir denounce such activities was a great shock and disappointment. A Kuwaiti KNOC delegate called his paper catastrophic. "What sort of logic is it that would prevent us from establishing our own Arab petroleum company and limit us to investing in partnership with foreign firms?" He accused Tahir of being too sensitive to slogans and too willing to allow oil policy to become part of Arab regional politics. He, like many of the delegates, saw the Saudi position as an essentially political one, a firm stand against those who would argue for nationalization, and the resulting extremes made any form of Arab oil cooperation impossible.

The abuse to which Tahir was subjected by many of the delegates only served to escalate the intensity of the debate, driving a deeper wedge between the two positions than had ever been allowed before in a public forum. The nature of the exchanges, the types of phrases used and the personal animosity

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evident is important for more than vicarious reasons. It is clear from the record of the Congress proceedings that the moderates had decided compromise was no longer possible nor particularly desirable and that their strength was such that they no longer needed to court nationalist opinion. Again, one must extrapolate to the general to see the significance of the issue. The Saudi/Egyptian friction had been increasing throughout the previous year due to the intervention in Yemen and both Saudi Arabia and Jordan were coming under increasing pressure from the Arab League in the spring of 1967. The attacks on Tahir at the Oil Congress came primarily from the Syrians, the Egyptian-dominated petroleum workers federation and Tariki/Sarkis, who in the Saudi perspective were in Egyptian employ.

During his spirited defence of his position Tahir gave some indication of another more personal aspect of the debate. He accused Tariki of having a "paternalistic manner" toward himself and others in the Saudi delegation. Since, with the exception of Yamani, all the prominent Saudi oil officials had been originally hired by Tariki when he was in charge, there was a personal dimension to the now bitter dispute between them. Tariki, always a bit arrogant, must have frequently played on this theme in confronting the Saudis. Aside from these personal factors, however, the rift between the two sides had become a chasm as a result of the Congress. Arriving
back in Jidda, Tahir summed up the Congress as follows:

I feel completely confident in saying that this congress - both in its proceedings and its resolutions - constituted another link in the chain of total defeats being inflicted on the Arab world's professional political demagogues and purveyors of anarchy and their agents, who assume the guise of consultants and adopt professional titles when they are no more than merchandise in the Marxist slave-market. The congress was a fresh demonstration of the bankruptcy of such individuals on the intellectual and practical level... The crowning moment of victory came when the congress, despite the efforts of the buffoons, adopted the views of the Saudi delegation. 44

This view was also reflected in the judgment of 'Abd al-Amir Kubbah, editor of the Iraqi journal Review of Arab Petroleum and Economics who said in reference to Tariki: "... there was a time when we were among his admirers, admirers of his grasp and dynamism. We were disappointed, and so were many others, when he forsook his scientific standards and began offering the Arab masses advice based on half-truths." 45

Tahir had emerged from the Congress a bit bloodied but nevertheless victorious. The Syrians, nationalists, and workers representatives had attacked him but those who counted, the delegates from the oil producing states, had generally supported his ideas. More than a personal victory, it symbolized the general acceptance of the Saudi approach to oil issues and reaffirmed the almost total control Saudi Arabia and Iran exercised over OPEC policy.

45 MEES, v.10:20, 17 March 1967. As an indicator of the different political atmosphere in Iraq, Kubbah was denied his licence after publishing these attacks on Tariki.
The dominance of the moderates is made even more clear by examining the post-mortems of the Congress offered by Tariki and Sarkis. Their analyses of what had happened were both bitter and at times lucid. Once committed to the concept of the oil congress, both now decreed it a useless exercise, a "farce". In assessing the triumph of the moderates, they saw it as inherent in the structure of the congress, not the result of stronger arguments or a better case. The key was instead the presence of company officials at the congress which served to silence or inhibit many government delegates and encourage others to "unashamedly use the congress tribune to earn themselves good-conduct certificates from the companies which employ them." Obviously, the nationalist start from the premise that their ideas are superior, the 'correct' ideas, and that all things being equal any intelligent Arab oil man would accept them. Since so few did, the reason had to be external to the idea, i.e., all things are not equal, there are structural obstacles in the way of the idea.

Sarkis, the more theoretically minded of the two, concentrated on what was the central problem with that oil congress and with the whole development of Arab thinking on oil affairs.

46 MEES, v.10:25, 21 April 1967. Tariki quotes an Arab engineer working for an oil company as saying: "If there were an opportunity for us to say what we wanted...our situation would have improved considerably and our roles developed accordingly. But those of use who cannot restrain ourselves and speak out inevitably pay a very heavy price when we return to our countries."

The reason that nothing had been accomplished at the oil congresses, that the nationalist approach had made so little headway, was that:

... some people have not succeeded in working out a personal approach to oil problems in the Arab countries - or, worse still, have not even tried to do so - and have not yet understood that the outlook of a country rich in mineral resources should not necessarily be the same as that of a foreign concessionary company. Whether it is a question of developing local refining capacity, utilizing natural gas... some people merely adopt and repeat the ideas and arguments of the oil companies, thereby losing sight of the fact that what may be 'economic' for those companies may not always be so for the producing country. It is in this sense that one can say that certain Arabs continue to approach oil problems with a logic, a framework of thought and an outlook that are not theirs, and that they have not yet had the necessary courage to get to the bottom of things by rethinking the very nature of our relations with the oil companies. 48

It is this, then, the continued belief in the worth of a 'dialogue of opposites', a failure to recognize the fundamental conflicting interests, and the resulting intellectual dependency of the formulators of Arab oil policy that is the key. It is Gramsci's ideological hegemony applied to imperialist situations, the ruling class of the capitalist center providing a self-serving ideology to its dependent satellites, thus smothering indigenous economic and political development. The moderate approach to oil is successful because it is pursued by governments which benefit from it and is accepted by experts who have let others define the range of options.

It is important to note that Sarkis' analysis remains inherently non-revolutionary since the political interest of states such as Saudi Arabia are seen as only influential, not decisive. In other words, the Saudi oil experts could be persuaded of the merits of nationalization under more amenable conditions and if that happened and public opinion was aroused, the Saudi government could change its policy. This would, of course, be a reasonable scenario since the nationalists were convinced that the oil states would benefit materially as well as spiritually from such a move. This analysis does not, therefore, hinge on changing the nature of the Saudi state but merely on pressuring to persuading it to adopt a more sound policy. This point is illustrated by Tariki's proposed solution to the failure of the oil congresses: the holding of a national-

It is non-revolutionary in that they never really accepted the full implications of the notion of dependency or of imperialism. Their focus remained on the oil companies, on foreign governments or on individuals within the oil producing states. A revolutionary approach would have had to internalize the necessity of overthrowing the existing state apparatus and the class system which supported it in each Arab country. As Paul Baran and others have stressed, in all the underdeveloped areas the dominant economic system is a variant of merchant capitalism and the ties with the industrial capitalist nations of the West serve to reinforce that system. Foreign investments in areas like the oil industry are harmful in the long run not because it mis-directs investment capital, but because it strengthens merchant capitalism, in the end preventing its transformation into industrial capitalism. This foreign investment exercises its influence through a coalition of groups in these countries consisting of merchants who derive their profits from foreign operations, native industrial monopolists who depend on the existing structure and whose monopolistic status would disappear with industrial capitalism and on large landowners. Baran, p. 195. For the nationalist technocrats, this was never clear, perhaps because they were always too close to achieving power within that system to commit themselves to its overthrow.
ist oil congress each year free of government and company interference. These nationalist experts would then work to arouse public opinion, spread an awareness of oil issues and pressure both companies and governments to change their policies.

Depending on one's political persuasion these nationalist reactions can be seen as sour grapes or a more profound analysis forced by events. The growing isolation of the oil nationalists was clear by the spring of 1967. Always shut out of OPEC, they had now been virtually silenced in what had long been their most influential vehicle, the Arab oil congresses. No longer confined to Vienna and Riyadh, the moderates had taken their case to the nationalist's forum and carried the day. In addition, the nationalists could no longer count on the support of Egypt in oil affairs; a major blow to their prestige in the Arab world. Nationalist influence in Iraq was inconsistent, leaving only Syria fully committed to their program and Algeria when it suited its interests to be so. While they retained influence in Kuwait and could draw on popular support in most Arab population centers because of the very nature of their appeal, any observer would have had to conclude in the spring of 1967 that they had suffered a crippling blow and that the Arab oil debate was effectively over.
CHAPTER VII: The Triumph of Politics

In discussing Middle Eastern oil in the 1970's one cannot avoid a dose of presentism: the urge to seek the roots of post October 1973 Arab economic aggressiveness is well nigh irresistible. With the aid of hindsight it is clear that the June 1967 war, the 1969 coup in Libya and the shift in the supply-demand ratio in the world market were all crucial factors in bringing about the climactic government-company confrontation of 1973. This chapter is concerned with the impact of the 1967 war on the Arab oil debate and the manner in which the posture which had seemed so secure in early 1967 was reversed. It is an old story in the realm of politics: events lend credibility to calls for radical change which in turn force more conservative elements into action.

Devastating as it was, the June 1967 war did not topple any Arab government or cause any immediate dramatic changes in Arab politics. It did, however, have a profound impact on the debate over oil. In March at the 6th Oil Congress the moderation of the OPEC technocrats had seemed in a position of

A statement of this nature cries out for clarification. The 1967 war did, of course, have a dramatic impact on Arab politics. It caused a reversal of a leftward drift in Egyptian politics, brought Qaddafi to power in Libya and Assad to power in Syria and, of course, marked the real beginning of Palestinian political activism. These events, however, all followed some time after the war. The immediate political leadership that had waged the war, the events following Nasser's resignation being the most prominent example.
unassailable control; Tariki, Sarkis and the nationalists
were a constant and vociferous thorn in their sides but hardly
a credible threat to their hegemony. By July 1967, this had
all changed: there was a rising crescendo of calls for na-
tionalization from radical as well as from previously quite
moderate quarters. The objective conditions in the oil in-
dustry had not changed, but the political situation vis-a-vis
the West had deteriorated to such an extent that oil became
a logical weapon in the Arab arsenal, in fact the only really
credible weapon.

The boycott of oil shipments during and immediately after
the war had been a desultory affair at best and was soon called
off. King Faisal of Saudi Arabia promised to finance guerrilla
operations and contribute to the Egyptian and Jordanian econ-
omies in return for 'normalcy' in the industry. Yamani, who
never supported the idea of a boycott, later said it had been
a gross mistake, a decision taken by the Arabs "in the heat
of the moment" which hurt them more than anyone else. With
the failure of the boycott there were calls in the press for
immediate nationalization, partial nationalization and the
taking over of specific companies, as well as a renewed interest
in producer-consumer direct cooperation as a way to retaliate
against the United States.

In July, Mahmud Amin, the influential oil editor of al-Ahram,

accepted Tariki's earlier argument, calling for immediate nationalization of at least the companies of nations supporting Israel in the United Nations. During the war he had called for the use of oil in the struggle and afterwards declared nationalization was the producers' responsibility towards "truth and history". By 1970, he was to revert to the more moderate position and support participation, but in the euphoria of defeat all caution was abandoned. Other prominent technocrats such as al-Jadir and 'Uqaili in Iraq and the independent consultant Ashraf Lutfi also called for bans on exports. Lutfi carried out detailed studies of the problems and prospects of nationalization, giving the issue more attention than it had ever warranted in the past. While these studies and discussions were a result of the increased political concern with oil among the Arabs, they were carried out in the by then standard pragmatic and rational OPEC manner, focusing on nationalization's possible impact on the Arab-Israeli impasse and its economic impact on the Arabs. It did not represent acceptance of the nationalists' central argument, that control of the industry was essential, but rather centered on the incremental effect on the political conflict.


4"Nationalization in itself is not a subject either for sentimental feelings or for political bargaining. If taken, it should be a measure which would enable the nation as a whole to derive some benefit, whether economic, social, or political. It is not an objective per se; the one and only objective should be the service of the political or economic interests of the nation. For instance, if political considerations come first - say retaliation against help to Israel
Cooler heads obviously prevailed in 1967 and nationalization was not carried out by any of the oil producers. In the face of military disaster, even worse, humiliation, the Arabs had desperately looked for scapegoats, for explanations. The widespread belief in direct American military intervention was one example of this process and the calls for action against the oil companies another. Those technocrats such as Yamani who remained outside or above this process were reminded once again of the precarious nature of their control over oil policy. They managed to deflect the demands for action in the summer, either by studying the problem to death or, in the Saudi case, buying 'protection' with oil revenues. But it was clear that the politics which had supposedly been purged from oil affairs was back once again and the moderates would have to learn to live with it.

The circumstances of the June war, or more properly the accepted version of the circumstances, further complicated the issue for the conservative oil states. Prior to the war the politics infused into oil by the nationalists had consisted of rather vague declarations of Arab sovereignty, imperialism and the higher profits to be obtained without the foreigners. These

by foreign powers - the questions should be: would nationalizing western oil interests reverse the role of the West so as to help the Arabs rather than the other party? If the answer is yes ... then I would say that nationalization would not only be desirable but good perforce and in the circumstances most necessary." MEES, v.12:5, 29 Nov. 1968, Lutfi.
ideas, especially the latter, had been successfully obfuscated or defeated by the moderates. After June 1967, however, the leading Arab nationalist states not only believed that the United States had actually assisted Israel in the war but also came to accept the view that only through pressure on the United States could Israel be forced to compromise. This was an ominous shift in Arab diplomatic and strategic thinking and was to have direct implications for oil. The American oil companies had become a much more obvious lever for the Arabs to use, along with threats of increased Soviet influence. For Saudi Arabia, Libya and most of the Gulf states where the American corporate presence was predominate, the pressure became acute. Besides mounting all the other defences against nationalization, they now had to make a case for continued cooperation with American companies when America had become in the eyes of most Arabs the chief enemy. The stage was being set for the unexpected alliances of 1973.

A decade earlier the issue of oil and politics had been primarily manifested in a conflict between states - the oil producers on the one hand and the nationalist states led by Egypt on the other. Dealt with on that level, the issue had at least been contained, if not resolved, by the producers through their control of OPEC. By 1967, the situation was quite different. Egypt was no longer eager to see politics infused into oil affairs, relying on American companies to develop her own potential resources and the oil states to supplement her income.
With the exception of Syria and at times Iraq, the Arab states remained unenthusiastic about employing the oil weapon. This did not mean, however, that it was not an issue. Far from being confined to a few nationalist spokesmen such as Tariki and Sarkis, the idea that oil should be employed in the struggle with Israel or at least be used to retaliate against Arab enemies had adherents in virtually all Arab countries, albeit-quiet adherents in Saudi Arabia. Taken out of the realm of inter-Arab politics, it had become a popular issue. Nationalist papers in Beirut, Damascus and Baghdad constantly reminded their readers of the potential strength of oil and harped on the self-serving attitudes of the oil states. The issue had an obvious appeal, especially among people in states not deriving direct benefits from Arab oil wealth. Even within the oil states, as events in Libya were to illustrate, there were strong nationalist factions which called for action on the 'oil front' and were potential political threats. Saudi Arabia seemed almost immune from such problems but Kuwait, with its concentration of Palestinians, was especially vulnerable. The success of the conservative oil policy depended upon the unity of the major producers and internal as well as external nationalist pressure was to play a great role in the post-1967 period in forcing changes in that policy.

Throughout the 1950's and 1960's, conflicts and debates over oil in the Middle East had been taking place on two levels. On the one hand there was the conflict between the oil producing
states and the oil companies over prices, production rates, taxation and control. Varying in intensity in the various countries, this conflict was to continue during the post-1967 period, reaching a climax in 1971 with the Teheran agreements. More important for this study has been the second level of debate, the conflict among the Arabs as to the 'correct' or most advantageous oil policy and the 'proper' use of oil revenues. It was this aspect of the problem of oil that was to intensify after 1967, supplanting in the producing states the on-going struggle with the companies. The response to this renewed threat to conservative control over oil policy took the form first of a re-grouping of the conservative coalition, the so-called Islamic alliance engineered by Faisal which had its manifestation in oil affairs in the formation of the Organization of Arab Oil Producing Countries (OAPEC). Alongside this consolidation of conservative forces was a general counterattack throughout 1968-1969 against the nationalists, spearheaded by Yamani's program of participation.

Aimed at stealing the thunder from the calls for nationalization by adopting a no risk, drawn out program that would lead to much the same end, the participation drive also fit in with the producers' desires to chip away at company dominance. They were determined to avoid any major disruptions of the

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5 See Sam Schurr and Paul Homan, p. 139-40; and Stocking.
industry despite the charged political climate and participation was the ideal response, in effect placing the burden of proof back onto the nationalists.

Once again Yamani argued that the producing states and the major oil companies had a common interest, the maintenance of high prices for crude oil. His point was based on the premise that the bulk of company profits were in fact made in the production end of the industry, giving them a vested interest in high crude prices. It was, of course, very difficult to verify this point since the oil industry kept close control of its records of operation. Tariki, for instance, had for many years insisted that the real profits were being made downstream, using this interpretation as the basis for his integration plan. With this perception of corporate interests, the companies had a vested interest in keeping crude oil prices low. Yamani's view was much more widely accepted and in view of current corporate profits following crude price boosts, probably more accurate.

Following from Yamani's analysis of the structure of the oil industry, it is logical that if the industry were nationalized and the companies no longer able to make their profit from production, they would shift to refining and marketing which would lead them to attempt to drive down the price of crude oil. The artificial gap between the 15¢ cost of production and the $1.80 posted price would come under great pressure
and eventually be eliminated, Yamani predicted that the producers would not even be able to maintain a 90¢ price, their current share of the posted price. Calling such a move "suicide", Yamani urged the Arabs not to gamble with their oil. He was supported in his stand against nationalization by Kuwaiti Oil Minister Atiqi, and the two made a powerful combination.

In response to calls for nationalization of American oil interests as a response to that country's support of Israel, the producers claimed such a move would hurt the Arabs more than their foes. The Libyan Secretary General of OAPEC, Suhail Sa'dawi, summed up the producers' view on this issue in the following way:

Arab oil is a double-edged weapon. There is no doubt that nationalization would have a drastic effect on American interests, but it would also affect our interests as countries which are heavily dependent on oil. I think the best safeguard for the future of the Arab nation is to consider the subject realistically and objectively rather than acting in an emotional way which can only result in harm to the Arab nation. If in the future it should be scientifically and indubitably established that nationalization could have only one outcome, and that the outcome would serve the interests of the Arab nation and people and harm those who choose to be our enemies, then in that case I would see no objection to nationalization at all.

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6 Quoted in MEES, v.12:3, 15 Nov. 1968.
7 What is relevant today is the existence of a common interest between the two contracting parties. We do not allow the foreign oil companies to exploit us, but by the same token we do not usurp the rights which others have acquired under international concessions." MEES, v.12:20, 14 March 1969.
The ability of anyone to "indubitably establish" the successful outcome of nationalization was certainly impossible, as the OPEC spokesman knew. This demand coupled with OPEC's economic analyses were powerful roadblocks to nationalization making any headway within Arab governments. The arguments were convincing and after all, if even the experts could not agree, what Arab political leader was going to risk lucrative oil incomes and the political stability they seemed to guarantee for the more dubious benefits of ejecting the imperialist oil companies?

The desire to retain the essential structure of the industry and the necessity of responding to the political pressure from Arab nationalist quarters were both satisfied from the technocrats' view by participation. One must keep in mind that these men were also nationalists, though they would insist that pragmatism and economic self-interest be primary considerations. The idea of government participation in the major concessions fulfilled their own natural and professional aspirations vis-a-vis exercising more control over their resources and the oil companies and seemed a more practical scheme than nationalization. Yamani launched the drive for participation in the summer of 1968, making it the keystone of Saudi oil policy and by implication that of the other Gulf producers. Calling for eventual 50% ownership, Yamani based his claim on the old doctrine of changing circumstances and on the political realities of the area. Noting
that virtually all of the more recent concessions were based on the partnership principle, Yamani declared that "... the June war, with all its psychological repercussions, has made it absolutely essential for the majors... to follow suit if they wish to continue operating peacefully in the area."

Utilizing the well worn OPEC tactic of negotiation, Yamani's first task was to convince the oil companies that the producers were serious and that the move would be beneficial to all concerned. He reminded the companies that their monopoly hold on world oil production was slipping and that as a result their control of prices was being weakened. Participation in his view, would work to strengthen the major's role in the world market in order to maintain prices. It would enable the national oil companies of the producing states to gradually work themselves into the industry without causing any disruption. Again and again he stressed that the aims of participation were not financial but rather concentrated on stability in the market. For the major producers, of course, stability and financial considerations were one and the same. The other major proponent of participation, Oil Minister Atiqi of Kuwait, echoed Yamani's sentiments. Only through participation could the major companies be assured of long-lasting collaboration with the governments of the area. "In our country, as indeed

9 MEES, v.11:32, 7 June 1968.
anywhere else, a partner is more welcome than an exploiter."  

In November 1968, the participation idea was formally discussed at the OPEC conference in Baghdad, in effect making it official OPEC policy. It was pressure from the Arab producers, primarily Kuwait and Saudi Arabia, that brought this about. Most industry observers agreed that the politics of the time had a great deal to do with the Arab push for participation. The producing governments were coming under pressure from within the Arab world to make some move on the oil front. Increasingly sensitive to that kind of pressure after 1967, they readily passed it on to the companies. It was made clear that while perhaps a hard pill to swallow, sharing profits and allowing Arabs to take part in all aspects of the industry, it would be essential to maintaining supply in the "present turbulent conditions." To stave off nationalist pressure and maintain a "good political atmosphere", the companies were being asked to make a major public concession to the Arabs.

Once again, to be clearly understood the participation issue must be viewed from two perspectives; economic and political. In economic terms the concept seemed to offer a great deal to the Arabs and in some ways to alter fundamentally the

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10 Atiqi, MEES, v.11:51, 18 October 1968.
12 MEES, v.12:3, 15 November 1968.
13 Leonard Mosely in Power Play: Oil in the Middle East, gives a good account of Yamani's precarious political position during the post-1967 period. See chapter 29.
tradition of government/company relations. In buying into the oil companies the governments would be gaining a measure of the economic control that the nationalists had long argued for while at the same time ensuring the stability the moderates insisted upon: seemingly the best of both worlds.

Despite Yamani's stress on the economic reasons for participation, the political rationale was probably the more powerful. This was the moderates' answer to the challenge of nationalization. Implicit in the nationalists' oil policy was a major structural change in the industry which in turn required an equally major disruption of the oil states' relations with the United States and Great Britain. By demanding participation the oil states were in a sense attempting to re-negotiate their status in the global capitalist system, seeking promotion from mere client to junior partner.

The manner in which participation was pursued by the Arab oil producing states and the very nature of the issue served to highlight the dependency which characterized their relations with the companies and their home governments. As in the issue of raising posted prices and royalty expensing, the demand for participation remained just that, a demand. It had no enforcement mechanism, no real teeth aside from an implied

14 Aníbal Quijano has masterfully examined this same process in Peru where the military junta has carried out nationalization of foreign agricultural and raw material holdings while at the same time encouraging foreign investment in industrial development. "Nationalism and capitalism in Peru: a study in neo-imperialism", Monthly review, 23:3, 1971.
threat that had by this time been used too often. As I have previously mentioned, the lack of authority behind these policies reflected more than a weak organization or legalistic ideology, but rather came from a clear understanding on the part of the producers of where their interests lay. Dependent on the West for markets, the revenue generated in those markets, and for protection against their neighbours, these oil states were not about to risk their political life through precipitous economic sanctions. Quite the contrary, participation was perceived by Yamani and Attiq as a way to increase this dependency even further while at the same time altering the power relations between the two parties. As the nationalists pointed out, it would do nothing towards breaking the hold of the major companies over Middle East oil, would absorb huge amounts of Arab capital which could otherwise be used at home and would make no progress in integrating oil into the general Arab economy. The oil producing states would become even more involved economically in that one industry and politically even more dependent on the West. With Arab capital tied up in gas stations in New York, the dependency cycle would be complete.

15 "From the economic point of view, even supposing - which, is, far from being the case - that the Arab countries were in a position to put up an appreciable share of downstream investments ... it would still be pertinent to question whether it would be in the interests of these countries to channel their meagre revenues into activities mainly situated in the industrialized countries..." Editorial in Arab Oil and Gas Journal, MEES, v.12:36, 4 July 1969.
The companies and presumably their governments preferred, however, the old relationship and rejected Yamani's plan from the beginning. Returning once again to the sanctity of contracts argument first used in the late 1950's, company spokesmen even advanced arguments from the shari's to bolster their position. Tariki claimed that demands for participation were in fact being encouraged by the companies because it was a "practical impossibility and therefore it is in the interest of the companies to engage in negotiations that may drag on for ten to fifteen years... in order to direct their hosts' attention from the nationalization issue." Perhaps a bit too conspiratorial even for oil companies but in practice it was not far from the mark. The companies were well aware of the structural and self-imposed constrictions in producer options in enforcing a demand-like participation and at the same time were well enough attuned to the politics of the area to understand the necessity of treating the issue seriously. Thus the game of negotiation, argument, threat and counter-threat began. The companies no doubt assumed the outcome would be the same as that of the great posted price debate of the early 1960's.

The participation program launched by Saudi Arabia and Kuwait in June of 1968, was only one aspect of the conservative

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16 Aramco retained Dr. Saba Habachy of Columbia University to argue the case that the doctrine of changing circumstances violated Quranic law. The Saudis, supported by their jurists, rejected the claim, calling it "legalistic wrangling". MEES, v.12:8, 20 December 1968.

retrenchment following the June war. In January 1968, the politically contiguous states of Saudi Arabia, Kuwait and Libya formed OAPEC with the stated objective of "keeping oil activity within the organization with a view to protecting the member states from precipitate decisions and making oil a genuine weapon to serve the interests of the producing countries and the Arab countries in general." Membership was restricted to those Arab states for which petroleum exports represent the "principal and basic source of the national income," thus excluding Algeria, Syria and Egypt. Iraq, invited to join, refused for obvious reasons. Despite Yamani's rhetorical denials ("This is not a political organization where it is the number of votes that counts. This is an economic organization. We don't talk in terms of votes or numbers of members; we talk in terms of tons or barrels of oil") the organization was clearly designed to ensure conservative control of Arab oil policy.

The June war had spurred interest in creating a distinctive Arab oil organization, especially as more and more the Arab countries were discovering interests and issues relating to oil that were outside OPEC's terms of reference. This applied particularly to the use of oil in political questions. Beating

\[\text{MEES, v.11:46, 13 September 1968 (Yamani)}\]
\[\text{MEES, v.12:4, 22 November 1968.}\]
the nationalists to the punch, the oil states co-opted this move through OAPEC. It is evident that throughout this period the oil states had a great fear of being isolated. It was obvious that their interests clashed with those of the other more powerful Arab states who would constantly try to force them to acquiesce in a pan-Arab approach. Saudi Arabia, Kuwait and Libya had to avoid being presented with a 'fait accompli' which they would singly be forced to accept or reject. Having banded together in OAPEC for mutual protection they could withstand Arab pressure. Thus Yamani could smugly assure the Arabs in 1968 that Saudi Arabia had no objection to an Arab Petroleum Company, though of course Saudi Arabia would not join:

As for the idea of establishing another Arab petroleum grouping, we would heartily welcome such an initiative and would stretch out the hand of cooperation to it regardless of any difference of opinion as to the methods to be followed. We believe that all of us are striving to achieve the same aim - to bring prosperity to our people. We are all Arabs after all, united by ties of blood and a common destiny. 20

Without Saudi Arabia, Kuwait or Libya such an organization would be vitally meaningless. The moderates had successfully fended off the political results of the June war. The participation drive had pacified any domestic demands for action and had clouded the nationalization issue in the public mind. OAPEC had given them the protective umbrella necessary to defeat nationalist attempts to involve oil in the Palestine issue and Arab politics.

20 MEES, v.12:3, 15 November 1968.
The machinations of the major oil producing states between 1967 and 1969 constituted a very impressive performance and reaffirmed the notion prevalent in the West that economic questions were in fact distinct from political ones. With anti-American feelings running as high as anti-European sentiment had in 1956-1957, the Arab governments continued to do business with American companies and made only nominal efforts to restrict those companies' control over Arab economies. In examining each of the 'big three' producers, Saudi Arabia, Kuwait and Libya, one can see the dependence of the ruling family on oil revenues for its power and their dependence on the oil companies for that revenue. Political stability in Saudi Arabia was purchased through massive financial contributions to the privy purse or royal family. That family, several thousand strong, was the basis of the state. The technocrats who serviced the state were given massive budgets for their various departments and ministries, satisfying their aspirations to direct development.

This dependence on western companies was not restricted to the conservative oil states, however. As mentioned above, Egypt had been quite active in encouraging exploration for oil through agreements with American oil companies. Despite accusations of American involvement in the 1967 war and continued overt American support of Israel, this corporate involvement actually increased during the post-1967 period. In fact, Egyptian spokesmen argued that the economic disruptions caused by the war made it even more essential to obtain foreign capital
to look for oil. The circularity of the argument is clear: the United States was held responsible for the losses and then utilized to compensate for them. As Tariki asked in 1969: "Now that the United States has demonstrated that it is the Arabs' enemy no. 1, and Israel's firmest friend, how can we reconcile the statement to Arab public opinion that the United States is out to destroy the Arabs and undermine the progressive regime in Egypt, with those by some Egyptian oil men to the effect that Egypt's cooperation with the United States oil companies has been fruitful?" How indeed? Either there is a separation between politics and economics in world-affairs or the same dependency operative in the oil states exists in Egypt as well. As Anouar Abdel-Malek and Mahmoud Hussein have so thoroughly pointed out in their analyses of the Egyptian ruling class, the latter is more likely the case.

The Egyptian case is not a good example of the nationalist reaction to the June war, however. Not yet a major producer of oil, Egypt faced a different range of problems and was primarily concerned with discovering not exploiting oil resources. Iraq, already a major producer, provides a better contrast to the Saudis and Kuwaitis in assessing the nationalist position.

23 As Libya had discovered in the early 1960's, it was quite difficult for a country to break into the international oil industry without help from the companies. OPEC and the Arab producers had consistently urged the Libyans to slow down, ostensibly to protect the price structure but no doubt with a healthy input of self-interest.
Never known as a particularly stable country politically or otherwise, the reaction in Iraq to the June 1967 debacle was predictably extreme. The political shift to the left in Iraqi politics was accompanied by two decisive moves in relation to oil policy; the conclusion of an oil concession with a French company and the decision to develop the North Rumelia oilfield alone. In both these decisions the government was pursuing a course of economic nationalism that had originated in 1963 with Law 80. Iraq’s decision to follow through on a nationalist oil policy made it the only Arab country to allow the highly charged political situation to fundamentally alter the economic status quo.

Both the actions taken in Iraq were highly controversial, both domestically and within the Arab world. Economic nationalism implied risks and stepped on the toes of those who had staked careers on cooperation with the international companies. It meant the final rejection of the aborted Wattari agreement, and the victory of the leftist nationalist in Iraqi politics over the technocrats made possible by a temporary alliance between the military and the radicals. The 'pro-Cairo' Arab Nationalist Movement was allowed into the cabinet for the first time, al-Jadir being made Minister of Oil, and the result was an oil policy more radical than Nasser’s. The deal with the French company ERAP was seen by nationalists like Tariki, who was hired as a consultant, as a model for other states to follow.
and a "point of departure for a better life for the Arab people of Iraq." Sponsors of the old policy such as Ghanim al-'Uqaili criticized the deal as a giveaway to ERAP and the oil companies published analyses of the contract which argued Iraq was going to realize less than under the old agreements. For the government, however, these arguments were not to the point. The contract was for only twenty years, it entailed virtually complete Iraqi management after five years, the Iraqi portion of the production was to be marketed by INOC and the foreign company took virtually all the risk. Above all, unlike the old agreements the issue of sovereignty was not in doubt. The Iraqi government had concluded a short term contract with a foreign country to exploit in partnership a specific field of oil, breaking for the first time the IPC hold on Iraqi oil production.

Even more important from an economic nationalist perspective was the government's decision in 1968 to 'go it alone' in the exploitation of the rich North Rumelia oilfield. This area had been taken over from IPC in 1963 under Quassem's notorious Law 80. It was a potentially vast field that IPC had been holding in reserve. From 1963 to 1967, the Iraqi government had vacillated on the proper disposition of the matter. The 1967 war and the creation in July of the unity cabinet finally

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24 MEES, v.11:6, 8 December 1967. For information on this agreement see Stocking, pp. 306-312.
ended the period of indecision. Rumella was given to INOC to develop. With the help of Russian experts, INOC would exploit and market the oil. Tariki was ecstatic, claiming that for all practical purposes, Iraqi oil was nationalized. The risk was great. As the MEES observed "... in choosing this pioneering course, Iraq has almost certainly forfeited (perhaps to the advantage of neighboring Iran) any security of long-term growth in production and revenues which might have been offered by the major international companies." The majors were, of course, overtly hostile, having never reconciled themselves to Law 80 and fearing Iraqi success as a model for other Arab producers.

The Iraqi decision was firm. Even a government shake-up following an attempted coup in July 1968, did not shake the policy despite the dismissal of the ANM members and other nationalists from the government. Iraq had suffered more than any other country in the Arab world from the arbitrary power of the oil companies. Like Iran in 1950, she had given the companies trouble since the 1958 revolution and as a result production had increased at a snail's pace while in the Gulf areas it was growing consistently. Iraq, with huge locked in reserves, had watched helplessly while Libyan production so dramatically increased. It was possible to pursue a nationalist course in Iraq because the dependency on oil was not as great.

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25 MEES, v.11:24, 12 April 1968.
as in the Gulf states, the level of political sophistication and debate much higher and the prevailing system obviously not performing adequately. The nationalists were able to use the June war to break the deadlock in Iraqi politics.

In assessing the immediate impact of the war, however, one must conclude that Iraq remained the only country to alter decisively its political direction and because of its isolated political situation and relatively low oil production the impact of its policy was not widespread. After an initial breach in the summer of 1967, the conservative control over Arab oil policy so evident before the war was reaffirmed by 1968. While little appeared to have changed, the calm as we know was not to last. The new wave of activist activity in the area of oil policy which began in 1969, can be attributed in great part to the Libyan revolution of September 1969, which in turn was a delayed reaction to the events of 1967.

The record of Middle East oil after 1969 remains current history and will not be dealt with in detail in this study. Much of what I would say has been discussed in a recent book by Joe Stork, who availed himself of the research I have presented here. As so many writers have suggested, it was the Libyan coup in 1969 that broke the back of the conservative alliance so hastily constructed after 1967. While the lack of immediate nationalization of Libyan oil says something about the

26 See Hartshorn, J., "From Tripoli to Teheran and back".
27 Joe Stork, Middle East oil and the energy crisis.
degree of genuine radicalism in the Libyan revolutionary command council, it says more about the very real difficulties of one country making such a move. What the Libyans did accomplish immediately was to render OAPEC helpless and bring to life the debate over the proper use of oil revenues. No longer confined to what had in effect become an Iraqi dead end, the nationalists now had an ally in one of the major producing countries.
The dramatic developments in Middle East oil from 1969 to 1973 were directly related to the decade of debate I have described in this study. During this period there were two parallel courses of action pursued by the oil-producing states, at times complimentary yet frequently in conflict. The first centered around the rise in crude oil prices which began in 1970 and reached at least a temporary apogee in January 1974. The second concerned efforts to change the very structure of the industry through nationalization and the use of oil as a political weapon.

Action on the price front which began with the Teheran negotiations in 1970 was simply the logical outcome of long-standing OPEC policy. The organization had been created to deal with prices and after ten years had finally achieved its aim. These achievements, from the successful confrontation at Teheran to the 1974 $11.00/bbl price, would not have been possible, however, without parallel yet completely separate political developments in the Arab world. As I have stressed throughout, OPEC is essentially a conservative organization. Besides providing a mechanism for dealing with arbitrary corporate power, it was aimed at protecting the oil regimes from nationalist pressure. During the 1960's it had been instrumental in keeping Kuwait and Saudi Arabia out of the Palestine
conflict, it ended the 'share the wealth' schemes so prevalent in the 1950's and buttressed the so-called Islamic alliance in its cold war with the nationalist regimes. Far from being a cartel out to threaten western interests, it was a strong supporter of the status quo, desiring only a larger share of the pie.

The Teheran negotiations were a case in point. As many observers have stated, it was the precipitous action of Libya, acting independently of OPEC, which was the key to the successful confrontation. Libya's unilateral production cutbacks, pressure on the companies and the mysterious Syrian bulldozer which ruptured the Mediterranean pipeline at just the right time were essential ingredients in the producers' victory. Once successfully challenged, the companies' position of dominance in pricing faded quickly and OPEC moved in to replace them.

These and subsequent actions by the Libyans as well as recent Iraqi policy have their direct antecedents in the nationalist positions put forward by Tariki, Sarkis and others throughout the 1960's. For ten years there had been a constant pressure on the oil states to change their policies, to take a more aggressive stand with the companies and involve their oil in political issues. For those ten years the oil states had successfully resisted, even though on the defensive since 1967. The rise in oil prices from 1970 to 1973 did not involve

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1 See especially J.E. Hartshorn, "From Tripoli to Teheran and back", and Joe Stork, chapter 7.
any real change in policy and hence requires no complex

explanation. The favourable supply-demand situation in the

world market evident since 1968 and the Libyan initiatives

opened the door and the OPEC countries walked through. What

was remarkable, indeed almost revolutionary in the context of

Middles Eastern politics, was the decision of Saudi Arabia and

Kuwait to commit their oil resources in a massive way to the

Palestine issue. Given the record of Faisal and Yamani on

the involvement of oil in politics, these moves must have been

a last resort, a final caving in to pressure which had become

irresistible. To explain their dramatic deviation from estab-

lished policy beginning in the spring of 1973, we must turn

again to the larger context of Arab politics and international

economics.

There were three main factors which, taken together, explain

the shift in Saudi and thus Arab policy on oil and politics.
The first of these I have already alluded to, a change in the

world oil supply-demand ratio. The Saudis, like virtually

all Arabs, had always been emotionally committed to the Palestine

cause, but never to the degree that they would risk their oil

income for that cause. In the 1970's, for the first time

the self interest of the producing countries (a steady income)

was not in direct conflict with their emotional commitment to

Palestine. What the nationalists had been arguing for a decade,

that the West could not do without Arab oil, was now evident
to all there was no danger of a corporate or consumer boycott. With their markets secure, cash reserves high and oil appreciating in value in the ground, a production curtailment would in fact work in their favour, driving prices even higher. This does not, as some would suggest, explain Saudi behaviour, however, since their attachment to order and stability in the industry has always outweighed the attraction of risky short term gains.

It has been clear since October 1973, that the Saudis in particular are uncomfortable with the extremely high prices, fearing they will lead to chronic instability in the market.

While these economic factors made the Saudi action possible, it was a combination of political changes in Egypt and Saudi Arabia that made it probable. The tension and frequent conflicts between Egypt and Saudi Arabia during the 1960's had worked to reinforce the Saudi's ties with the United States and their reluctance to become actively involved in the Palestine issue. Arab nationalism, socialist ideology, and the desire for a share of the wealth were all threats to the Saudi regime and as long as the conflict persisted the Saudis were unlikely to change their policy concerning oil and politics. To explain current policy, therefore, one must refer to events in Egypt from 1967 to 1973 to get a clear picture. The "drift to the right" first identified by some writers after the June war is now a much clearer reality in Egypt. The ousting of Ali Sabry

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2 See Middle East research and information program Report, no. 17, "Retreat of the revolution in Egypt".
in 1971 and the Soviets in 1972 were only the outward manifestations of a more general shift in Egyptian domestic and foreign policy under Sadat.

President Sadat concluded quite early that the key to the conflict with Israel lay not in Sinai or Moscow but in Washington, D.C. and that there would be a certain price to be paid for that key. Besides moderating Soviet influence, that price included a relaxing of Egyptian pressure on America's traditional friends in the area and a friendlier stand on foreign investment. These moves fit quite conveniently with indigenous Egyptian pressure for a 'loosening' of the regime, a halt to the nationalization program, an increase in consumer goods, and the curtailment of the influence of the left.

From 1970 to 1973, Sadat's policy vis-a-vis the Palestinian issue seems to have been based on pressuring the Americans to intercede. Since this had long been King Faisal's policy there was room for cooperation between the two states in this common objective. In return for abandoning the pursuit of revolutionary pan-Arabism, Sadat could expect certain concessions for Faisal, the most important being the involvement of oil in the Egyptian assault on American support of Israel. Parallel to these developments was a general growth of Saudi influence in the Arab world and Faisal's increasing pretensions to be a genuine Arab leader.

The more actively Faisal became involved in Arab politics
and the closer he moved Saudi Arabia toward Egypt, the more essential it became that he become actively involved in the Arab struggle with Israel. As American demands for more Saudi oil increased in 1971 and 1972, Arab nationalist pressure on the Saudis became more intense. It was evident that oil was becoming a very real weapon for the Arabs, no longer just a financial issue with American companies. The stream of Saudi emissaries to the United States in the spring and summer of 1973, the statements of Yamani and Faisal concerning production increases and their warning that continued oil supplies were tied to a 'favourable political climate' provide a clear portent of the impending developments in October.

The Saudi-Egyptian rapprochement during 1972-73 completely undercut United States Middle Eastern policy which had always been based on the inability of these two factions to cooperate. The Americans could support Israel and protect their economic interests only if the Arab cold war persisted. Despite the warnings of 1973, American policy did not adjust to the new reality, making no significant moves toward encouraging a settlement. Throughout the summer of 1973, there were open discussions of restricting oil exports. Sadat visited Riyadh, King Hussein castigated the United States for not moving — all the American's friends applied as much verbal pressure as they could — all to no avail.

The Americans apparently believed the Saudis when they insistently claimed that oil and politics do not mix, failing
to perceive that that was Saudi policy only because it had long been politically expedient that they not mix. They failed to see the defensive nature of the Saudi position after 1967, and failed to assign sufficient credibility to nationalist strength in oil affairs. Libya, Algeria and Iraq were proving the nationalists' arguments concerning nationalization, the viability of unilateral action, the dependency of the West on Arab oil and the ability of the producers to stand together. The increases in demand in Europe and North America made Yamani's arguments about price stability less and less important since there was little chance of their falling. Already moving toward production controls in the summer, it was an easy step to proclaim cutbacks and embargos in October.

The developments in 1973 have not, however, resolved the fundamental debate over Arab oil policy outlined in this study. OPEC has regained considerable prestige because of the higher prices, but its glory is less than complete since it had little to do with initiating the increases. Oil and politics are irrevocably mixed, but the major oil producers have made no firm moves to eject the oil companies and pursue independent development. Perhaps as some observers have noted this is now irrelevant since the producers have taken over the two main perogatives of the companies, setting prices and production rates. The producers have in fact recognized the inequality implicit in a producer of raw materials as their complaints concerning inflation and lack of industrialization attest.
Rather than pursue the independent course advocated by the nationalists and adopted by Algeria and Iraq, however, they are currently still attempting to re-negotiate their subordinate position in the western economic system. They are demanding not only a higher price and more control but a share of the tertiary benefits of industrialization. Most important, nothing has been resolved concerning the proper use of Arab oil revenues, the unequal distribution of oil wealth or the development of pan-Arab policies and organizations. In the context of the Arab debate over oil, this is but one of a long series of defensive measures aimed at countering nationalist demands for more fundamental change.
Contrary to much popular wisdom, the facts do not speak for themselves. As we should all know and is clear in this study, the very notion of facts is perhaps a spurious one. Both groups I have discussed, moderates and nationalists, had roughly the same set of facts at their disposal, but came to widely divergent conclusions as to their import and direction. As the author of this study, I had at my disposal a wide range of facts, most of them available to other authors, yet I would hope I have come to different conclusions. The key is of course selection, but more to the point is analysis since that determines selection. Corporate representatives looked at Middle East oil from a certain political and social perspective, moderate Arabs from another and nationalists from yet another. These perspectives implied a distinctive mode of analysis.

I have tried to adopt a generally critical stance in viewing the scholarly proponents of modernization theory, the record of the oil companies, the policies of the oil producing states and the programmes of the nationalists. I have argued throughout that the analysis employed by the Arab states and OPEC during much of the period under study was a faulty one. To explain this I have employed the notion of dependency, in particular a kind of intellectual dependency which has been
internalized by the ruling classes and their functionaries in the Arab countries. It is this dependency, tied directly to the position of the Arab oil producing countries within the world order defined by capitalism, that accounts for the analysis of the facts so doggedly pursued by the states under discussion. It was precisely the rejection of that world order and the subsequent need for an alternative analysis of the facts which accounts for the nationalist position. It is, then, within this general framework that I have assembled my facts.

A variety of issues has been raised and discussed in this study, issues which are at once disparate and intimately related. The most apparent issue, and the unifying factor in the study, has been the evolution of Arab oil policy within each oil producing state, in combinations of those states, and in the Arab World as a whole. I have outlined the nature of the oil industry, the handicaps suffered by the Arab states in trying to define let alone implement a policy in the 1950's, the initial struggles with the companies, and finally the struggles within the Arab World over the most advantageous policy. While external factors were of course important in the evolution of this policy, I have deliberately concentrated on internal factors. This has been done not only because I believe the internal conflicts were in the end the most important, but also because they best illustrate the other issues with which
One of the primary aims of this study, aside from the more empirical explanation of the debates over oil policy, has been to examine approaches to politics and social change in developing areas, particularly theories of functional elites and of the 'New Middle Class'. What I have tried to demonstrate is that first, the functional unity of elite groups does not hold up; that in the end politics interferes, forcing some to side with the national state which they do not control and others to be in opposition to that state or at least its policies. Given the essentially non-democratic nature of politics in this area, to oppose policy is in fact to oppose the state and thus to define oneself as a radical.

Once involved in the political matrix of the state, these 'new men' quickly adapt themselves to the interests of that state, i.e., using their talents to protect the status quo, to preserve the existing state structure and the international structural relationships which benefit that state. Even in a time of genuine changes within that international system such as the period 1971-73, the oil states and the technocrats which served them sought only to alter their position within the structure. Thus Yamani argued that new pricing agreements and participation plans are meant to strengthen the relationship between the oil producing states and the major international companies. The corporations, having shifted from a period of
rapid extraction of raw materials and profits to a concern for a more steady flow over an extended period are perfectly willing to go along with this adjustment, once the advantages become clear. The end remains the same. The Arabs states remain raw material exporters and industrial goods importers on an even grander scale. The same groups within those countries prosper even more from the new prosperity and moves toward industrialization are stillborn and dependency persists.

The very existence of the group of Arab nationalist technocrats as discussed throughout this dissertation acts to support my point concerning the weakness of an elite or NMC perspective. Despite remarkably similar backgrounds, education and experience in government service, significant numbers of these men broke with established patterns and formed a dissident faction. It is possible, especially in the case of Tariki, to look for personal, psychological or conspiratorial explanations for this failure to adhere to a pattern, but I have chosen to seek an explanation in structural and political issues. Tariki, Sarkis, al-Jadir and their many adherents and sympathizers employed their technocratic training and insights in the service of a general political outlook at odds with the prevailing conservatism in most of the Arab oil states.

I am operating here with several important assumptions. The first is that industrialization, specifically the shift from a colonial/mercantile capitalist economy to an industrial capitalist economy, is an essentially desirable end. The
second major assumption is that such a shift can best be accomplished in the Middle East through the continued implementation of Arab economic unity and eventual political unity. Both of these assumptions are shared by the nationalist technocrats. It has been my argument throughout, in line with the nationalist case put forward primarily by Tariki and Sarkis, that the structure of the international oil industry in the Middle East works to prevent both of these developments and that they can take place only when that structure is altered in a fundamental way. The ultimate failure of the nationalist technocrats, in my view, has been a failure in analysis. In their critique they have focused almost without exception on the oil companies and the governments of their home countries. They have not explored fully the implications of the dependency argument put forth in this study, the argument that in fact it is the ruling classes within the governments of the oil producing countries that hold the key. It is these governments that benefit directly from the existing structure and therefore work to preserve it. The nationalists were correct in arguing that oil issues were never narrowly economic in an incremental sense, but neither were they merely economic in a structural sense, that is, in the relationship between company and government. 'The key has always been the nature of the governments involved, and the technocrats, in power and forced into a radical posture through disagreements only on policy matters were unable to take the next step.
In examining the viability of these theories of social change I have thus argued that politics tends to override the horizontal linkages that various elites may possess, with the proviso mentioned above that class background and special training may impose certain limitations on the depth of political commitment. Likewise, in the decisions discussed here concerning oil policy I have consistently argued that political considerations were more important than economic ones. Focusing generally on the conservative stance of OPEC throughout the 1960's and in particular on the issue of nationalization, I have tried to discover the source of those political considerations.

One can, of course, argue that the policies pursued were in fact the correct ones in the sense that they served the best interests of the countries concerned. Certainly I would argue that they were 'correct' in the sense that they were the only policies possible given the political realities of the period. That they were not the only ones possible because of economics or the power of the oil companies has in fact been proven wrong by the events of 1969-73. International conditions were different in 1969 than in 1965, but not different enough to account for such a radical change in policy. An aggressive, unified oil policy was more feasible in 1969, but as the nationalists argued throughout the 1960's, it was also possible then. What had changed dramatically from 1965 to 1969, was the political situation within the Arab
World and in the end it was to this that I turned for an explanation, rather than shifting international economics.

If an aggressive oil policy had been feasible in 1964-65, why had the oil technocrats and the oil states not been able to perceive it? In fact there are several possible explanations. First, they may not have wanted to see it. Under attack as they were from nationalist quarters, their comfortable relationship with the West, mediated in large part through the oil companies, was important to them. The Arab oil producing states were an integral part of a larger world economic/political system, membership in which acted to limit political options. The political survival of some of these regimes, of their ruling classes, was tied to support from the West which in turn was contingent upon steady oil supplies at a reasonable rate.

There were, however, more complex blinders at work. Assuming that these states had an interest in increasing their revenues dramatically while remaining members in good standing in this economic system, they remained convinced that unilateral action was not possible. The technocrats, the men who should have charted that option, could literally not see it. They suffered from an internal, intellectual dependency, motivated partly out of fear derived from historical experience, partly involuntary, a result of their educational background, and partly voluntary, the price they accepted to maintain their class position.
In the end, this study of Arab oil policy in the 1960's is concerned with the failure of a policy, or at least the failure to perceive a policy. The failure is one part of a much larger struggle that occupied the Arab regimes throughout the decade, the struggle between two forms of economic, political and social organization, epitomized by Saudi Arabia on the one hand and Egypt on the other. Oil policy was caught up in the struggle. Through this study of the oil technocrats I have tried to look at one aspect of that struggle, to show how pretenders to the exercise of power become in the context of such forces mere servants of power. In doing so I have tried to avoid the simplistic picture of such men as mere puppets of those in power and instead shown through the dependency approach a more complex source for personal, class and national policies.
Select Bibliography

I. Books


II. ARTICLES


III. PERIODICALS/JOURNALS

Much of the material discussed in this dissertation is derived from the coverage of Middle Eastern oil affairs in the Middle.
East Economic Survey, Published in Beirut by the Middle East Research and Publishing Center. The Survey is, as George Stocking has said, "a realistic, comprehensive, and skillfully edited review of the news and views on oil industry developments in the Middle East and North Africa." Besides its weekly compendium of news, the Survey reprints all petroleum news from the Arab press, verbatim interviews with government and private spokesmen on oil affairs and all important documents concerning oil.

- Petroleum Intelligence Weekly
- Petroleum Times
- Economist (London)
- Petroleum Press Service
- Petroleum Week
- Fortune
- Egyptian Economic and Political Review
- Arab Economist
- Middle East Business Digest
- Middle East Forum

IV. PUBLISHED AND UNPUBLISHED MATERIAL
BY ARAR OIL TECHNOCRATS


