

FOCUS

The Energy Bomb Drops

INTERNATIONAL oil industry and those who had followed political and economic developments of the world oil situation in the 1970s knew that Middle East option had reached a critical point by early 1973. Arab countries had more dollars than they knew what to do with and were also aware that they could meet the soaring demand of all the consuming countries. The Middle East and North Africa, who possessed three-fourths of the world's known oil reserves, were supplying 90 per cent of the international demand. Indeed the Arabs had been studying energy surveys and reports, particularly those of the United States and other Western countries. Their prime target was the US for its naked support to Israel.

The Arabs were also aware of the vulnerability of other consumer countries. For example, Japan's import accounted for 100 per cent of its oil needs, Western Europe's about 93 per cent and the United States' 37 per cent. However, only five per cent of American needs were met by Arab oil; therefore, they knew, an embargo could be damaging but could not wreck the US economy. But, by cutting down on oil supply, they hoped to force Western Europe and Japan into pressuring the United States to influence Israel to withdraw from occupied territories and agree upon a peace treaty.

In fact, since 1970, King Faisal of Saudi Arabia was under pressure from other Arab governments to use oil as a weapon. In April 1973, King Faisal sent Saudi Arabian Oil Minister Sheikh Ahmad Zaki al-Yamani and Deputy Oil Minister Prince Saud to Washington DC to talk to the United States into changing its Middle East policy. It was a bizarre episode in the history of American foreign policy. Seldon had been an impending international disaster so completely misjudged by the United States.

When Washington turned a deaf ear, King Faisal told Standard Oil of California (soical), Texaco, Exxon and Mobil — owner companies of the Arabian American Oil Company, known as ARAMCO, which used to produce almost all of Saudi Arabia's oil — that he expected them to help get his message across. Western Europe was becoming impatient and exceedingly nervous over America's failure to correlate between its Middle East policy and the world energy problem. However, it was not until August 1973 that King Faisal's message and the potential world energy crisis became front-page news. During sum-

mer that year, the US squeaked through a much-heralded gas-line shortage.

King Faisal became the "man of the hour" when President Anwar Sadat of Egypt secretly visited him. On September 2 Libya's radical leader Colonel Muammar Gaddafi nationalised 51 per cent of all foreign oil companies, the majority of which were American. On September 6, at a press conference, President Nixon for the first time linked American oil needs to its Middle East policy.

"Oil without a market, as Dr Mossadegh of Iran learned many, many years ago, does not do a country much good. And I think that the responsible Arab leaders will see to it that if they continue to up the price, if they continue to expropriate, the inevitable result is that they will lose their markets and other sources will be developed," said President Nixon in a veiled threat.

Dr Mohammed Mossadegh, who became Prime Minister of Iran in 1951, nationalised in British-owned Anglo-Iranian Oil Company in 1953. The British and American governments mounted a secret operation to overthrow him, it was widely known that the CIA organised and directed the 1953 coup (*The Invisible Government*, David Wiser) that overthrew Mossadegh and brought back Mohammed Reza Shah Pahlavi, then in exile, to his throne. The International Oil Companies had also successfully boycotted sale of Iranian oil (as is being done to Iraq now).

Subsequently, the British lost their monopoly, and an international consortium of British, Dutch, French and American oil companies signed a 40-year pact with the Shah for Iran's Oil. But, that was a story forgotten long back. Things had changed since then. In those days there was a surplus of world oil and buyers called the shots, but that was in the mid-1970s.

President Nixon was far behind the times.

Since 1970 there has been shortage of world oil. In view of the known years of lead time necessary to developed additional American or any other international energy sources, the President's big talk about oil producing countries losing their markets had all the menace of a toothless lion's roar.

On October 17, Arab Oil Ministers met in Kuwait to make a formal decision on how to use the oil weapon. The Saudis succeeded in convincing others to take the relatively mild step of announcing a five per cent cut on oil exports every month until Israel evacuated the territories occupied in the 1967 war and restored the legal rights of the Palestinian people. The following day news exploded that President Nixon had asked the Congress for two billion

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leaders had their own ideas of how to get negotiations "off dead centre". Nevertheless, it was a gamble, but they felt that psychologically and economically conditions were favourable for the shock treatment of open warfare.

The energy bomb was dropped.

On October 6, 1973 the Synagogues in Israel were filled with worshippers. Suddenly, the quiet that enveloped the country was shattered by wailing sirens, alerting a startled populace to the outbreak of the fourth Arab-Israeli war in 20 years. The area across Suez Canal and Golan Heights witnessed massive invasion of the airforce. Bloody fighting that ensued for three weeks before the United Nations arranged a cease-fire was not just another bitter chapter in the story of unresolved confrontation in the Middle East. It quickly became an international energy war when, within two weeks of the war, the Arabs unleashed their ultimate weapon — the power to manipulate world affairs through economic action.

By cutting back almost a fourth of the production of the world's the then greatest known oil reserves, and embargoing oil shipments to the United States and the Netherlands — and subsequently Portugal, South Africa — they dropped a political and economic bomb whose spectacular fallout spread rapidly around the world.

Even after the war had begun, King Faisal initially used his influence to prevent a drastic use of oil as a political weapon, hoping that the United States would not rush into supporting Israel, but would intervene diplomatically. At least Dr Kissinger gave such indications.

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