

# American Relations with Saudi Arabia: An Assessment of Shifting Policies

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## Abstract

*After contextualizing the rise of oil as a factor in Great Power geo-strategy in the late 19<sup>th</sup> and early 20<sup>th</sup> century, the paper at hand zooms in on the shift from passivity to interventionism in American policy towards Saudi Arabia as an effect of the increased importance of petroleum. It is shown how immediate resource depletion worries and more long-term strategic concerns prompted an increasing American involvement in Saudi Arabia, the effects of which are felt until today.*

*We take a holistic view on the complex entanglement of political and economic, state and private interests. The shift of momentum from primarily private initiative to state initiative during and after WWII is emphasized. It is shown that until WWII a good case could be made in favor of a high degree of political passivity – not out of genuine strategic disinterest for Saudi Arabia, but to leave the stage to diplomatically less conspicuous private actors as long as possible.*

*A review of the scramble-for-oil era can potentially yield useful historical insights, e.g. for the analysis of the international dynamic which fresh water is gaining as a scarce resource. The evolution of America's relationship with Saudi Arabia is a classical example of strategic entry to gain control of a vital resource. It can provide an historical case for the approach of phasing into a market with private activity preceding political intervention.*

## I. Prologue

“Control energy and you control the nations”<sup>1</sup> Henry Kissinger once said. What has increasingly become a commonplace nowadays has not always been the obvious source of economic and political power. In the later 19<sup>th</sup> and early 20<sup>th</sup> century the factor coal has only sluggishly been challenged by the factor oil as the prime source of energy, especially in land-based and naval, and later airborne automation. This extensive prologue wants to provide some context about the rise of the factor oil in general and the important role of oil in the “pre-diplomatic” era of Saudi-American relations in particular in order to make the actual core part of this work more readable, and to make it easier to fathom its holdings with a comprehensive understanding. It wants to be understood as a prologue in the actual meaning of the word. It precedes the actual focused part that is footed on primary research. It shall merely serve to facilitate and contextualize the reading of the core essay.

After WWI, Delaisi<sup>2</sup> could rightfully claim: “The victory of the Allies over Germany was (...) in some ways the victory of the truck over the locomotive” – or in other words: The victory of petroleum over coal. But until this epically-proportioned illustration of the fundamental shift in the rules of the imperial energy game, visionaries like John Arbuthnot Fisher - who championed a transition of the Royal Navy from coal to petroleum for its qualitative superiority as early as 1882<sup>3</sup> - fell on deaf ears in the higher political strata. Coal was plenty and domestically available, whereas none of the nations later called the Western Powers except for the United States of America disposed of domestic crude oil reserves.

But Fisher argued that only by converting to oil would the British fleet be able to retain its superiority.<sup>4</sup> For instance, a coal-based steamer was visible up to ten kilometers away due to its tell-tale smoke; a diesel engine based on petroleum did not emit nearly as much smoke. A traditional coal-based steamer needed up to nine hours for its engine to reach peak-power, whereas a diesel engine could reach full power within 5 minutes after 30 minutes of starting up. To fuel up diesel engines, it merely required the work of 12 people for twelve hours, while the same energy

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1 Engdahl 2004, XI

2 Delaisi 1922, 29; as cited in Yergin 1993, 171

3 Engdahl 2004, 19; Yergin 1993, 167

4 Engdahl 2004, 19; Yergin 1993, 150-157

stored in coal took 500 men five days to get aboard. Lastly and most importantly, Diesel engines weighed one third of their equivalent and had a radius four times that of coal-engines. Given all this, it was a matter of time for coal to be ousted in the military and then broader society for automotive propulsion. The actual transition in the Royal Navy would later be overseen by young W. Churchill during the naval race with Wilhelmine Germany<sup>5</sup>.

For the conduct of international relations, the rise of the factor oil effectively prompted an integration of the practical, everyday-strategic focal region of geopolitics with the long-term pivot of history as suggested by J. H. Mackinder<sup>6</sup> in the Middle East, where the vastest reserves of crude oil are to be found. To the degree that oil became more important – or even only prospectively more important – the European Great Powers adopted its supply into their political agendas. Access to it evolved to be an immediate necessity for military prowess and a more long-term necessity for economic prowess. Upon the triumph of petroleum propulsion in the industrial countries' navies and of the internal combustion engine, invented by G. Daimler in 1885, securing stable access to oil became a strategic sine-qua-non. Against the backdrop of this, the British, French, and German activity in the Middle East around and after the turn of the century is explicable, and from a realist point of view perfectly sensible.

The United States did not face a strategic dilemma comparable to that of the latter three. America had, despite British activity in Persia, provided as much as 80% of the allied oil supply during WWI through Standard Oil of New Jersey (later Exxon)<sup>7</sup>. The answer to the question, why America apparently pushed for the solution of a strategic problem that it did not have during and in the aftermath of WWI lies in long-term concerns: The American society's intelligentsia was shaken by a (not the last...) depletion panic. Among other escalators, a statement by the director of the US Geological Survey, who called the situation "precarious", contributed to the fear of running out of domestic oils. It became increasingly consensual that America should seek overseas deposits of the valuable commodity.

But after WWI, Britain's strategic position in the scramble for Middle Eastern oil was virtually impeccable:

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5 Bronson 2006, 15; Yergin 1993, 150-167

6 Mackinder 1904

7 Bronson 2006, 15

8 Bronson 2006, 15; Cleveland 2004, 233; Yergin 1993, 176-178

Relying on the mandate-system and the Turkish/Iraq Petroleum Company (besides of course AIOC/APOC)<sup>9</sup> <sup>10</sup>, Britain nearly held a monopoly. Standard Oil New Jersey and Socony-Vacuum (later Mobil) entered into negotiations with the IPC<sup>11</sup> in 1928. They were diplomatically backed by the American Department of State, where the exclusionary behavior of a recent war-ally was perceived as outrageous. The American companies ultimately gained a 23.75% share in IPC each<sup>12</sup> and the State rolled back to the role of an interested spectator.

The companies' negotiations culminated in the Red Line Agreement. The US-companies gained access to essentially the entire Middle East; the territories were circled by a red line – however, they also bound themselves to consensual IPC-decision-making and the abnegation from individual drillings or deals within the encompassed area. This policy was in its root a shrewd monopolist move to keep supply rare and therewith prices up<sup>13</sup>. When joining IPC and the Agreement, for instance the US Gulf Oil Company actually had to sell a concession it held in Bahrain<sup>14</sup>.

Standard Oil of California, Socal, was not a signatory of the Red Line Agreement. They bought the Bahrain-concession from Gulf Oil for \$50,000 and struck oil there in 1932<sup>15</sup>. When a Socal scientist observed that close-by Saudi Arabia's geological structure was practically identical to that of offshore Bahrain, Ibn Saud's desert Kingdom entered the international focus. While IPC and its British, French, and American owners lobbied Ibn Saud for his concession to keep Socal out and any further drillings from happening, Socal actually meant business. Besides a pro-Socal bias of the translating Harry St. John Philby (a bias incidentally fixed in a secret contract)<sup>16</sup>, this prospect of substantial future yields in royalty payments inclined Ibn Saud to opt for Socal, along with the American white diplomatic vest (no evident imperial-colonial ambitions).

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9 Anglo-Iranian Oil Company/Anglo-Persian Oil Company

10 Mejcher 1980

11 Iraq Petroleum Company

12 Bronson 2006, 15-17; Engdahl 2004, 74-75; Yergin 1993, 283; "New Oil Leases Granted In Arabia." New York Times (1857 - Current File), Aug 1, 1936, ProQuest Historical Newspapers. The New York Times (1851-2005), 24. Consulted at the RSC Middelburg

13 Galvani 1974, 5; Loftus 1948, 21; Maugeri 2006, 29; Yergin 1993, 203-206

14 Bronson 2006, 16; Yergin 1993, 282, 291

15 "New Oil Leases Granted In Arabia." New York Times (1857 - Current File), Aug 1, 1936, ProQuest Historical Newspapers. The New York Times (1851-2005), 24. Consulted at the RSC Middelburg

16 Yergin 1993, 290

Washington had given diplomatic recognition to Ibn Saud's Kingdom in May 1931<sup>17</sup>. The California Arabian Standard Oil Company, Casoc, (renamed Arabian-American Oil Company, Aramco, in 1944)<sup>18</sup>, was formed and partly sold to Texas Oil in 1936 in order to gain access to the latter's markets<sup>19</sup>.

In 1938 Casoc found oil in Dammam, close to Dhahran, Saudi Arabia. At a time when average American wells produced 100 barrels/day and Bahrain totaled 13,000 barrels/day, the new Arabian discovery produced more than 1500 barrels/day alone<sup>20</sup>. One year later, the first tanker left from Saudi Arabia<sup>21</sup>. In 1939, Ibn Saud extended his concession to cover more than half of his territory<sup>22</sup> as provided by a secret 1933 amendment to the original concession<sup>23</sup>.

## II. Introduction

Despite these developments, the crème of American politics took comparably little interest in Saudi Arabian affairs before the midst of WWII.

This essay does not approach the relations between the two countries in a strictly statist way in favor of taking a more holistic view: Especially in the period before

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17 "Secretary of State Stimson to Ambassador Dawes." United States Department of State. Volume II (1931). *Papers relating to the Foreign Relations of the United States, 1931*, 551-552. University of Wisconsin Digital Collection. <<http://digicoll.library.wisc.edu/cgi-bin/FRUS/FRUS-idx?type=browse&scope=FRUS.FRUS1>>

18 Bronson 2006, 18

19 Bronson 2006, 16-18; Yergin 1993, 282-284, 289-292; Levy, Joseph M. "U.S. Company Wins Arabian Oil Grant." *New York Times (1857-Current file)*, Aug 8, 1939. Wireless to THE NEW YORK TIMES. Proquest Historical Newspapers. The New York Times (1851-2005), 1. Consulted at the RSC Middelburg

20 Brown 1999, 71-75, as cited in Bronson 2006, 19; Yergin 1993, 299

21 Yergin 1993, 301; "Arabia Oil Field To Open." *New York Times (1857-Current File)*, March 10, 1939. ProQuest Historical Newspapers. The New York Times (1851-2005), 9. Consulted at the RSC Middelburg

22 Bronson 2006, 19; Levy, Joseph M. "U.S. Company Wins Arabian Oil Grant." *New York Times (1857-Current file)*, Aug 8, 1939. Wireless to THE NEW YORK TIMES. Proquest Historical Newspapers. The New York Times (1851-2005), 1. Consulted at the RSC Middelburg; "Oil Company Tells Of Arabian Deal." *New York Times (1857-Current File)*, Aug 9, 1939. ProQuest Historical Newspapers. The New York Times (1851-2005). 28. Consulted at the RSC Middelburg; "Handwriting in Oil." *New York Times (1857-Current file)*, Aug 9, 1939, Proquest Historical Newspapers. The New York Times (1851-2005), 13. Consulted at the RSC Middelburg

23 Yergin 1993, 300-301

WWII, Saudi-American relations are by and large relations not between two states, but between a financially strong non-state actor and a financially weak state. It is only in the course of WWII that the American state becomes more prominent in Saudi-American relations. And even after its becoming active, the nature of these relations evolves to that of a complex, intricate triangle between Washington, Riyadh, and Aramco's (respectively in effect Socal's and Texaco's) headquarters much rather than to straight bilateral diplomacy as would be consistent with classical political realism.

It is the ambition of this paper to trace back the shift of behavior in American high-level politics towards Saudi Arabia during WWII. Relying largely on the presidential records of the Franklin D. Roosevelt administration, the text at hand will outline and gauge the development from apathy to interventionism and how it came about. Along the way, special attention will be paid to the question whether the low profile that the American state kept for so long can be imputed to genuine neglect of the matter or whether there have been conscious strategic considerations indicating the advisability of "sitting on the fence". The central purpose of this paper however is and remains to be a representation of the shift of policy towards Saudi Arabia. It will be shown that it was the result of essentially two developments – growing depletion fears on one hand, and growing awareness of the extent of Saudi crude oil deposits on the other – catalyzed by the atmosphere of the first truly global war (WWII), which made the interaction of the said two components possible to the effect that America finally awoke to the need of forging an active foreign policy towards Saudi Arabia.

### III. Before WWII

Until March 1949, the United States did not have an embassy in the Kingdom of Saudi Arabia. There was a consulate for Americans in Dhahran, which had been dispatched to serve Casoc workers and there was a legation at Jeddah, more than 800 kilometers away from Riyadh<sup>24</sup>. Ibn Saud's Kingdom was by no means very high on the political agenda of the American government. And why should it? In 1938, 60% of the world's petroleum came from the United States<sup>25</sup>. In comparison to past decades, this was

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<sup>24</sup> Bronson 2006, 1

<sup>25</sup> Anderson 1981, 19

even a rather modest proportion from the American perspective. It was common sense to consider oil an American thing, something that America sells to the world, and to many “this appeared to be the natural order of things”<sup>26</sup>. In 1936, the American Consul General at Alexandria Leland Morris had been sent to Saudi Arabia upon the lobbying pressure of Socal to assess the desirability of establishing proper political representation in Saudi Arabia. In his report from March 23<sup>rd</sup> 1937 he clearly stated that “the development of American interests does not warrant the establishment of any sort of official representation at Jedda at the time”<sup>27</sup>. So at this point in time, not even a lower diplomat stationed in the region spoke in favor if intensifying relations with Saudi Arabia, leave alone his superiors. Motivated functionaries have a tendency of overestimating the impact and importance of their field of work for the larger organization and its goals, but not even at the staff level was Saudi Arabia perceived as that important yet. However, American interests grew rapidly in the course of 1938 as a corollary of the abovementioned successful drillings in Dammam.

### **III.1 Before WWII – Domestic American Development**

On January 24<sup>th</sup> and 25<sup>th</sup> 1938, the Governors of the oil-producing American states held a conference at Hot Springs, Arkansas. Governor E. W. Marland of Oklahoma had suggested to the President already on December 29<sup>th</sup>, 1937, that representatives of the Departments of Navy, Commerce, and Interior be designated to attend this conference, but the President replied on January 19<sup>th</sup>, 1938, that he had sent E. B. Swanson, Associate Director of the Petroleum Conservation Division of the Department of the Interior to attend the meeting and prepare a report<sup>28</sup>. The President forwarded this dossier to the Departments of Navy and Commerce, and commented that “The report in regard

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26 Anderson 1981, I)

27 “Secretary of State Messersmith to Minister Fish, May 24, 1939.” United States Department of State. *The Far East; The Near East and Africa Volume IV (1939). Foreign Relations of the United States Diplomatic Papers, 1939, 824.* University of Wisconsin Digital Collection.

<<http://digioll.library.wisc.edu/cgi-bin/FRUS/FRUS-idx?type=browse&scope=FRUS.FRUS1>>

28“Roosevelt to Doughton and Vinson, Feb 3 1938.” *President Franklin D. Roosevelt's Office Files, 1933-1945. Part 3: Departmental Correspondence Files, Reel 2 Frame 709-710* (microfilm edition, Roosevelt Study Center, Middelburg)

to reserves is somewhat more alarming than I [Roosevelt] had previously believed”<sup>29</sup>. In his paper on the conference which was called to study the development of future oil demand and the domestic capabilities to meet that demand, Swanson reported that in the next twenty years an amount of oil equal to that of the past eighty years would have to be discovered in the United States to meet assumed demand<sup>30</sup>. Without new discoveries, the known oil fields would merely provide enough crude to fully meet the expected demand for four more years. The bottom-line message from the conference as conveyed by the report was that known drilled reserves were only able to fuel domestic demand until November 1941. The conference discussed all this based on the findings of an Oklahoma geologist named Alex W. McCoy.

However, at that time the implications for political action were seen primarily on the domestic level. “We can prevent that [...] waste that occurs underground after the discovery of every new oil field. We can encourage or discourage the drilling of new wells” Governor Marland stated at the conference<sup>31</sup>. President Roosevelt himself was only interested in the report against the backdrop of the question whether to put a small tax on crude petroleum<sup>32</sup>. Again: The USA at the time still produced 60% of the world petroleum and Saudi Arabia not even 1%<sup>33</sup>. But these two correspondences can be seen as early tokens of the development that was to take place a few years later. On one hand there was a renewed and growing concern about depletion of domestic reserves and on the other hand there was growing private American activity in Saudi Arabia – activity that increasingly seemed to be more than just another marginal discovery and that was additionally politicized by apparent Axis interest in the region in general and Saudi Arabia in particular. Since the Dammam drillings

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<sup>29</sup> Ibid.

<sup>30</sup> “Ickes to Roosevelt, Feb 2 1938.” *President Franklin D. Roosevelt’s Office Files, 1933-1945. Part 3: Departmental Correspondence Files*, Reel 2 Frame 696 (microfilm edition, Roosevelt Study Center, Middelburg)

“Report: Swanson about Oil Conservation Conference, Jan 29 1938.” *President Franklin D. Roosevelt’s Office Files, 1933-1945. Part 3: Departmental Correspondence Files*, Reel 2 Frames 697-708 (microfilm edition, Roosevelt Study Center, Middelburg)

<sup>31</sup> Ibid.

<sup>32</sup> “Roosevelt to Doughton and Vinson, Feb 3 1938.” *President Franklin D. Roosevelt’s Office Files, 1933-1945. Part 3: Departmental Correspondence Files*, Reel 2 Frame 709 (microfilm edition, Roosevelt Study Center, Middelburg)

<sup>33</sup> Anderson 1981, 19



1938, it was clear that beneath the sands of Ibn Saud's desert lay crude oil in commercial quantity. But this alone did not suffice to give a country geopolitical significance.

### **III.2 Before WWII – Saudi Arabia Looming Larger**

In June 1939, the U.S. Secretary of state Cordell Hull requested a new assessment of the situation in Saudi Arabia. Meanwhile, the Germans, Italians, and Japanese had made advances toward Ibn Saud to obtain a concession<sup>34</sup>. Besides this, the extension of the concession to cover virtually all of Saudi Arabia was a factor that led the American Minister Fish in Cairo to recommend C. Hull to accredit him himself to Saudi Arabia. He reported that the “King says he has faith in the United States” and that “the Japanese, Italians and Germans have in mind additional territory as well as concessions” and that the King “feels that to grant the Petroleum Development Limited another concession would be to give the British a further grip on his country.<sup>35</sup> Following up on this telegram, the American Minister Resident in Iraq Knabenshue recommended to the Secretary of State that because of the now proven strong American oil interest in Saudi Arabia, and especially so given the Axis attempts to gain a foothold there, it would be “desirable in my [Knabenshue’s] opinion that we now enter into formal diplomatic relations with that state”<sup>36</sup>. Resting on these documents, Cordell Hull wrote to FDR on June 30<sup>th</sup> 1939: “I concur in the proposals made by our representatives at Cairo and Baghdad, and I recommend that our Minister to Egypt and his staff be also accredited to King Ibn Saud and that diplomatic relations be established

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34 “Secretary of State Messersmith to Minister Fish, May 24, 1939.” United States Department of State. *The Far East; The Near East and Africa Volume IV (1939). Foreign Relations of the United States Diplomatic Papers, 1939*, 825. <University of Wisconsin Digital Collection. <<http://digicoll.library.wisc.edu/cgi-bin/FRUS/FRUSidx?type=browse&scope=FRUS.FRUS1.>>

35 “Fish to Secretary of State, June 21, 1939.” United States Department of State. *The Far East; The Near East and Africa Volume IV (1939). Foreign Relations of the United States Diplomatic Papers, 1939*, 826-27. University of Wisconsin Digital Collection. <<http://digicoll.library.wisc.edu/cgi-bin/FRUS/FRUSidx?type=browse&scope=FRUS.FRUS1.>>

36 “Knabenshue to Secretary of State, June 21, 1939.” United States Department of State. *The Far East; The Near East and Africa Volume IV (1939). Foreign Relations of the United States Diplomatic Papers, 1939*, 827. University of Wisconsin Digital Collection. <<http://digicoll.library.wisc.edu/cgi-bin/FRUS/FRUSidx?type=browse&scope=FRUS.FRUS1.>>

with his Government”<sup>37</sup>. The President answered in the affirmative and a legation was dispatched to Jeddah. But still, the degree to which Roosevelt minded and prioritized this issue may be read out of the laconic wording of his approving answer: “Excellent idea – OK FDR”<sup>38</sup>. On February 1<sup>st</sup> 1940 then, Bert Fish would present his credentials to Ibn Saud in Jeddah and therewith officially open diplomatic relations in the name of the USA<sup>39</sup>.

### **III.3 Before WWII – Strategic Considerations**

Besides the reason of proportion that might have led FDR to the conclusion that Saudi Arabian oil was negligible for now, there was also another reason for the government to stand by and remain inactive in the context of Saudi Arabia. Though the primary presidential sources prior to the war do not yield any such content, it can be treated as rather probable that FDR was well aware of the fact that Ibn Saud’s suspiciousness of any potential political designs on his country by Western powers made it strategically advisable for the political branch to stay out of relations with the Kingdom as much as possible: It was known even to the media in 1939 that Ibn Saud’s evaluation of the imperial powers was that “none of them is to be trusted”. The New York Times wrote that he “prefers to give all rights in the entire Kingdom to the American company for much less than he could have had from others because he is certain that it is a purely business proposition and that the United States has no political designs on his country”<sup>40</sup>. Hence, even if there is no evidence of American higher politicians being

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- 37 “Hull to Roosevelt, June 30, 1939.” United States Department of State. The Far East; The Near East and Africa Volume IV (1939). *Foreign Relations of the United States Diplomatic Papers*, 1939, 828. University of Wisconsin Digital Collection. <<http://digicoll.library.wisc.edu/cgi-bin/FRUS/FRUS-idx?type=browse&scope=FRUS.FRUS1.>>
- 38 “Hull to Roosevelt, June 30, 1939.” United States Department of State. The Far East; The Near East and Africa Volume IV (1939). *Foreign Relations of the United States Diplomatic Papers*, 1939, 828. University of Wisconsin Digital Collection. <<http://digicoll.library.wisc.edu/cgi-bin/FRUS/FRUS-idx?type=browse&scope=FRUS.FRUS1.>>
- 39 “Diplomatic Contact Made With Ibn Saud.” *New York Times (1857-Current file)*, Feb 6, 1940. Wireless to THE NEW YORK TIMES. Proquest Historical Newspapers The New York Times (1851-2005), 15. Consulted at the RSC Middelburg
- 40 Levy, Joseph M. “U.S. Company Wins Arabian Oil Grant.” *New York Times (1857-Current file)*, Aug 8, 1939. Wireless to THE NEW YORK TIMES. Proquest Historical Newspapers. The New York Times (1851-2005), 1. Consulted at the RSC Middelburg

aware of the strategic implications of Ibn Saud's diplomatic aloofness, it can be assumed that his suspicion was well known to all of them and that the fact that it went unmentioned in the documents is very much due to its simply being a commonplace that went without saying. This assumption is not to imply though that American policy towards Saudi Arabia was substantially influenced by the knowledge of the mentioned suspicion.

Awareness of the dimension of tapped and untapped reserves in Saudi Arabia grew not only on the American side. Ibn Saud, whose dependence on pilgrimage revenues was unaltered, began to see a potential deliverance of his financial problems. However, the King was in desperate need for money not years down the road, but needed constant bottle-feeding to even just sustain his regime (leave alone stabilize it) every year. This put a dual pressure on the oil companies: The contingency that his regime might collapse had worried the oilmen since the signing of the concession, because unless a benevolent successor would replace Ibn Saud, the concession would cease to exist with his reign. Upon that, the King routinely requested royalty advances from his American partners, imposing costs on them beyond the expenses necessitated by the development of their project, which was still in the pre-amortization phase after all. The companies were under severe financial pressure. The war to come would not improve this situation.

## **IV. Early WWII – Difficulties and Dynamism**

### ***IV.1 Financial troubles***

By 1940 returns on the Arab venture were insignificant, while \$30,115,241 total had been devoured by the green-field-investment into the on-location facilities and \$5,515,652 had been paid in royalty advances beyond due yearly royalty payments. These funds were desperately needed, but insufficient to buy acquiescence from the local tribal leaders. Ibn Saud received \$403,000 from the traditional lender-of-

last-resort Britain in 1940 and a staggering \$5,285,500 in 1941<sup>41</sup>. Given that it was a matter of fact that the British did not habitually act out of untarnished philanthropy in the Middle East, it did not take a lot of political insinuation on any side to see the looming danger of future imperial claims to a quid-pro-quo, should this tendency continue. British funds would stabilize Ibn Saud, but they would not come without strings attached. Socal and Texaco were by no means poor companies, but their funds did not suffice to continuously bail out a deficient desert Kingdom or compete in influence with the British government – particularly so when there was a world war to weather and to win: Thinking patterns on the American side had shifted back under such circumstances from long-shot investment targets such as Saudi Arabia to better-protected and tapped reserves—i.e. American deposits. It was the sensible Allied consensus that capacities and funds were needed for maximum performance today and not for maximum reaping tomorrow. On top of that, Saudi Arabia's Dhahran oilfields were subjected to an attack by the Italian airforce<sup>42</sup>, adding to the threat-perception created by E. Rommel's Afrikakorps and as a corollary also adding to the reluctance to develop Dhahran and Dammam. It goes without saying that this did not improve the financial situation of Casoc's owners.

All this and the limited tanker capacities available to ship crude or refined oil out of the Persian Gulf to make money contributed to the exacerbation and stronger impact of Ibn Saud's demands for royalty advancements from exactly these increasingly hard-pressed owners, Socal and Texaco. Ibn Saud himself had no other choice but to be demanding, because with the advent of war, pilgrimage revenues were plunging again. In January 1941, Casoc President Davies informally promised the Kingdom another \$6,000,000, but he sent James A. Moffett, Casoc chairman and personal friend of Roosevelt's, to obtain the funds from the American government.

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41 U.S. Congress, Petroleum Arrangements with Saudi Arabia, 25381-382

42 Cianfarra, Camille M. "Bahrein Is Raided." *New York Times (1857-Current file)*, Oct 21, 1940. By telephone to THE NEW YORK TIMES. Proquest Historical Newspapers. The New York Times (1851-2005), 1.

## IV.2 Bringing the US Government into Play

On April 9<sup>th</sup> 1941, Moffett met up with FDR to probe the latter's basic mood, and succeeded in making the President request a more detailed memorandum. On April 16<sup>th</sup> then, he formally presented the matter. In his letter and attached memorandum<sup>43</sup>, he acquainted Roosevelt with the oilmen's view of the situation. He wrote about the "practically disappeared" pilgrimage revenues and about the companies' conservative estimation of an appropriate minimal budget for Saudi Arabia of \$10,000,000. He recommended that the US government give \$6,000,000 annually to Ibn Saud for the next five years by purchasing petroleum from the King through Casoc. Moffet modestly predicted that "we believe that unless this is done, and soon, this independent Kingdom, and perhaps with it the entire Arab world, will be thrown into chaos". In the memorandum, Moffett invokes that Ibn Saud is "strongly pro-Ally" and that "no other man in the Arab countries, nor among Moslems the world over, commands prestige equal to his."<sup>44</sup> He closes by proposing to FDR that "the State Department approach the British not only to increase the amount of money which the British have been advancing to the King [...] but also to request the British to continue to make such advances in sufficient amount, which, added to those made by the United States Government, plus any other revenue received by the King, will total approximately \$10,000,000 per year." Having nothing but the good cause of the Allies in mind, Moffett adds that "any British advances should be on a political and military basis and should not involve their getting any oil from this concession, the British at the present time being well supplied from Iran, Iraq, and Bahrain, etc."<sup>45</sup> Without strings attached, British pound sterling were welcome after all. The oil was to be used by the Navy and the rest was to be resold through private channels, coincidentally covering the marketing areas of Socal and Texaco.

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43 "Moffett to Roosevelt, April 16, 1941." *President Franklin D. Roosevelt's Office Files, 1933-1945. Part 2: Diplomatic Correspondence Files*, Reel 31 Frames 533-534 (microfilm edition, Roosevelt Study Center, Middelburg)

44 "Memorandum: Moffett for Roosevelt, April 16, 1939." *President Franklin D. Roosevelt's Office Files, 1933-1945. Part 2: Diplomatic Correspondence Files*, Reel 31 Frames 535-38 (microfilm edition, Roosevelt Study Center, Middelburg)

45 *Ibid.*

The State Department commented in a memorandum<sup>46</sup> that Moffett's estimation of \$10,000,000 for a minimal annual Saudi budget was reasonable and that the King's former sources of revenue, the pilgrimage and customs, had been "effectively dried up by the existing situation". The memorandum stresses Ibn Saud's importance as "the outstanding figure in the Arab world today"<sup>47</sup> and his sympathy for the Allied cause, stating that "since Ibn Saud's influence is great in the Arab world a good cause can be made out in favor of granting him financial support"<sup>48</sup>. The memorandum approves the idea of approaching the British over the cause of raising their payments to the King and brings into play the alternative of channeling money to him through the Lend-Lease Act<sup>49</sup>. It is also suggested that Lend-Lease help could be combined with Moffett's proposal depending on the usefulness of the refined products<sup>50</sup>.

On May 20<sup>th</sup> 1941, Secretary of the Navy Frank Knox wrote to Roosevelt what he thought about Moffett's memorandum, which Roosevelt had forwarded to him for analysis and closer consideration. Knox had an investigation done by Rear Admiral and Director of the Naval Petroleum Reserves Stuart and based on the latter's memorandum from May 17<sup>th</sup> 1941<sup>51</sup> and he came to the conclusion that Saudi oil at large was not suitable for Navy use, because it had an octane number below minimum requirements for military vehicles in general and especially airplanes. The Diesel available from Saudi Arabia was also not useful for the Navy, because it contained more than one percent of the corrosive element sulfur. He closed his letter to Roosevelt with the words:

"I appreciate the gravity of the situation in the Middle East and if needful, would be glad to see the small amount of money under question devoted to securing the military support of King Ibn Saud. I do not believe, however, that there is any sound business reason for mixing that help

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46"Memorandum by State Department, April 21, 1941." *President Franklin D. Roosevelt's Office Files, 1933-1945. Part 2: Diplomatic Correspondence Files*, Reel 31 Frames 525-530 (microfilm edition, Roosevelt Study Center, Middelburg)

47 *Ibid.*, Frame 526

48 *Ibid.*, Frame 527

49 *Ibid.*, Frame 529

50 *Ibid.*, Frame 529

51 "Navy Department Memorandum by H. A. Stuart, May 17, 1941." *President Franklin D. Roosevelt's Office Files, 1933-1945. Part 2: Diplomatic Correspondence Files*, Reel 31 Frames 521-522 (microfilm edition, Roosevelt Study Center, Middelburg)

up with the purchase of the type of oil produced in that field.”<sup>52</sup>

### IV.3 A Failed Attempt

Following this, the President continued to be “anxious to find a way to do something about this matter”<sup>53</sup>, but in summer 1941, no way was found to fund Ibn Saud directly. The United States were a democracy after all and had to follow the rule of law and “just how we could call that outfit a ‘democracy’ I don’t know”<sup>54</sup> wrote Harry Hopkins to Jesse Jones. Many ways were considered to get money into Saudi Arabia, besides Lend-Lease, an Export-Import Bank loan, and a Reconstruction Finance Company loans<sup>55</sup>. Harry L. Hopkins proposed confidentially to Jesse Jones, Administrator of the Federal Loan Agency, to “use his royalties on the tips he will get in the future on the pilgrims to Mecca”<sup>56</sup>. Roosevelt ultimately wrote to J. Jones on July 18<sup>th</sup> that Saudi Arabia was “a little far afield” for the US<sup>57</sup>. On July 22<sup>nd</sup> 1941, Jesse Jones wrote to Hopkins that there “appears to be no legal way that we can help the King so, with the approval of the President, I suggested to Lord Halifax and Sir Frederick Phillips , also Mr. Neville Butler, that they arrange to continue taking care of the King”<sup>58</sup>. It remains to add that a contemporary observer opined that the true

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52 “Memorandum: Knox for Roosevelt, May 20, 1941.” *President Franklin D. Roosevelt’s Office Files, 1933-1945. Part 2: Diplomatic Correspondence Files*, Reel 31 Frame 523 (microfilm edition, Roosevelt Study Center, Middelburg)

53 “Hopkins to Jones, June 14, 1941.” *President Franklin D. Roosevelt’s Office Files, 1933-1945. Part 2: Diplomatic Correspondence Files*, Reel 31 Frame 543 (microfilm edition, Roosevelt Study Center, Middelburg)

54 Ibid.

55 Anderson 1981, 32

56 “Hopkins to Jones, June 14, 1941.” *President Franklin D. Roosevelt’s Office Files, 1933-1945. Part 2: Diplomatic Correspondence Files*, Reel 31 Frame 543 (microfilm edition, Roosevelt Study Center, Middelburg)

57 “Roosevelt to Jones, July 18, 1941.” United States Department of State. *The British Commonwealth; the Near East and Africa, Volume III (1941). Foreign Relations of the United States Diplomatic Papers, 1941, 643.* University of Wisconsin Digital Collection. <<http://digioll.library.wisc.edu/cgi-bin/FRUS/FRUS-idx?type=browse&scope=FRUS.FRUS1.>>

58 “Jones to Hopkins, July 22, 1941.” *President Franklin D. Roosevelt’s Office Files, 1933-1945. Part 2: Diplomatic Correspondence Files*, Reel 31 Frame 544 (microfilm edition, Roosevelt Study Center, Middelburg)

reason for the proposal's failure were concerns over rousing isolationists' fears of getting over-involved abroad<sup>59</sup>.

But whatever might have been the reason for the decision in 1941 to leave the field to the British, the very fact of it illustrates that Saudi Arabia as a country and its oil reserves in particular were not a primary strategic concern of the United States government then. Throughout the 1941 discussion, the concern about Saudi oil is about its usability as a bargain, never about the very reservoirs' strategic or even geostrategic meaning.

To return to the convergence of the two underlying developments that we mentioned above: Neither the depletion fears in the United States nor the awareness of the extent of Saudi crude oil deposits had grown sufficiently in 1941 to spark a real shift in paradigm in the White House yet. If Ibn Saud were to be stabilized then it would be in order to stabilize the region, to sustain an ally in the war, and to gain a prestigious potential intercessor in the Palestine question – not to consolidate control of a concession. In 1941, Saudi Arabia was considered to have a tertiary meaning to the interest of the USA at best, and if it was of interest at all to the political leadership, it was not so for its oil, but for the prestige and loyalty of its monarch and the usefulness of these qualities to the war effort. For the time being, the oil companies had to resort to making plausible to King Ibn Saud that it was only American Lend-Lease funds to the British that made the increased British payments to Saudi Arabia possible. They sought to make their role appear as large as possible in this indirect support by the United States to the Kingdom via the British, and they tried to stress that it was essentially the oil companies who had engineered this triangular payment scheme. This *modus vivendi* was suboptimal at best for Socal and Texaco, but it was operable for now and ensured Ibn Saud's existence as King of Saudi Arabia and therewith the continued security of their concession and finances.

#### ***IV.4 Depletion Concerns Renewed***

The idea that American oil deposits were being depleted was not new. But in late 1941, the discussion, which had hitherto been framed in the higher political strata as having

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<sup>59</sup> "Memorandum of August 8, 1941." U.S. Congress. *Petroleum Arrangements with Saudi Arabia*, 25445, as cited in Anderson 1981, 32



merely domestic dimensions, was enriched by a new factor: In his memorandum of October 15<sup>th</sup> 60, Deputy Petroleum Coordinator Ralph K. Davies laid out that “in proportion to the demand for petroleum products the petroleum reserves ratio of the United States proper has been diminishing steadily since 1933”. He follows up with this statement::

*We in the United States must face the prospect of acquiring and holding sufficient additional reserves to supply our military and civilian needs in the years ahead, irrespective of whether such reserves are within the borders of the United States or not. That is to say, the United States must have extra-territorial petroleum reserves to guard against the day when our steadily increasing demand can no longer be met by our domestic supply.*<sup>61</sup>

Though in this memorandum Davies aims his gaze at the reserves in Mexico, Colombia, Venezuela, and other Caribbean countries, one can safely claim that this memorandum is one of the early witnesses of a change of paradigm in the mentality of higher level American policy makers, since Harold L. Ickes brought the memorandum to the attention of President Roosevelt barely two months before the attack on Pearl Harbor. Ickes would continue to play a prominent role in pushing forward the awareness of this issue in all fervor and he came to be the man whose name should come to be associated with strong interventionist tendencies in the oil industry. The shift of policy towards Saudi Arabia that took place from 1941 until basically late 1943 and early 1944 is to a great extent connected to his name.

#### **IV.5 President under Increasing Pressure**

The following anecdote is basically the story of an attempt by a political hustler to jump-start his career. It can by no means be appraised as an episode of big historic significance, but deserves mentioning nonetheless, be it only to attest the changing zeitgeist of late 1941 and to serve as

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60 “Memorandum by Ralph Davies, October 15, 1941.” *President Franklin D. Roosevelt’s Office Files, 1933-1945. Part 1: Safe and Confidential Files*, Reel 7 Frame 200 (microfilm edition, Roosevelt Study Center, Middelburg)

61 Ibid.

an indicator or at least illustration of the fact that the said change was apparent not only to a select circle of high-ranking politicians and entrepreneurs, but permeated the intelligentsia – slowly but irresistibly.

On October 24<sup>th</sup>, Princeton librarian J. P. Boyd wrote to FDR<sup>62</sup> about a memorandum authored by a certain Nabih Amin Faris, Princeton faculty member. Faris reiterated in his text<sup>63</sup> the Arab affinity to the democracies and their cause and especially to the non-imperial America. He wrote that the “passive good will or benevolent neutrality can be transformed into active good will”. He goes on that “the key man in the whole situation is this same Ibn Saud” and that “only America can do it”. He claims that the current representation, done by the American representative in Egypt, does “not go beyond the customary exchange of courtesies, an obsolete procedure in this time of active and aggressive diplomacy”. Given the necessity of having an on-location diplomat to communicate with Ibn Saud “in his own tongue, with its own subtleties, shades of meaning, and niceties” Faris altruistically offers himself for the job, “by virtue of my father’s reputation” (his stepfather as he claims was a superregional Arab celebrity)<sup>64</sup>. Roosevelt makes himself very clear in his response:

*I desire to assure you and Mr. Faris that we are alive to the importance of King Ibn Saud in the present situation. [...] The question of accrediting a Minister individually to Saudi Arabia has already received careful consideration on several occasions, and if the desirability of such a step becomes clear, appropriate action will of course be taken. The Honorable Alexander Kirk [...] plans to proceed to Saudi Arabia [...] and with world conditions what they are it is unlikely that his visit will be limited to an exchange of courtesies.*<sup>65</sup>

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62 “Boyd to Roosevelt, October 24, 1941.” *President Franklin D. Roosevelt’s Office Files, 1933-1945. Part 2: Diplomatic Correspondence Files*, Reel 31 Frame 548 (microfilm edition, Roosevelt Study Center, Middelburg)

63 “Letter by Nabih Amin Faris, October 24, 1941.” *President Franklin D. Roosevelt’s Office Files, 1933-1945. Part 2: Diplomatic Correspondence Files*, Reel 31 Frames 549-551 (microfilm edition, Roosevelt Study Center, Middelburg)

64 *Ibid.*, Frame 550

65 “Roosevelt to Boyd, November 3, 1941.” *President Franklin D. Roosevelt’s Office Files, 1933-1945. Part 2: Diplomatic Correspondence Files*, Reel 31 Frame 547 (microfilm edition, Roosevelt Study Center, Middelburg)

Whatever the tonality of his response – it heralds that in disregard of the course of affairs in this year's summer Ibn Saud's shadow was getting longer in America.

## V. WWII – Change comes to America

### V.1 State getting in Motion

In the course of 1942 the petroleum issue gained political momentum and relevance, as it is exemplified for instance by the 100 octane gasoline discussion<sup>66</sup> between essentially FDR and Petroleum Coordinator Harold L. Ickes or, for that matter, by the inland pipeline discussion, too<sup>67</sup>. The Second World War made it crystal-clear to everybody that oil was a scarce resource and that the United States did not dispose of infinite deposits or logistic capacities to export oil and supply all allied armies and its own while retaining heated homes and open gas stations in the domestic realm.

A permanent legation and a consulate were established in Jeddah in April 1942 under James S. Moose, Jr. (he was to be promoted to become Minister Resident one year later). The USA also dispatched an agricultural mission under Karl Twitchell<sup>68</sup> to Saudi Arabia. Furthermore, in August 1942, wartime air transit rights were negotiated with Ibn Saud<sup>69</sup>. Upon that, the head of the Division of Near Eastern Affairs Paul H. Alling initiated new action to make Saudi Arabia eligible for Lend-Lease support and wrote to Dean Acheson that "Dhahran gives every promise of being one of the world's most important oilfields" and that it was "an American interest of highest importance". He added that

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66 "High Octane Gasoline." President Franklin D. Roosevelt's Office Files, 1933-1945. Part 1: Safe and Confidential Files, Reel 7 Frames 202-208 (microfilm edition, Roosevelt Study Center, Middelburg)

67 "American Pipeline." *President Franklin D. Roosevelt's Office Files, 1933-1945. Part 1: Safe and Confidential Files*, Reel 7 Frames 246-248 (microfilm edition, Roosevelt Study Center, Middelburg)

68 Anderson 1981, 45

69 "Air Transit Rights, early 1942." United States Department of State. The Near East and Africa, Volume IV (1942). *Foreign relations of the United States diplomatic papers, 1942*, 559-575. University of Wisconsin Digital Collection. <<http://digicoll.library.wisc.edu/cgi-bin/FRUS/FRUS-idx?type=browse&scope=FRUS.FRUS1>>

“the British Government [...] had been supplying extensive material assistance” and warned about a “definite possibility that the British [...] would [...] require a quid pro quo in petroleum rights at the end of the war”<sup>70</sup>. Acting Secretary of State Dean Acheson forwarded the memorandum to E.R. Stettinius, Jr., who turned to President Roosevelt on February 1<sup>st</sup>, 1943<sup>71</sup>. In his memorandum of that date he lays out to FDR that Saudi Arabia is the only large Middle Eastern country that has not been made eligible yet for Lend-Lease Aid and further points to its strategic position across the direct air route to India and the Far East. Besides another reiteration of Ibn Saud’s sympathy for the cause of the Allies and the United Nations, he adduces the air route rights conceded to the United States. On February 18<sup>th</sup> the President sent a Presidential Directive to Stettinius stating that “I hereby find that the defense of Saudi Arabia is vital to the defense of the United States” and he makes explicit that this is written to “enable you [Stettinius] to arrange for Lend-Lease aid to the Government of Saudi Arabia”<sup>72</sup>. It is notable in this context that oil again seems to not have been of outstanding primary importance in the highest level decision-making, even though it was by now well known that Saudi deposits at least matched those of Iran and Iraq. However, two days before he signed the order to Stettinius, Roosevelt had lunch with Harold Ickes, who noted in his diary that he discussed the matter of Saudi reserves with the President on that day<sup>73</sup>. But whatever be the real reason behind his final decision to sign the order, FDR paved the way for a barring of any potential British designs on Saudi Arabia based on financial pressure. Though Ibn Saud received help primarily as a monarch friendly to the Allied war effort, this help also secured the concession for the time being. Ickes, desiring for the government to gain equity shares in Saudi oil projects, had said to the President on the occasion of their lunch that

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70 “Letter: Acheson to Stettinius, January 9, 1943.”; and “Letter: Stettinius to Acheson, January 12, 1943.” United States Department of State. *The Near East and Africa, Volume IV (1943). Foreign relations of the United States diplomatic papers, 854-855.* University of Wisconsin Digital Collection. <<http://digicoll.library.wisc.edu/cgi-bin/FRUS/FRUS-idx?type=browse&scope=FRUS.FRUS1.>>

71 “Stettinius to Roosevelt, February 1, 1943.” *President Franklin D. Roosevelt’s Office Files, 1933-1945. Part 1: Safe and Confidential Files*, Reel 13 Frames 267-268 (microfilm edition, Roosevelt Study Center, Middelburg)

72 “Roosevelt to Stettinius, February 18, 1943.” *President Franklin D. Roosevelt’s Office Files, 1933-1945. Part 1: Safe and Confidential Files*, Reel 13 Frames (microfilm edition, Roosevelt Study Center, Middelburg)

73 “Diary Entry for February 20, 1943.” Ickes MSS, U.S. Congress, *Petroleum Arrangements with Saudi Arabia*, 25233-36

“the Government ought to have a financial interest in ... [the] ... American oil concession in Arabia, and that there would probably never be a better time to do it than now”<sup>74</sup>. But Ickes had to wait for another half year for the nationalization of American interests in Saudi Arabia to even be considered.

## V.2 Ibn Saud and the Middle East

Ibn Saud had first turned to President Roosevelt in a letter from November 19<sup>th</sup>, 1938, about the Palestine Question, in which he made clear his standpoint that the Jews had no rightful claim to any lands in Palestine<sup>75</sup>.

In early 1943, A. Kirk visited Ibn Saud and the King made clear to him his current view of the Palestine question. He asked Kirk to convey to the President that he as the “leading Arab and Moslem,” had a “special interest in developments in Palestine”<sup>76</sup>. He stated that the “Jews had been hostile to Arabs from time of Prophet Mohamed to present”<sup>77</sup>. In section one of his memorandum Kirk outlined Ibn Saud’s current stance that he remains silent to the subject of Jewish immigration so as not to force the President into a situation where the USA could merely choose whom to offend, Arabs or Jews. This was, however, not a sign of disinterest – on the contrary, the King wanted Roosevelt to know that his silence and inactivity is exclusively due to the situation of war and his great sympathy for the Allied cause, which he did not want to distract as long as the big game was being played. Kirk asked the President in Ibn Saud’s name whether on one hand he endorses this silence and on the other hand he asked Roosevelt to not act unilaterally or even only “respond favorably to the overtures of others” because his own silence then could be interpreted by third parties as apathy or disinterest. So Ibn Saud was more willing to remain inactive and acquiescent in the Palestine than he was willing to admit

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<sup>74</sup> Ibid.

<sup>75</sup> “Ibn Saud to Roosevelt, April 30, 1943.” *President Franklin D. Roosevelt’s Office Files, 1933-1945. Part 1: Safe and Confidential Files*, Reel 8 Frame 232-233 (microfilm edition, Roosevelt Study Center, Middelburg)

<sup>76</sup> “Kirk to the Secretary of State, April 17, 1943.” *President Franklin D. Roosevelt’s Office Files, 1933-1945. Part 1: Safe and Confidential Files*, Reel 8 Frames 247-253 (microfilm edition, Roosevelt Study Center, Middelburg)

<sup>77</sup> Ibid., Frame 247

publicly. What he conveyed to Roosevelt would have been a fatal blow to his prestige in the Moslem world, had it been publicized. Section two of the memorandum lays open Ibn Saud's general Middle Eastern policy, whose cornerstones are disinterest in the acquisition of new territories on one hand and independence for Syria and Palestine as Arab and Moslem nations on the other. He was concerned about the abuse of "pan-Arabism as a means for formation of Iraq Palestine and Syria into a Hashemite bloc"<sup>78</sup> (the Hashemite royal house of Iraq he perceived as traditionally hostile to the house of Saud). He had Kirk convey to Roosevelt his faith in the United States and their goodwill to not let such menace to his Kingdom materialize.

To understand Franklin D. Roosevelt's later mutual fascination and friendship with Ibn Saud, the memorandum yields an interesting and amusingly enchanted passage by A. Kirk, whom the romantic desert monarch had apparently successfully put a spell on with his old-fashioned honor and sheer physical impressiveness (Ibn Saud towered somewhere between six foot two and six foot four and limped heavily due to nine serious battlefield wounds)<sup>79</sup>:

*In transmitting this message from Ibn Saud for the President, it is difficult if not impossible without incurring the criticisms of hyperbole or even emotionalisms, adequately to reflect the sincerity of the King and his profound conviction in the virtue of his own judgment. He is simple, honest and decisive and these qualities transcend the limited formula of his special experience. He believes that we are his friends and to him friendship bespeaks complete confidence. Compromise is inadmissible. He truly feels that his problems are ours and ours are his and in giving this message for the President, he confirmed throughout an absolute faith in the justice of the democracies and a conviction that the order which is to follow their victory will justify that faith.<sup>80</sup>*

The memorandum was forwarded to FDR by Cordell Hull on May 25<sup>th</sup>, 1943<sup>81</sup>.

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78 Ibid, Frame 252

79 Bronson 2006, 37-38

80 "Kirk to the Secretary of State, April 17, 1943." *President Franklin D. Roosevelt's Office Files, 1933-1945. Part 1: Safe and Confidential Files*, Reel 8 Frames 252-253 (microfilm edition, Roosevelt Study Center, Middelburg)

81 "Hull to Roosevelt, May 25, 1943." *President Franklin D. Roosevelt's Office Files, 1933-1945. Part 1: Safe and Confidential Files*, Reel 8 Frame 241 (microfilm edition, Roosevelt Study Center, Middelburg)

On April 30<sup>th</sup> the King followed up with a personal sealed letter to Roosevelt<sup>82</sup> with essentially the same holdings, but also bringing in a very pragmatic perspective by stating that even if Palestine were purged of all Arabs, it still could not absorb and be home to enough Jews so as to solve the Jewish problem. The King reminds FDR of his responding letter of January 9<sup>th</sup>, 1939, in which he did not tackle the Moslem claims made to Palestine in the abovementioned letter from November 19<sup>th</sup> 1938.

In his answer from May 26<sup>th</sup> 1943 (authored in the State Department) Roosevelt confirms the desirability of the said silence and assures the King that “in any case [...] I assure Your Majesty that it is the view of the Government of the United States that no decision altering the basic situation of Palestine should be reached without full consultation with both Arabs and Jews”<sup>83</sup>. In another telegram dated June 15<sup>th</sup>, the President confirms this basic assurance and adds that it appears desirable to him that “the Arabs and Jews interested in the question should come to a friendly understanding with respect of matters affecting Palestine through their own efforts prior to the termination of the war”<sup>84</sup>.

### V.3 Playing Games

In his eleven-page memorandum of June 9<sup>th</sup>, Brigadier General Patrick Hurley reported from his long conference with Ibn Saud<sup>85</sup>. He, too, was evidently intrigued by the charismatic King and wrote: “Ibn Saud is the wisest and strongest of all the leaders I have met in the Arab states”<sup>86</sup>. Just as he had done with A. Kirk, the King had impressed his

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82 “Ibn Saud to Roosevelt, April 30, 1943.” *President Franklin D. Roosevelt’s Office Files, 1933-1945. Part 1: Safe and Confidential Files*, Reel 8 Frame 232-238 (microfilm edition, Roosevelt Study Center, Middelburg)

83 “Roosevelt to American Legation in Cairo, May 26, 1943.” *President Franklin D. Roosevelt’s Office Files, 1933-1945. Part 1: Safe and Confidential Files*, Reel 8 Frames 239-240 (microfilm edition, Roosevelt Study Center, Middelburg)

84 “Roosevelt to Ibn Saud, June 15, 1943.” *President Franklin D. Roosevelt’s Office Files, 1933-1945. Part 1: Safe and Confidential Files*, Reel 8 Frame 228 (microfilm edition, Roosevelt Study Center, Middelburg)

85 “Hurley to Roosevelt, June 9, 1943.” *President Franklin D. Roosevelt’s Office Files, 1933-1945. Part 4: Subject Files*, Reel 17 Frames 223-233 (microfilm edition, Roosevelt Study Center, Middelburg)

86 *Ibid.*, Frame 223

American guest with claptrap: To put his guest on the grandstand, the King spectacularly dismissed all persons and advisers present at the conference except for his personal interpreter and the guest to have a “secret conference”<sup>87</sup> with him. Given the repeated application of this move, one cannot help but suspect that it was part of a cunning medieval play designed to impress medium-ranking functionaries and to give them a taste of importance. But not only in his style of communication, also in its content does Ibn Saud make the impression of a diplomatically astute negotiator, able to play off the rivaling Western powers against each other: In the first-mentioned long memorandum, Hurley mentioned that the King has “great confidence in the United States” and that he “looks to America and to you [Roosevelt] for the benevolent friendship which his nation needs”. He added that “while the King did not express bitter hostility toward Britain, he expressed the opinion that the British government still intends to force imperialistic rule on the Arab states”<sup>88</sup>. So far, so good, but interestingly enough, that very same Ibn Saud would express in equal confidentiality and secretiveness to the British Minister Jordan that he “preferred Britain to guide the destinies of the Arab States rather than America ... [because of Britain’s] ... long record of co-operation with and friendship for the Arabs”<sup>89</sup> and also that he was “cautious towards the Americans [...] because [...] the shadow of Zionism loom[ed] behind all their activities in the Middle East”<sup>90</sup>. Hence, looked at in the light of day, the seemingly archaic nobleman of honor knew the rules of the modern diplomatic game rather well and despite all rhetoric of genuine friendship was a realist when it came to foreign relations and their execution. Hurley wrote that “the King has stated definitely that he wishes the petroleum resources of Saudi Arabia to be developed by American interests only”<sup>91</sup>.

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87 *Ibid.*, Frame 224;

“Kirk to the Secretary of State, April 17 1943.” President Franklin D. Roosevelt’s Office Files, 1933-1945. Part 1: Safe and Confidential Files, Reel 8 Frame 247 (microfilm edition, Roosevelt Study Center, Middelburg)

88 “Hurley to Roosevelt, June 9, 1943.” *President Franklin D. Roosevelt’s Office Files, 1933-1945. Part 4: Subject Files*, Reel 17 Frames 223-224 (microfilm edition, Roosevelt Study Center, Middelburg)

89 “Annual Report on Saudi Arabia for 1943: Letter Jordan to Eden, February 28, 1944.” *Foreign Office*. V40283, E1293/129325, FO/371

90 “Annual Report on Saudi Arabia for 1944: Letter Jordan to Eden, February 9, 1945.” *Foreign Office*. V45546, E952/952/25, FO/371

91 “Hurley to Roosevelt, June 9, 1943.” *President Franklin D. Roosevelt’s Office Files, 1933-1945. Part 4: Subject Files*, Reel 17 Frame 228 (microfilm edition, Roosevelt Study Center, Middelburg)



But to get the Americans to do so as fast and profitably as possible, it could not do any wrong to foster fears of British overtures to him, now, could it? This would not be the last time that Ibn Saud arranged for Anglo-American competition to play out in a way useful to his regime. In fact, it will be shown below that the King skillfully had the two Great Powers build up a virtual hostility over his favor, and the dimension of this competition was to be economic and financial aid to him.

However, it was not only the Saudi leader that wanted to run with the hare and hunt with the hounds at the same time. While enjoying the King's cordialities and hospitality which the latter offered to his American guest because his hopes were high that his oil resources were being developed by "an American company or companies that would be completely subjected to the authority of Saudi Arabia rather than any other Government" Brigadier General Hurley wrote on the very same occasion:

*I am, however, rather inclined to the opinion that eventually American oil companies developing foreign resources must be subjected to a degree of supervision by the American government. Such companies also must have a degree of protection in foreign countries by their own government. Finally, the American government will have to acquire a degree of ownership of American companies operating in foreign territory sufficient to assure governmental supervision without destroying private ownership or private initiative.<sup>92</sup>*

Petroleum Coordinator Ickes would aspire to much more than that in the period to come.

For the time being, a little bit of political fuzz was created over P. Hurley's visit to Ibn Saud in August by a Jewish American called Drew Pearson. The latter published in several newspapers a column with the following statement: "Ibn Saud, now recognized as the most powerful of all Arabs, gave Hurley some strong words against the Jews in Palestine, saying he was determined to drive them from all Arab lands. Hurley reported that he had told Ibn Saud diplomatically that he was in agreement."<sup>93</sup>

Hurley received hate mail from various Zionists as a corollary and was also threatened by Senators with a Congressional Investigation. He noted that the Jewish attack

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<sup>92</sup> Ibid.

<sup>93</sup> "Hurley to Roosevelt, August 20, 1943." *President Franklin D. Roosevelt's Office Files, 1933-1945. Part 4: Subject Files, Reel 17* Frame 236-237 (microfilm edition, Roosevelt Study Center, Middelburg)

on him was “absurd” and that he had not answered any of the letters. He assured Roosevelt that the King has never made any such statement and that he never replied with such statement to the King<sup>94</sup>. Roosevelt, addressing the Brigadier General as “Dear Pat”<sup>95</sup>, backed him up against the attacks and forwarded the entire correspondence to the Secretary of State, commenting that “I think that in some way the State Department should issue a public warning to the general effect that Mr. Pearson is not to be believed in anything that he writes”<sup>96</sup>.

Whatever be the truth in this matter – this little episode, its penetration all the way up to the President, and the latter’s degree of interest in it indicates the increasing politicization of the Middle East and Saudi Arabia, though much of its explosiveness is ultimately rather imputable to the relevance of the Palestine question in combination with the role that American Jews played in politics. But nonetheless, it shows quite well from how many sides the President and others with policy-making competence were under siege, narrowing down their discretion. Saudi Arabia, its oil, and its leader’s opinion on the Palestine problem became increasingly important to American politics and American public opinion.

#### **V.4 State Activity Soaring**

British activity in Saudi Arabia and the Middle East was welcomed and even encouraged at the beginning of the world war by America’s officials. However, US ambitions there as well as American perceptions of British activity in the area took a very different shape in 1943. The British were increasingly seen as self-interested rivals who might encroach upon Ibn Saud and his concession by levying their financial and economic influence<sup>97</sup>. This perception was at least welcomed, if not actively conjured up by Ibn Saud.

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94 Ibid.

95 “Roosevelt to Hurley, August 30, 1943.” *President Franklin D. Roosevelt’s Office Files, 1933-1945. Part 4: Subject Files, Reel 17 Frame 235* (microfilm edition, Roosevelt Study Center, Middelburg)

96 “Memorandum: Roosevelt to the Secretary of State, August 30, 1943.” *President Franklin D. Roosevelt’s Office Files, 1933-1945. Part 4: Subject Files, Reel 17 Frame 234* (microfilm edition, Roosevelt Study Center, Middelburg)

97 “Hurley to Roosevelt, June 9, 1943.” *President Franklin D. Roosevelt’s Office Files, 1933-1945. Part 4: Subject Files, Reel 17 Frames 227-228* (microfilm edition, Roosevelt Study Center, Middelburg)

Awareness of the depletion issue was rising too, as the war illustrated even to the least educated that the future belonged to machines. The depletion of domestic reserves was getting more acutely visible due to the war. Finally, the international implications of this were getting to be appreciated in highest level politics. On June 14<sup>th</sup>, 1943, the Secretary of State wrote a memorandum to the President building up on a similar memorandum from June 8<sup>th</sup> authored by the Joint Chiefs of Staff and one from Admiral Leahy from June 11<sup>th</sup>. The basic topic was the arisen necessity for the USA to control crude oil deposits abroad: "For many years past the Department of State has recognized the imperative necessity, now set forth in the memorandum of the Joint Chiefs of Staff, that this country possess adequate foreign petroleum reserves – both in peace and war situations."<sup>98</sup>

On June 26<sup>th</sup> then, Secretary of State Cordell Hull, Secretary of War Henry L. Stimson, Acting Secretary of the Navy James Forrestal, and the notorious Harold L. Ickes, Secretary of the Interior co-authored a short but clear text for the President that had originated from a meeting in the office of Justice Byrnes<sup>99</sup>. They wrote about the "imperative need to assure adequate foreign reserves" and – for the first time this clear connection is made – they "gave particular attention to the situation in Saudi Arabia". Most importantly they urged for the "creation of a Petroleum Reserves Corporation". The national budget deadline being July 1<sup>st</sup>, the President – curiously enough – had apparently not even read the letter yet on the 29<sup>th</sup> of June<sup>100</sup>. In the enclosure to their letter the decisive ends is formulated:

*The interest to be acquired by our government in the Saudi Arabian oil reserves shall be the ownership of 100% of the stock of the corporation now owning the oil concessions"<sup>101</sup>. Later that day FDR succinctly*

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98 "Memorandum: Roosevelt to Byrnes, June 23 1943." *President Franklin D. Roosevelt's Office Files, 1933-1945. Part 4: Subject Files, Reel 6 Frame 528* (microfilm edition, Roosevelt Study Center, Middelburg)

99 "Hull, Stimson, Forrestal, and Ickes to Roosevelt, June 26, 1943." *President Franklin D. Roosevelt's Office Files, 1933-1945. Part 4: Subject Files, Reel 6 Frame 529* (microfilm edition, Roosevelt Study Center, Middelburg)

100 "Memo for Grace Tully, June 29, 1943." *President Franklin D. Roosevelt's Office Files, 1933-1945. Part 3: Departmental Correspondence Files, Reel 2 Frame 10* (microfilm edition, Roosevelt Study Center, Middelburg)

101 "Recommendations as to Petroleum Reserves, 25 June, 1943." United States Department of State. *The Near East and Africa Volume IV* (1943). *Foreign Relations of the United States Diplomatic Papers, 1943,*

*responded: "I approve this and ask that it be carried out today, in view of the deadline. FDR"*<sup>102</sup>

Thus, the Petroleum Reserves Corporation was created.

"The purpose of the corporation is to acquire petroleum, petroleum products and petroleum reserves outside the continental United States. [...] The objective is to look ahead, in the misfortunate event of a prolonged war."<sup>103</sup> The last sentence was added by FDR to J. Jones' proposal to make a public statement concerning its creation and then approved. But the PRC's more concrete purpose was the acquisition of Casoc, just as H. Ickes, Undersecretary of the Navy William C. Bullitt, Secretary of the Navy F. Knox, and Secretary of War H. L. Stimson had hoped. The PRC was to form effectively what the British had with the AIOC. Opposed to this British-imperial interventionism was – among of course the independent competing oil companies, who feared competition with a company backed by the American government<sup>104</sup>. He favored a negotiated treaty with the British to develop rationally and equitably the oilfields of the Middle East, just the way B. H. Jackson proposed to J. T. Duce (see below).

Meanwhile, the President sent a certain Colonel Harold Hoskins to Ibn Saud to discuss on his behalf "matters of mutual interest" with the King.<sup>105</sup> The former's memorandum of conversation sent to Roosevelt on August 16<sup>th</sup>, 1943, restated the King's view that an Arab Federation after the war would be basically in his will but that since he did not intend to extend his reign to Transjordan, Syria, or Palestine it would for the sake of balance be undesirable to

925. University of Wisconsin Digital Collection.  
<<http://digicoll.library.wisc.edu/cgi-bin/FRUS/FRUS-idx?type=browse&scope=FRUS.FRUS1>>

102 "Memorandum: Roosevelt to Secretary of Commerce, June 29, 1943." *President Franklin D. Roosevelt's Office Files, 1933-1945. Part 3: Departmental Correspondence Files*, Reel 2 Frame 9 (microfilm edition, Roosevelt Study Center, Middelburg)

103 "Memorandum for the President, July 1, 1943." *President Franklin D. Roosevelt's Office Files, 1933-1945. Part 3: Departmental Correspondence Files*, Reel 2 Frame 8 (microfilm edition, Roosevelt Study Center, Middelburg)

104 Anderson 1980, 42

105 "Roosevelt to Ibn Saud, July 7, 1943." *President Franklin D. Roosevelt's Office Files, 1933-1945. Part 2: Diplomatic Correspondence Files*, Reel 31 Frame 569 (microfilm edition, Roosevelt Study Center, Middelburg)

allow the Hashemite family to do so<sup>106</sup>. In a longer memorandum of September 27<sup>th</sup> Hoskins (who the King was very impressed with, see Letter from Ibn Saud to FDR<sup>107</sup>) explicates his thoughts and experiences. He firstly deals with what has been called Ibn Saud's silence above. Ibn Saud had been approached in the meantime by Harry St. John Philby who in the name of Dr. Chaim Weizmann had effectively tried to bribe the Saudi King into acquiescence concerning Jewish immigration to Palestine<sup>108</sup>. Hoskins clarified on behalf of the King that such overtures were fraudulent to the King and that it was only his loyalty to the Allied and American cause that had kept him quiet. Hoskins also conveyed that the King resented "even the implication, which of course he did not believe, that you [Roosevelt] had any part in the attempted bribe"<sup>109</sup>. Besides this purely political or diplomatic issue, the paper stated that "we are for the first time developing some fundamental postwar economic interests of a long-term character in the Middle East and particularly in Saudi Arabia"<sup>110</sup>. But besides this short remark, in his entire eleven-page-memorandum oil and economic issues are not of major concern. Hoskins e.g. compared the organizational structure of the British and the French in the Middle East to that of the Americans, concluding that America has to better coordinate her activities in that region (and rightfully so: As late as 1944 the American Department of State disposed of merely three language experts in the Division of Near Eastern Affairs!<sup>111</sup>). All in all, the supreme importance of Saudi oil is not accounted for in this or most of the other reports from diplomats dispatched to Saudi Arabia. Importance is indeed attached to Saudi Arabia, but in the context of Ibn Saud's prestige and its usefulness to settle the Palestinian problem.

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106 "Memorandum of Conversation: Hoskins to Roosevelt, August 16, 1943." *President Franklin D. Roosevelt's Office Files, 1933-1945. Part 2: Diplomatic Correspondence Files*, Reel 31 Frame 592-593 (microfilm edition, Roosevelt Study Center, Middelburg)

107 "Letter: Ibn Saud to Roosevelt." *President Franklin D. Roosevelt's Office Files, 1933-1945. Part 2: Diplomatic Correspondence Files*, Reel 31 Frame 575 (microfilm edition, Roosevelt Study Center, Middelburg)

108 "Memorandum by Hoskins, 1943." *President Franklin D. Roosevelt's Office Files, 1933-1945. Part 2: Diplomatic Correspondence Files*, Reel 31 Frames 587-591 (microfilm edition, Roosevelt Study Center, Middelburg)

109 "Hoskins to Roosevelt, September 27, 1943." *President Franklin D. Roosevelt's Office Files, 1933-1945. Part 2: Diplomatic Correspondence Files*, Reel 31 Frame 597-607 (microfilm edition, Roosevelt Study Center, Middelburg)

110 *Ibid.*, Frame 602

111 Miller 1980, 21

Hoskin's mission to find out Ibn Saud's willingness to acquiesce into the installment of a Jewish state was successful insofar as the King categorically refused to even meet Dr. Weizmann over this matter. It must be noted here that later documents by the latter and by Philby draw a different picture of the King's categorical attitude. On December 13<sup>th</sup>, 1943, Weizmann wrote to Sumner Welles about the matter:

*As you will see from the enclosed letter from Mr. Philby, he had put his schemer [for buying acquiescence] before Ibn Saud on January 8<sup>th</sup>, 1940. Ibn Saud replied that he would consider it, if it came to him as a firm offer, but that he would disavow Mr. Philby if this attitude was prematurely divulged. Clearly he feared opening himself to attack by rivals in the Arab world on account of a scheme which might never reach the stage of practical consideration.<sup>112</sup>*

Philby himself wrote to Weizmann that the King had told him "that some such arrangements might be possible in appropriate future circumstances," and that he himself "should not breathe a word about the matter to anyone – least of all to any Arab"<sup>113</sup>. This paper does not have the ambition to judge which of these positions approaches the true considerations of the Arab leader better; it shall merely serve to expose the conflicting realities and the "torturous ways of diplomacy", as Philby put it. He closed with the words that "I guarantee (for what my guarantee is worth) that the suggested firm offer will be accepted if made by any reasonably intelligent person of indisputable goodwill on behalf of the two governments concerned.

In the same summer 1943, James Terry Duce, at the time Director of the Foreign Division of the Petroleum Administration for War and Vice President of Casoc, met up with B. H. Jackson of the Anglo-Iranian Oil Company, Ltd. He reported that Jackson "had thought that it might be an advantageous time for the British and American governments to get together to discuss the entire problem of

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112 "Weizmann to Welles, December 13, 1943." *President Franklin D. Roosevelt's Office Files, 1933-1945. Part 2: Diplomatic Correspondence Files*, Reel 32 Frames 10-11 (microfilm edition, Roosevelt Study Center, Middelburg)

113 "Extracts from a Statement sent to Weizmann by Philby, November 17, 1943." *President Franklin D. Roosevelt's Office Files, 1933-1945. Part 2: Diplomatic Correspondence Files*, Reel 32 Frames 12-14 (microfilm edition, Roosevelt Study Center, Middelburg)

petroleum in the Near East now because he doubted if after the war a suitable arrangement could be consummated”<sup>114</sup>. In a memorandum that he attached to his Aide Memoire he wrote to Ickes that he believed geologists could make an estimate of the deposits in the Persian Gulf well in excess of the 20 billion barrels proved in the United States, were they given access to comprehensive data on the region. Invoking the fact that this area was “the center of world prosperity and civilization ... [until] ... the Genghis Khan’s generals destroyed the irrigation systems of Mesopotamia” he thought that this “area will have a tremendous influence on the commerce and well being of the world” and that “some steps should be taken by these governments to guide the development of the future”<sup>115</sup>. Jackson and the AIOC increasingly feared for the controllability of the postwar market and – in case of excessive competition and therewith dropping prices and royalties – for the stability of the entire Middle East. Cheap oil meant low royalty payments and low royalty payments meant potential instability. From a geopolitical point of view, there was also the urge to involve and commit the Americans in the vital Middle East against the backdrop of potential Russian ambitions<sup>116</sup>. But for now, the mentality in Washington was of a different kind, powered by the ardent H. Ickes and his PRC, who took up the fight against the oil companies and tried to purchase them instead of searching for a treaty agreement with the British to bring order into a free Middle Eastern market. However, if the administration of such an agreement were to “fall within the lap of the British and American Oil Agencies rather than under the auspices of the State Department”<sup>117</sup>, Ickes would actually also consider this approach. We would be so courageous as to speculate that Harold Ickes would have been willing to be an active driving force behind any design that included oil and the American state. It has been speculated that all later fuzz about the Petroleum Reserves Corporation was ultimately not intended by Ickes to succeed as an end in itself but to serve as a means of direct pressure

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114 “Aide Memoire by J.T. Duce, August 9, 1943.” *President Franklin D. Roosevelt’s Office Files, 1933-1945. Part 2: Diplomatic Correspondence Files*, Reel 32 Frames 85-88 (microfilm edition, Roosevelt Study Center, Middelburg)

115 “Memorandum for Ickes by Duce, August 13, 1943.” *President Franklin D. Roosevelt’s Office Files, 1933-1945. Part 2: Diplomatic Correspondence Files*, Reel 32 Frame 84 (microfilm edition, Roosevelt Study Center, Middelburg)

116 Yergin 1993, 400

117 “Letter: Wilkinson to Brown, September 29, 1943.” *Foreign Office*, V34210, A9286/3410/45, FO/371

on the British in bilateral talks over an Anglo-American oil treaty. This view would be consistent with Ickes' later activity in the policy-finding process to the effect of such a bilateral treaty, even though this process took place in a time of grim fighting between Ickes and the PRC on one hand and Hull and the Department of State (then favoring the bilateral agreement) on the other (see below).

Given all these developments, the year 1943 can be seen as the single most important year in terms of shifting awareness and policy towards Saudi Arabia. It is in this year that Harold Ickes started to champion his cause of an active state in oil matters more assertively. On August 18<sup>th</sup> he wrote to the President that "next to winning the war, the most import matter before us as a Nation was the world oil situation" 118. He added that "our supplies are falling below demand. Therefore, it behooves us to find supplies of crude oil elsewhere." Ickes had already pressured Roosevelt on June 10<sup>th</sup> the way he had done the past winter by writing that "by the end of 1944 we shall be unable to produce sufficient crude oil to meet the petroleum requirements of the armed services and [...] civilian economy" 119. He had pushed for "immediate action to acquire proprietary interest in foreign petroleum reserves". British interference of a "sovereign character" was to be matched by American intervention of an "equally sovereign character" on the Peninsula. The idea of having the Petroleum Reserves Corporation buy a "controlling interest by the U.S. Government in Saudi Arabian oil concession" had been around since the abovementioned memorandum pertinent to the topic by the Joint Chiefs of Staff<sup>120</sup> (which had helped to get the PRC started).

But now that Ickes had a political instrument in his hand to do the job (i.e. the PRC) he had to realize that many people ardently resisted his urge to nationalize Casoc. Already prior to the final proposal to Roosevelt there had been quite some infighting between majorly Ickes and Knox on one hand and Dr. Herbert Feis on the other, who had

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118 "Ickes to Roosevelt, August 18, 1943." *President Franklin D. Roosevelt's Office Files, 1933-1945. Part 2: Diplomatic Correspondence Files*, Reel 32 Frame 83 (microfilm edition, Roosevelt Study Center, Middelburg)

119 "Letter: Ickes to Roosevelt, June 10 1943." U.S. Congress. *Petroleum Arrangements with Saudi Arabia*, 25237-238, as cited in Anderson 1981: 53

120 "Memorandum from the Joint Chiefs of Staff to President Roosevelt, June 8 1943." United States Department of State. *Foreign relations of the United States diplomatic papers, 1943. The Near East and Africa*, Volume IV (1943), 890F.6363/78



(without ultimate success) championed an option-contract model that would potentially have been more digestible for the competing oil firms. Feis had succeeded in pushing through a State Department veto for any overseas action of the PRC ("The Corporation shall not embark on any major projects or undertakings without receiving the prior approval of the Secretary of State"<sup>121</sup>) but Hull had not shown himself very willing to back Feis in the question of how the PRC would go about<sup>122</sup>, and so it had happened that Ickes' side had prevailed and that an interest was to be purchased in Casoc and Gulf Oil.

Multiple chains of events contributing to the outcome and contradicting primary sources make it inappropriate within the framework of this essay to try to untangle how exactly the PRC failed in its attempt to purchase Casoc – but it did<sup>123</sup>. In how far Social and Texaco were willing to sell nothing at all or only a minority interest to the PRC is unclear. The entire PRC affair was mired by political infighting – be it over staffing, funding, military relevance, or the actual negotiations with the lobbying-prone oil corporations. The role that Socony-Vacuum and Jersey played is unresolved and the interaction with a plan by the Army-Navy Petroleum Board to construct a \$100,000,000 refinery in Ras Tanura, Saudi Arabia<sup>124</sup>, is complicated and hard to penetrate without legal knowledge. In any case, the attempts to purchase Casoc failed in October. The State Department did not really support the PRC, the take-over candidates resisted the PRC's plan as much as their competitors opposed it, and the public were critical of such interventionist policies as well. Although this is pure speculation, a British-style active role of the American government would most probably not even have made the United States' position in Saudi Arabia better. Ibn Saud mistrusted the American government much less than the

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121 "Recommendations as to Petroleum Reserves, 25 June, 1943." United States Department of State. The Near East and Africa Volume IV (1943). *Foreign Relations of the United States Diplomatic Papers, 1943*, 926. University of Wisconsin Digital Collection. <<http://digioll.library.wisc.edu/cgi-bin/FRUS/FRUS-idx?type=browse&scope=FRUS.FRUS1.>>

122 Anderson 1980, 53

123 "Ickes Fails to Get Share in Arabian Oil; Firms Holding Rights Bar Government Role." *New York Times (1857-Current file)*; November 13, 1943. Special to THE NEW YORK TIMES. ProQuest Historical Newspapers The New York Times (1851-2005), 8. Consulted at the RSC Middelburg

124 "Memorandum: Feis to the Secretary of State, July 26, 1943." United States Department of State. The Near East and Africa Volume IV (1943). *Foreign relations of the United States diplomatic papers, 1943*, 933-34

British, but he was suspicious nonetheless. It is up to counterfactual historians to determine whether the total benefits would have out-weighed the disadvantages. But it can be treated as certain that the PRC's purchase of Casoc would also have provoked irritations in the foreign relations with Saudi Arabia.

When it became apparent that Ickes' mission with the PRC was abortive, Roosevelt requested a detailed memorandum on the landscape of concessions and concessionaires in the Middle East. He received such a memorandum by Under Secretary of State Stettinius on November 8<sup>th</sup>, 1943<sup>125</sup>. The military necessity to erect a refinery in that region of the world was unaltered and the memorandum made it very clear to the President that America had a stake there through Casoc, the Bahrain Petroleum Company, and the Kuwait Oil Company. Stettinius' memorandum mentioned the possibility of as many as 50 billion barrels of crude oil in Saudi Arabia and closed that it is "desirable that some general understanding be reached between the British and American Governments regarding Middle Eastern petroleum questions". Secretary Hull followed up on that memorandum on December 8<sup>th</sup> with a short note that the Middle Eastern oil resources "cannot be adequately developed unless the United States and British Governments reach an agreement providing for close cooperation" <sup>126</sup>. Ickes had failed and seemed to be politically defeated, so now it was Hull's turn to solve the problem with the approach he favored – and as a glaring political victor in the internal fight with Ickes. Hull informed the President in the said follow-up letter that on December 2<sup>nd</sup>, he had invited the British government to designate representatives for talks on that matter and also that the British had positively perceived his overture. The discussions were to be held on staff level. Ickes was not to sit at the table.

Far from being broken, Ickes subsequently wrote to the President on December 27<sup>th</sup> that he was "glad that Secretary Hull has started the ball rolling with the British," and that he hoped that the "proposed conferences get going

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125 "Memorandum: Stettinius to Roosevelt, November 8, 1943." *President Franklin D. Roosevelt's Office Files, 1933-1945. Part 4: Subject Files*, Reel 40 Frames 292-293 (microfilm edition, Roosevelt Study Center, Middelburg)

126 "Hull to Roosevelt, December 8, 1943." *President Franklin D. Roosevelt's Office Files, 1933-1945. Part 3: Departmental Correspondence Files*, Reel 20 Frame 885 (microfilm edition, Roosevelt Study Center, Middelburg)

speedily”<sup>127</sup>. He also wrote that he will not feel like using Mr. Davies on this commission as his representative due to the latter’s former oil interest. Much rather, he would become a member of this commission himself, not only because of his “greater interest in the subject matter” and his “better advisory staff on oil”, but also because – as he puts it – “in a sense, this is my baby”. Ickes re-clarified his well-known position and sense of urgency in the matter, but C. Hull unflinchingly wrote to Roosevelt on January 1<sup>st</sup>, 1944, that he would designate the State Department’s Petroleum Adviser as chairman of the work-group and his Chief of the Near Eastern Division as second member and that Ickes should also send a subordinate<sup>128</sup>. Ickes of course fundamentally opposed in a memorandum to the President of January 4<sup>th</sup><sup>129</sup>. He wrote that he was “sure that nothing will come of discussions concerning this critical problem which are initiated at the staff level”. Ickes really believed in the importance of the Middle East as a key strategic region and he believed that a consensus with the ever-expansive British would have to be found on that region as long as the war was going on; otherwise this window in time would close again. He thought that the “oil problems in the Middle East require bold and vigorous action by the Governments concerned”. He closed with the words that the “detailed work can be handled through alternates; but the problems are of such magnitude and the only constructive answers are of such a scale as to require the prestige and direction of top-ranking officials”. Ickes would prefer to meet up with Hull and FDR personally and to discuss with the British on cabinet level.

Hull shot back just one day later on January 5<sup>th</sup><sup>130</sup>. He reminded FDR that he had already given his consent to the proposal of December 8<sup>th</sup> and that he had also done so in response to his designations of January 1<sup>st</sup>. Hull went on

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127 “Ickes to Roosevelt, December 27 1943.” *President Franklin D. Roosevelt’s Office Files, 1933-1945. Part 3: Departmental Correspondence Files*, Reel 20 Frame 890 (microfilm edition, Roosevelt Study Center, Middelburg)

128 “Hull to Roosevelt, January 1, 1944.” *President Franklin D. Roosevelt’s Office Files, 1933-1945. Part 3: Departmental Correspondence Files*, Reel 20 Frame 884 (microfilm edition, Roosevelt Study Center, Middelburg)

129 “Memorandum: Ickes to Roosevelt, January 4, 1944.” *President Franklin D. Roosevelt’s Office Files, 1933-1945. Part 2: Diplomatic Correspondence Files*, Reel 32 Frames 80-81 (microfilm edition, Roosevelt Study Center, Middelburg)

130 “Hull to Roosevelt, January 5, 1944.” *President Franklin D. Roosevelt’s Office Files, 1933-1945. Part 2: Diplomatic Correspondence Files*, Reel 32 Frame 79 (microfilm edition, Roosevelt Study Center, Middelburg)

that it “is strongly felt that these conversations with the British should be conducted at the staff level as is done in the case of all similar international discussions of a technical nature”. The Secretary of State meant to keep Ickes off the oil matter, probably seeing his chance to fully usurp this prestigious subject for his Department. On that very same 5<sup>th</sup> of January 1944, Hull wrote directly to Harold Ickes<sup>131</sup>. Hull, who was among the initiators and original driving signatories behind the PRC, now diplomatically let Ickes know that he deemed the upcoming conversations with the British as a better means to achieve the ends of the PRC. He innocently continued that at the present point in time, it is impossible to determine whether any actions by the PRC to purchase any interest in any American oil company operating abroad would not perhaps jeopardize the talks with the British. Since the result of successful negotiations with the British would oust the PRC by solving the problem that is the latter’s right of existence, Hull indirectly asked Ickes to abort his mission altogether by stating that “negotiations of the Petroleum Reserves Corporation with the California Arabian Standard Oil Company and with the Gulf Oil Company, for the purpose of arranging participation by this Government in those companies or their foreign reserves, should be held in abeyance, and that no similar negotiations should be undertaken with any other company at this time”<sup>132</sup>. He closed by putting Ickes off with the words “If developments growing out of the forthcoming conversations with the British Government should indicate that negotiations of the aforementioned nature should be again considered or that some alternative course might be advantageously examined as being within the scope of operations of the Petroleum Reserves Corporation, the Department, of course, will be glad to discuss the subject through its representative on the Board of Directors of the Corporation.”

So Hull really wanted to use Ickes recent failure to cut him down to size and put him in his place – outside of foreign politics. Ickes should not interfere with foreign policy of any kind anymore; foreign oil was to be State Department matter now. Ickes of course responded in comparable verve<sup>133</sup>, reminding Hull that he had been one of the

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131 “Hull to Ickes, January 5, 1944.” *President Franklin D. Roosevelt’s Office Files, 1933-1945. Part 2: Diplomatic Correspondence Files*, Reel 32 Frames 64-65 (microfilm edition, Roosevelt Study Center, Middelburg)

132 *Ibid.*, Frame 65

133 “Ickes to Hull, January 7, 1944.” *President Franklin D. Roosevelt’s Office Files, 1933-1945. Part 2: Diplomatic Correspondence Files*, Reel

initiators of the PRC and that Hull's current behavior stood in contradiction to his past engagement and to presidential directives. He pointed out that the State Department must have been aware of the inevitability of talks with the British on the situation of oil in the Middle East and that no new facts were named by Hull to justify his sudden change of mind concerning the PRC's program. He also made clear that he "cannot, of course, agree that it be abandoned – which is what your [Hull's] letter really suggests – unless I receive a direction to that effect from the President". Hull, working toward this to happen, followed up on January 8<sup>th</sup> with a letter to the President stating that "I believe that negotiations of the Petroleum Reserves Corporation looking to governmental participation in companies having foreign reserves should be held in abeyance"<sup>134</sup>. The infighting found no end. Roosevelt half-heartedly addressed the problem by writing on January 10<sup>th</sup> <sup>135</sup>:

*It is, of course, true that the State Department should handle, in general, matters relating to foreign affairs – but at the present time I think it is vital that we should go ahead with some speed in negotiating with the American companies, in order to find out just where the United States stands before we take the matter up with the British.*

He asked helplessly: "Can't we agree on a policy and on the method of putting it into effect?" It was British style against agreement with the British, Hull and part of the industry against Ickes and the PRC. At this point the conflict became so highly complex and took place at so many alternative levels of organization with competing truths and interpretations, that an attempt to base its account on primary sources would go beyond any reasonable scope of the format of our work. A comprehensive narrative of the infighting over which oil policy the United States should pursue would fill a book even if only late 1943 and 1944 were examined. The project of purchasing a controlling

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32 Frames 66-67 (microfilm edition, Roosevelt Study Center, Middelburg)

134 "Hull to Roosevelt, January 8, 1944." *President Franklin D. Roosevelt's Office Files, 1933-1945. Part 2: Diplomatic Correspondence Files*, Reel 32 Frame 60 (microfilm edition, Roosevelt Study Center, Middelburg)

135 "Memorandum to Hull and Ickes by Roosevelt, January 10, 1944." *President Franklin D. Roosevelt's Office Files, 1933-1945. Part 2: Diplomatic Correspondence Files*, Reel 32 Frame 61 (microfilm edition, Roosevelt Study Center, Middelburg)

interest in an American oil company operating abroad ultimately failed due to strong resistance from domestic competitors, especially the Texas independents<sup>136</sup>, and due to resistance from the Department of State. Ickes first rolled back to joining Hull in attempting to become the directing head behind the negotiations with the British, proposing i. a. to Roosevelt his blueprints for an agreement with the British that would, as he believed, also “have industry support”<sup>137</sup>. He subsequently came to champion the plan of getting the US government into a \$120,000,000 pipeline deal with Soconal, Texas, and Gulf Oil to better supply the European war theater with Middle Eastern oil. A side-effect of this would certainly have been that any comprehensive negotiations with the British about the Middle East would only have been feasible with the President of the PRC, who would have controlled that pipeline. Ickes would have gained a new, long lever to make himself indispensable for any designs by Hull. It would have become impossible for Hull to exclude Ickes or even just relegate him to the second row in the negotiations with the British. But once D-Day worked out to be a success Ickes lost the important military backing of the Joint Chiefs of Staff for the pipeline-project, which was now no longer militarily essential. The pipeline project ultimately faded as the central cause of the PRC and the PRC itself in a comparably nasty political battle.

In both cases, this multidimensional battle took place to a great extent in a secretive and intriguing manner, off the official records. A look into the bibliographies of the well-researched secondary literature on the subject reveals that much of the knowledge or what is sold to be knowledge relies on later interviews and diaries more than on governmental or other official, contemporary records. The going got tough before the idea of adapting the old imperial, equity-based British style dwindled away in favor of seeking an agreement with the British. Ickes repeatedly threatened to resign and James Moffet threatened the government to sue Ickes, Davies, and Marshall over this “Arabian thing” which he called “screwball as Hell”<sup>138</sup>. He also asked

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136 Yergin 1993: 399-400

137 “Ickes to Roosevelt, Jan 23, 1944.” *President Franklin D. Roosevelt’s Office Files, 1933-1945. Part 3: Departmental Correspondence Files*, Reel 21 Frames 235-242 (microfilm edition, Roosevelt Study Center, Middelburg)

138 “Memorandum: Tully to Roosevelt, February 15, 1944.” *President Franklin D. Roosevelt’s Office Files, 1933-1945. Part 4: Subject Files*, Reel 21 Frame 740 (microfilm edition, Roosevelt Study Center, Middelburg)

Roosevelt to demand Ickes' resignation<sup>139</sup>. Roosevelt backed Ickes, in turn even threatening his old companion between the lines "I think you would make a great mistake were you to bring suits and make allegations against anyone"<sup>140</sup>.

With rising geopolitical relevance, the entire oil matter, also internationally, became increasingly characterized by tremendous hick-hack, even at the highest level – between Roosevelt and Churchill. Roosevelt proposed to a suspicious Lord Halifax by drawing a map to essentially share the oil of Iraq and Kuwait, while the Persian oil would remain purely British and the Saudi oil purely American. Nonetheless Halifax wired to London that the Americans were "treating us [the British] shockingly"<sup>141</sup> which was due to prior talks with lower-ranking American functionaries. Upon that message Churchill wrote to Roosevelt that there is "apprehension in some quarters here that the United States has a desire to deprive us of our oil assets in the Middle East" and that some felt that we [the British] "are being hustled"<sup>142</sup>. Roosevelt replied that he had been reported that the British were "eyeing" American concessions and trying to "horn in" on them<sup>143</sup>. But since the subject of the bitter discussions that took place in springtime Washington with the British was "not a rationing of scarcity [...], but the orderly development and orderly distribution of abundance", as Petroleum Adviser Charles Rayner put it<sup>144</sup>, an agreement was possible and was ultimately reached on August 8<sup>th</sup>. Lord Beaverbrook criticized it as a "monster cartel"<sup>145</sup>, but it was agreed upon. It would safeguard mutual respect for the contracted status quo<sup>146</sup> and it would install an International Petroleum Commission with eight members, endowed to establish

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139 "Moffett to Roosevelt, February 26, 1944." *President Franklin D. Roosevelt's Office Files, 1933-1945. Part 4: Subject Files*, Reel 21 Frame 747 (microfilm edition, Roosevelt Study Center, Middelburg)

140 "Roosevelt to Moffett, February 29, 1944." *President Franklin D. Roosevelt's Office Files, 1933-1945. Part 4: Subject Files*, Reel 21 Frame 743 (microfilm edition, Roosevelt Study Center, Middelburg)

141 "Halifax to Foreign Office, February 19, 1944" *Foreign Office*. No. 846, FO371/42688, PRO. NA 800.6363

142 Yergin 1993, 401

143 Ibid.

144 Stoff 1981, 156

145 Stoff 1981, 167

146 "Ickes to Roosevelt, Jan 23, 1944." *President Franklin D. Roosevelt's Office Files, 1933-1945. Part 3: Departmental Correspondence Files*, Reel 21 Frames 238 (microfilm edition, Roosevelt Study Center, Middelburg)

production quotas<sup>147</sup>. The independent oil companies again feared for the basis of their existence, for such quotas to them sounded like an opening of floodgates: Were not such structures harbingers of potential future regulation of domestic production, which they relied upon? The majors involved in the agreement could use their international leverage and cheap Middle Eastern oil to push the independents out of markets. But the majors were also fearful concerning any such agreement, because compliance with the International Petroleum Commission's policies could force them into conflict with the Sherman Antitrust Acts. Thus the majors had insisted on liberation of any such contingency via explicit treaty-insurance<sup>148</sup>. Had no such phrase been included, not even the majors would have been willing to support the agreement and blocked it via their middlemen in the senate, fearing to become vulnerable to lawsuits. However, had the said phrase been too much of a blank check, yet other forces in the senate would have blocked its ratification in cooperation with the middlemen of the independents. The ever-loud Harold Ickes, especially with his interventionist ambitions of the prior winter, did not do the atmosphere in the oil industry any good. Ultimately the industry at large came to oppose the agreement. It was submitted to the senate but fearing a spectacular defeat, Roosevelt withdrew it in January 1945<sup>149</sup>. The Big Three were to meet at Yalta to discuss the matter anew in the context of grander geopolitics.

In the midst of all this, direct relations with Saudi Arabia of course also continued. In accordance with an agreement with the British of December 2<sup>nd</sup>, 1943, the United States supplied Ibn Saud in 1944 with "certain reconnaissance cars, machine guns, 10,000 rifles, and miscellaneous equipment"<sup>150</sup>. Another issue was and of course continued to be Palestine, reinvigorated by the Palestine Resolutions in reaction to which Ibn Saud addressed protest to President Roosevelt<sup>151</sup>, who attempted to reconcile the King on April 13<sup>th</sup> by reconfirming his

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147 Ibid., Frame 239

148 Ibid., Frame 235

149 Yergin 1993, 403

150 "Memorandum: Currie to Roosevelt, February 10, 1944." *President Franklin D. Roosevelt's Office Files, 1933-1945. Part 2: Diplomatic Correspondence Files*, Reel 32 Frame 8 (microfilm edition, Roosevelt Study Center, Middelburg Files)

151 "Memorandum by Stettinius to Roosevelt, March 10 1944." *President Franklin D. Roosevelt's Office Files, 1933-1945. Part 2: Diplomatic Correspondence Files*, Reel 32 Frame 17 (microfilm edition, Roosevelt Study Center, Middelburg Files)



stipulation that “no decision altering the basic situation of Palestine should be reached without full consultation with both Arabs and Jews”<sup>152</sup>.

Doubtlessly a memorandum to the President from Hull’s Department of State<sup>153</sup> suggesting an extension of financial and economic assistance to Saudi Arabia must be seen in tight relation to the talks with the British and also in relation with the ever-delicate issue of Jewish immigration to Palestine. The memorandum warned about increasing British payments to Ibn Saud and that the King had even already agreed to remove certain America-friendly high-ranking officials and to appoint a British Economic Adviser and potentially a British Petroleum Adviser. It is equally beyond doubt that the shrewd monarch was well aware of the tactical opportunities that such intensified competition over his favor opened up for him. It is not overly fantastic to speculate that enticing the United States into increased assistance to him was at least a component of his motivation to ostentatiously display accommodation of British demands. Such machination would not have been a premiere, and playing the two competing giants out against each other virtually imposed itself in Ibn Saud’s situation.

At this point in time the tendency of development of American policy towards Saudi Arabia shifted again, but in a different direction. From a modern perspective, one might say that after excessive activism had followed the lethargy of the 1930s (with its central ambitions having failed) US policy towards Saudi Arabia normalized. Against this backdrop we find it appropriate to finish our account of the awakening of American foreign policy towards Saudi Arabia before the end of the war. The essay at hand essentially focused on a wave which build up, gained momentum, and subsided. This wave appeared at the horizon in 1939, it mounted up highest in late 1943 – and it broke in 1944.

## VI. Conclusion

A careful reading of what is represented in this text and – in the case of our research focus especially so – what is *not*

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152 “Roosevelt to American Legation in Jeddah, March 13, 1944.”  
*President Franklin D. Roosevelt’s Office Files, 1933-1945. Part 2: Diplomatic Correspondence Files*, Reel 32 Frame 15 (microfilm edition, Roosevelt Study Center, Middelburg Files)

153 “Memorandum: Department of State to Roosevelt, April 10, 1944.”  
*President Franklin D. Roosevelt’s Office Files, 1933-1945. Part 2: Diplomatic Correspondence Files*, Reel 32 Frame 19 (microfilm edition, Roosevelt Study Center, Middelburg Files)

represented and contained in it makes clear, that the long inactivity of the American state towards Saudi Arabia was not an elaborate and deliberate machination to co-opt a weary desert monarch who was known to be suspicious towards the West. Much rather, it was the result of a long-lasting neglect of the matter. In none of the primary sources that this work is based on was there any evidence of a conscious and purposeful holding-back of political ambitions so as to leave the field to private American actors as long as possible. Much rather, the documents convey a feeling that the higher the American political strata was, the higher was also the politicians' reluctance to become active as a government (i.e. save the ever-restless Harold Ickes) and to be the one to initiate such action and bear responsibility for it. This went on even when the companies themselves asked for a more active state.

After all, neither the Americans nor the Saudi monarch had much of a choice at the time. One party needed support desperately to stabilize his regime, and the other needed oil desperately to sustainably fuel a growing thirst for oil. The oil companies are by nature self-interested and profit-oriented actors who saw a tremendous opportunity paired with tremendous risks. They behaved accordingly. As of the British, they of course did not behave in a very unexpected way either by trying to cling to whatever oil they could; the UK does not dispose of substantial domestic crude oil reserves, and the sustained danger from Germany did not allow the British to be very choosy in their methods to ensure strategic parity with their competitors.

As mentioned several times, the highest-level thought giving structure to this essay was the co-evolution of two American developments which were equally necessary to bring about the shift in American policy towards Saudi Arabia. The first of these developments was a growing fear of the depletion of domestic crude oil reserves and of their future inadequacy, and the second was the growing awareness that Saudi Arabian drillings had not discovered just another oil field in just another undeveloped country, but a gigantic treasure. The effect of the interaction of these two developments was the triggering of a tortu(r)ous policy-finding process in Washington. The essay has furthermore shown how this interaction was facilitated and potentially even afforded by the circumstances of world war, whose necessities were politically instrumentalized by virtually all participants in the gamble for power, money, prestige – and of course oil.

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