The Crude Realities of American Decline: U.S. Diplomacy and Missed Opportunities During the OPEC Embargo, 1973-4

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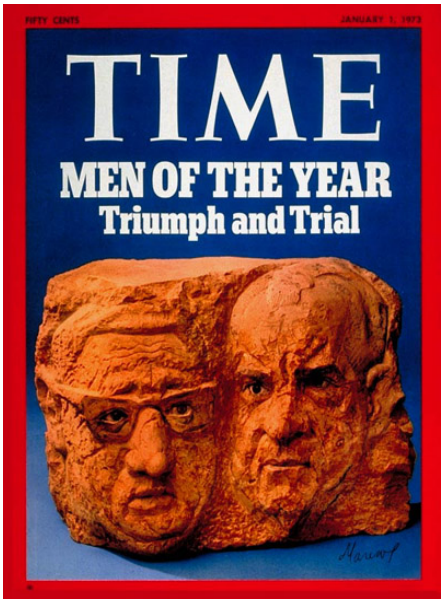


Figure 1. Time Magazine, January 1, 1973.

In its traditional "Person of the Year" issue, *Time* magazine crowned President Richard Nixon and National Security Advisor Henry Kissinger "co-Men of the Year" for 1972 (Fig. 1). *Time* praised their "bold ventures" to Moscow and Beijing as "triumphs" of diplomacy.[1] A media image of both Nixon and Kissinger grew that focused on their skill and ability to project American strength. Yet as the East-West relations appeared headed in a positive direction, the decline of American political power led to a negative turning point for U.S.-European diplomacy.

Historians have used many approaches to assess the decline of American hegemony in the late 1960s and early 1970s. Some have explored the idea of a Nixon-Kissinger "Grand Strategy" for reversing the political and economic losses the U.S. experienced. These historians acknowledge important tactical changes during Nixon's presidency, but argue they did not deviate from the overarching U.S.

[1] *Time*, January 1, 1973.

goal to politically contain the Soviet Union.[2] By focusing on détente, nuclear weapons, and Vietnam, they
overlook nuances of how U.S. relations with its allies affected the "Grand Strategy." Other diplomatic historians have assessed the decline of U.S. power through its relations with allies. Historians of the Anglo-American "special relationship" emphasize that even when the U.S. and Britain shared political goals they competed for trading markets.[3] These studies remain limited by focusing on bilateral exchanges that fall short of showing how the rivalry affected the ability of the U.S. to respond to decline in situations that did not call for military action. An alternative approach stressing, what Joseph Nye calls "soft power", where nations influence each other through economic aid or technological assistance, offer a chance to reassess both U.S.-British relations and American power.[4] The 1973-4 Organization of the Petroleum Exporting Countries embargo is a useful case study in assessing how the U.S. and Britain responded to changes in the global

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[2] Jussi M. Hanhimaki, "An Elusive Grand Design," in *Nixon in the World: American Foreign Relations, 1969-1977*, eds. Fredrik Logevall and Andrew Preston, (New York: Oxford University Press, 2008).; Salim Yaqub, "The Weight of Conquest: Henry Kissinger and the Arab-Israeli Conflict," in *Nixon in the World: American Foreign Relations, 1969-1977,* eds. Fredrik Logevall and Andrew Preston, (New York: Oxford University Press), 2008.;Francis Gavin, "Nuclear Nixon: Ironies, Puzzles, and the Triumph of Realpolitik," in *Nixon in the World: American Foreign Relations, 1969-1977*, eds. Fredrik Logevall and Andrew Preston, (New York: Oxford University Press), 2008.; Jeremi Suri, "Henry Kissinger and the American Grand Strategy," in *Nixon in the World: American Foreign Relations, 1969-1977,* eds. Fredrik Logevall and Andrew Preston, (New York: Oxford University Press), 2008.;Robert Dallek, *Nixon and Kissinger: Partners in Power* (New York: HarperCollins, 2007).; Jussi M. Hanhimaki, "'Dr. Kissinger' or 'Mr. Henry'? Kissingerology, Thirty Years and Counting," *Diplomatic History,* Vol. 27, (November 2003).

[3] Alan Dobson, *Anglo-American Relations in the Twentieth Century: The Policy and Diplomacy of Friendly Superpowers* (Boston: Routledge Press, 1995).; Jeffery Engel, *Cold War at 30,000 feet: The Anglo-American Fight for Aviation Supremacy* (Cambridge: Harvard University Press, 2007).; Nigel Ashton, "Harold Macmillian and the 'Golden Days' of Anglo-American Relations Revisited, 1957-63, *Diplomatic History*, Vol. 29, (September 2005).; R. Gerald Hughes and Thomas Robb, "Kissinger and the Diplomacy of Coercive Linkage in the 'Special Relationship' Between the United States and Great Britain, 1969-1977, *Diplomatic History,* Vol. 37, (2013).

[4] Joseph Nye, *The Paradox of American Power: Why the World's Only Superpower Can't Go It Alone,* (New York: Oxford University Press, 2007).

balance of power.[5] Newly declassified documents allow scholars to analyze how the U.S.-British rivalry affected the outcome of the embargo, especially during the 1970s when economic strength at times eclipsed military power. Historians can also begin to answer questions about how the U.S. government responded to decline and how the loss of political influence impacted its global alliances.

While this article relies on declassified U.S. government documents, these sources have important limitations. They do not offer insight into cultural factors that influenced policymakers, nor do we learn anything about the agency of average Americans. The focus on U.S. policymakers does not provide conclusive answers into why or how historical actors outside the United States made decisions, analyze the agency of countries who dealt with the U.S. and how Americans interpreted this independence as threatening to U.S. power. U.S. documents illustrate American diplomatic attempts to build support during this international crisis and how officials responded to political decline.

This article examines the 1973-1974 OPEC oil embargo as a new challenge in U.S.-European relations. I argue that rising oil prices, the growing power of developing countries, and the expansion of the European Economic Community (EEC) in the early 1970s threatened American influence in Western Europe. The attempts by European nations to attain bilateral oil agreements with individual OPEC states following the 1973 October War appeared to legitimize U.S. fears of declining international power. The U.S. tried to take advantage of the energy crisis to reassert its hegemony over its European allies and the oil market by organizing a Western Energy Conference in February 1974. To ensure that American influence dominated the meeting, the

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[5] The literature on the embargo has focused on measuring the success of the boycott by relying on economic data. John G. Clark, *The Political Economy of World Energy: A Twentieth-Century Perspective*, (Chapel Hill, University of North Carolina Press, 1990).; Abdualaziz Sowayegh, Arab Petro-Politics (New York: St. Martin's Press, 1984).; M. S. Daoudi, *Economic Sanctions Ideals and Expectations* (Boston Routledge Press, 1983).; Rudiger Graf, "Making Use of the 'Oil Weapon': Western Industrialized Countries and Arab Petropoliticsin 1973-1974," *Diplomatic History*, Vol. 36, (January 2012).; Daniel Yergin, *The Prize: The Epic Quest for Oil, Money, and Power* (New York: Simon and Schuster, 1991).; Andrew Scott Cooper, *The Oil Kings: How the U.S., Iran, and Saudi Arabia Changed the Balance of Power in the Middle East*, (New York: Simon and Schuster, 2011).; Karen R. Merrill, *The Oil Crisis of 1973-1974: A Brief History with Documents* (New York: Bedford/St. Martin's Press, 2007).

U.S. State Department orchestrated a two phased policy. The first phase capitalized on British political turmoil and pressured U.K. officials to support a multi-lateral western front at the conference. The second phase involved American diplomats separately negotiating a bilateral agreement with Saudi Arabia to end the embargo on U.S. terms. This article shows that the embargo represented a missed opportunity for a stronger U.S.-European partnership.

The Hegemonic Wells Begin to Dry Up

American political decline disrupted U.S. diplomatic relations with its European allies and weakened its control of the oil market. The existing economic and political uncertainty surrounding the growing power of developing countries, the rising oil prices, and the expansion of the EEC in the early 1970s threatened American influence in Western Europe.[6] The expansion of the EEC made Europe less susceptible to U.S. economic pressure causing diplomatic tension. The disagreements over energy demonstrated declining power of the U.S. to influence its European allies and led American policymakers to consider ways to undermine the EEC.

In the late 1960s and early 1970s, U.S. hegemony began to decline due to a series of political problems, challenges from developing countries, and the collapse of the postwar economic order. The Vietnam War tarnished the moral authority necessary to lead and damaged America's sense of mission. The war also isolated the U.S. from allies, sparked anti-Americanism abroad, and strained the U.S. domestic economy.[7] Many leaders of developing countries saw the global disruptions of the late 1960s and early 1970s as opportunities for challenging American hegemony and taking a more assertive role in economic relations with the U.S.[8] In some countries this meant a reinvigorated guerrilla struggle, in others a chance to try alternative economic frameworks. Nations who participated in the postwar Bretton Woods economic system often gave the U.S. de facto authority over many monetary decisions, which created economic inequality. Except

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[6] The European Economic Community was an economic organization established in 1957 to promote trade in Western Europe. In 1973 Denmark, Ireland, and the United Kingdom joined.

[7] Michael H. Hunt, *The American Ascendancy: How the United States Gained and Wielded Global Dominance* (Chapel Hill: University of North Carolina Press, 2007), 4-5, 225-241.

[8] Hal Brands, "Third World in an Age of Global Turmoil: The Latin American Challenge to U.S. and Western Hegemony, 1965-1975," *Diplomatic History*, Vol. 32, (January 2008).

for the price of oil, natural resources exported from developing countries continued losing value compared to goods imported from industrialized nations and the modest revenue earned usually benefited the privileged few.[9]

These political and economic challenges to U.S. hegemony converged in the Middle East where oil producing states gained greater ownership deals and more agency to set prices on the global market. From the end of World War II until the early 1970s, U.S.-British cooperation sustained the "postwar petroleum order" that sent western hemisphere oil to the United States and Middle East oil to Europe.[10] In 1968 the British government announced it would withdrawal its military forces east of the Suez Canal within three years.[11] This complicated the American position because the U.S. had a long history of relying on British military support to maintain the political status quo in this region.[12] In response the administration turned to the "Nixon Doctrine" whereby the U.S. would supply military hardware but no troops. Andrew Scott Cooper noted American diplomats decided to "delegate" authority of the region to the Shah of Iran.[13] As part of this exchange the U.S. accepted the Shah's decision to raise oil prices in order to pay for American weapons. But in 1971 the Shah demonstrated his own agenda to increase Iranian power when his army invaded Abu Musa and the Tunbs, a set of disputed islands in the gulf that also had rich oil reserves.[14] In order to compete with Iran, other oil producing states such as Libya and Iraq increased the price of their oil exports.[15] The shifting balance of power led Henry Kissinger to lament, "We are

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[9] Odd Arne Westad, *The Global Cold War: Third World Interventions and the Making of Our Times* (Cambridge: Cambridge University Press), 152-156.

[10] Nathan Citino, *From Arab Nationalism to OPEC: Eisenhower, King Sa'ud, and the Making of U.S.-Saudi Relations* (Bloomington: Indiana University Press, 2002), 6-7.

[11] Andrew Cooper, *The Oil Kings*, 19.

[12] See Citino, *From Arab Nationalism to OPEC*; and Elie Podeh, "'Suez in Reverse': The Arab Response to the Iraqi Bid for Kuwait, 1961-63," *Diplomacy & Statecraft*, Vol. 14, (2002).

[13] Cooper, 21-27.

[14] ibid, 52.

[15] Christopher R. W. Dietrich, "'Arab Oil Belongs to the Arabs': Raw Material Sovereignty, Cold War Boundaries, and the Nationalisation of the Iraq Petroleum Company, 1967-1973," *Diplomacy & Statecraft*, Vol. 22, (2011), 471.

living in a never-never land" where "tiny, poor, and weak nations can hold up for ransom some of the industrialized world."[16]

Changes in the developing world and the oil market also undermined U.S. leadership with its European allies. The expansion of the EEC in 1973 led some European states to seek new trade agreements. A Central Intelligence Agency (CIA) memo claimed that the French and Dutch governments wanted to see the "collapse" of the existing international oil structure.[17] The National Security Council also argued that the instability of the market might challenge "traditional friendships" and make the U.S. look "weak."[18] The U.S. ambassador to Iran claimed both Arab nationalists and European governments saw the erosion of American power as an "opportunity" to advance their own regional interests. The U.S. was particularly concerned with the "ambivalent" position of the U.K. regarding cooperation with Washington because British oil companies saw themselves as the "principal competitor" of the U.S.[19]

The demise of the postwar petroleum order accelerated in 1973. The U.S. and Europe depended on a stable flow of oil production so that western nations could continue their rate of economic growth. Throughout 1973 producers were gaining more ownership of oil through nationalization and revised percentage agreements. The Libyan government controlled a majority fifty-one percent of its resources and Kuwait had begun to limit British Petroleum's monopoly.[20] The U.S. expected that the lack of consumer unity would continue and oil producers would "play" one industrialized country off another. U.S. diplomats also believed this was likely to cause more price wars and "disrupt" the global monetary system.[21] The U.S. received information from the Iranian ambassador that if the Arab-Israeli conflict erupted into war, OPEC was likely to place an embargo on oil exports.[22] The British government's unwillingness to coordinate a response to the discovery of oil in its North Sea complicated matters for the U.S.

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[16]Daniel Sargent, "The United States and Globalization in the 1970s," in *The Shock of* the *Global: The 1970s in Perspective*, eds. Niall Ferguson, Charles S. Maier, Erez Manela, and Daniel J. Sargent, (Cambridge: The Belknap Press of Harvard University Press, 2010). 49.
[17]*Foreign Relations of the United States* (hereafter *FRUS*), Vol. 36, Document 161.
[18]*FRUS*, Vol. 36, Document 155.
[19]*FRUS*, Vol. 36, Document 166.
[20]*FRUS*, Vol.36, Document 52.
[21]*FRUS*, Vol. 36, Document 193.
[22]*FRUS*, Vol.36, Document 162.

North Sea oil offered Britain a promising future free of the political uncertainly of importing energy sources. The *London Times* characterized the discovery as the "saviour" of the economy.[23] U.K. officials estimated that by 1980 North Sea fields would yield two-thirds of Britain's petroleum needs.[24] The prospects of North Sea oil looked even better when oil companies discovered secondary fields.[25] In addition a U.S. company discovered a third North Sea source in December.[26] The success of North Sea oil fields meant that British oil trading with the EEC could make Europe energy self-sufficient and more independent of the U.S. by the mid-1970s.

Nixon and Kissinger's effort to present energy issues as a collective problem in need of a unified plan received a lukewarm European response. In a letter to British Prime Minister Edward Heath, President Nixon demanded that the international community consider U.S. views before making energy decisions that impacted the Atlantic Alliance.[27] Heath responded that an enlarged
EEC based on British "strength" increased the capacity in the community and broadened the abilities of the entire Atlantic Alliance.[28] Kissinger emphasized the theme of stronger collaboration between allies in a public speech by urging "cooperative action" on economic policies that did not leave the U.S. "excluded."[29] Kissinger also claimed Europe took stability "for granted" and that the U.S. had "global responsibilities" while Europe only had regional "interests."[30] The effort to convince Western Europe to rely on American leadership further alienated U.S. allies. One EEC diplomat attacked Kissinger for being "out of touch."[31] Another representative proposed the development of an entirely "European policy" for solving energy problems.[32] Prime Minister Heath admitted that at one point the U.S.

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[23]John Chartres, "Scots Demand a Better North Sea Oil Deal," *London Times*, January 16, 1973.
[24]"North Sea Oil Production Likely to Equal Two Thirds of UK Requirements by 1980," *London Times*, May 15, 1973.
[25]"70m Tons a Year likely From North Sea Oil," *London Times*, October 13, 1973.
[26]"Union Oil Reports North Sea Find," *London Times*, December 21, 1973.
[27]*FRUS*, Vol. 31, Document 19.
[28]*FRUS*, Vol. 31, Document 22.
[29]*FRUS*, Vol. 36, Document 177.
[30]ibid.
[31] Roger Berthoud, "Kissinger Idea of the World Comes Under Fire," *London Times*, June 1, 1973.
[32]Roger Vielvoye, "EEC Chief Says 'fully fledged' Energy Policy Near Completion," *London Times*, April 10, 1973.

had been the most "powerful" partner in the Atlantic Alliance, but "this is changing."[33] During a cabinet meeting, U.S. officials debated if the EEC ran counter to American political interests,[34] encouraging U.S. policymakers to begin discussing ways to undermine the EEC.

The Battle within the War

The outbreak of the 1973 October War between Egypt, Syria, and Israel exacerbated existing U.S.-European tensions that made a unified western response difficult. The United States and its European allies responded differently to the war and the oil embargo. American diplomats escaped major domestic pressure to act quickly because public opinion blamed Europe for the energy impasse and the Saudi government covertly supplied the U.S. with oil. Western European governments could not agree on an energy solution and therefore received greater public pressure to sign bilateral agreements with OPEC. U.S. diplomats tried to take advantage of the political disarray caused by the embargo to reassert U.S. power in Europe, undermining the EEC.

The 1973 October War enhanced the existing global energy crisis and the political turmoil between the U.S. and its European allies. The war started on October 6, 1973 when Egypt and Syria attacked Israel after years of stalled and dead-end negotiations on returning territory Israel occupied since the 1967 June War.[35] On the tenth day of the war the U.S. airlifted a massive amount of military equipment to Israel to assuage fears of a lengthy conflict and a diminishing weapons

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[33]"Mr. Heath Says Union By 1980 is EEC Goal," *London Times*, May 15, 1973.

[34]*FRUS*, Vol. 36, Document 175.

[35]For one of the most comprehensive studies of the war see Abraham Rabinovich, *The Yom Kippur War: The Epic Encounter that Transformed the Middle East*, (New York: Schocken Books, 2004).; One of the most detailed accounts of the airlift is Walter J. Boyne, *The Yom Kippur War: And the Airlift that Saved Israel*, (New York: St. Martin's Press, 2002).; A critical account of the U.S. role in slowing negotiations between Egypt and Israel prior to the war is Boaz Vanetik, "The White House Middle East Policy in 1973 as a Catalyst for the Outbreak of the Yom Kippur War," *Israel Studies*, Vol. 16 (Spring 2011).; Another fascinating book Howard Blum, *The Eve of Destruction: The Untold Story of the Yom Kippur War*, (New York: HarperCollins, 2003). Argued that former Egyptian President Gamal Abdual Nasser's son-in-law informed the Israeli intelligence service of the eminent Egyptian attack, but Israel did not respond with a pre-emptive strike due to fears of angering the United States.

supply. The next day, OPEC announced it would cut oil production to nations that publically supported Israel. Within a week OPEC elevated the production cuts to a full scale oil embargo.

The outbreak of war exacerbated the U.S. view that its European allies were positioning for an independent approach to accessing oil. Aside from Portugal, during the airlift, no allies allowed U.S. planes to use their airspace for transport because OPEC threatened to punish Israel's supporters. In a press conference Nixon dismissively noted that European "friends" had not been "as cooperative" as the U.S. had wanted.[36] Privately, during a White House meeting when the U.S. was organizing the airlift, Admiral Thomas Moore exclaimed the lack of support showed the Europeans expected the U.S. to carry the "entire burden" of defending western interests.[37] Another official added that Europe had not "lifted a finger" to help the U.S. or Israel.[38] Kissinger demanded that if a confrontation developed the U.S. had "to show that we are a giant! We have to win!"[39] Before the war ended or the embargo had officially begun, the U.S. was positioning itself to use the conflict as a means to affirm its international political power.

Two factors explain the American reaction. First, OPEC waged a strong public relations campaign. A spokesman claimed OPEC's objective was justice, not to "strangle the economies of the west."[40] Saudi Arabia gained even greater public attention when its oil minister publically called for an end of the embargo because it caused "anti-Arab backlash" in the West.[41] Another crucial factor that explains the U.S. domestic reaction toward OPEC was the fact that Saudi Arabia covertly supplied the U.S. with oil so Americans would not suffer as much as Europeans. Americans did not know about these shipments, but high-ranking U.S. diplomats set the tone by scaling back public criticism of OPEC. A month after OPEC announced the embargo Saudi King Faisal approved oil deliveries to the U.S. naval fleets responsible for the Mediterranean Sea and Indian Ocean.[42] The secret shipments of

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[36]University of California, Santa Barbara, Center for Cold War Studies and International History, http://www.presidency.ucsb.edu/ws/index.php?pid=4367. (Accessed January 23, 1974).
[37]*FRUS*, Vol. 36, Document 215.
[38]Ibid.
[39]Ibid.
[40]"Oil Price Could Rise, OPEC Official Warns," *Los Angeles Times*, January 29, 1974.
[41]Jim Hoagland, "Arab Reported Urging End to U.S. Oil Embargo," *Los Angeles Times*, December 22, 1973, A28.
[42]*FRUS*, Vol. 36, Document 275.

oil helped the U.S. offset domestic demand by avoiding drastic rationing measures and signified a Saudi commitment to the U.S. presence in the Persian Gulf.

The EEC could not agree on how to respond to the embargo. West Germany proposed the creation of a monetary reserve fund to assist smaller states in the EEC.[43] British Prime Minister Heath suggested an aid-for-oil agreement between the EEC and oil producers.[44] A third plan by the French government called for a conference between consumers and producers hosted by the United Nations.[45] Despite their attempts at unity none of these options gained momentum, causing some European states to seek out bilateral agreements with OPEC.[46] An EEC diplomat urged other nations to refrain from the "dangerous temptation" of bilateralism that could "ruin the European Community."[47] These disagreements created an impasse in the European political climate where the development and trade of North Sea oil represented the only EEC option to solving the energy crisis.

The production delays put pressure on British diplomats to pursue individual agreements with oil producing states. On the one hand, British diplomats succeeded in signing a small shipment deal with Iran. On the other, the Saudi government turned down a British proposal after initial reports indicated an agreement was close.[48] Britain's prospects worsened when the Kuwaiti government finalized the buyout of British Petroleum and Gulf Oil for a lower price than expected with "no guarantee" London would receive its previous level of oil shipments.[49] The diplomatic embarrassment also caused domestic problems.

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[43]"Middle East Threat to Money System," *London Times*, October 20, 1973.
[44]David Wood, "Mr. Heath Gives EEC a Lead on Oil Crisis," *London Times*, December 15, 1973.
[45]"France Proposes World Conference on Energy," *London Times*, January 22, 1974.
[46] William Tuohy, "Major French-Saudi Arabian Deal Will Trade Oil for Arms," *Los Angeles Times*, January 8, 1974; Britain signed a small oil deal with Iran but failed to secure a contract with Saudi Arabia.
[47]"Soames Warning to EEC on Need for Solidarity in Oil Crisis," *London Times*, January 28, 1974.
[48]A. M. R. Rendel, "Early Oil Deal Between Britain and Saudi Arabia Ruled Out But Hope is Maintained for Long Term Accord," *London Times*, February 11, 1974.
[49] Maurice Corina, "Kuwait Proposes to Pay BP and Gulf Oil Only $48.7m in Oil Takeover," *London Times*, February 1, 1974.

The inability of British diplomatic efforts to reduce the energy crisis increased pressure on the government in early 1974 and created public outrage. The British government attempted various strategies to reduce the public burden including a three-day work week because industry reports indicated that fuel reserves were barely above the level to "maintain distribution" of goods and services.[50] Editorials in the *London Times* demonstrated public contempt for government reliability and judgment. A letter accused the government of inflating the amount of available oil and "misleading" the public about the level of taxation oil companies faced. Another accused Heath's cabinet of short-sightedness for not considering the environmental consequence of altering the North Sea climate.[51] Still, the National Union of Mineworkers decision to strike represented one of the most damaging expressions of public anger at the energy.[52] The strike symbolized widespread grievances among the British people regarding fair access to state revenue, citizens' rights over companies, and the inability of government officials to reduce the public burden.

The Diplomatic Mirage in Washington and Riyadh

The U.S. tried to take advantage of the energy crisis to reassert its hegemony over its European allies and the global oil market. To ensure that American influence dominated the U.S. State Department orchestrated a two-phased policy. The first phase capitalized on British political vulnerabilities following the collapse of the North Sea oil project by pressuring U.K. officials to support a multi-lateral western front at the U.S. organized Western Energy Conference in February 1974. The second phase involved U.S. diplomats negotiating separately with Saudi Arabia.

The concern that European countries had the power to find their own solutions to the energy crisis led the U.S. to propose a Western Energy Conference to coordinate a united oil policy. For Nixon and Kissinger the conference put the U.S. in a better position to control negotiations. Kissinger boasted to his staff that Europe would soon "see

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[50]"Cut in Electricity Consumption Still Short of Target: Fuel Oil Warning," *London Times,* January 10, 1974.; The British did sign a limited bilateral oil agreement with Iran. This agreement was not controversial like the French-Saudi deal because Iran only participated in the price increased, not the embargo.

[51]David Green, "Britain's Offshore Oil," *London Times*, February 9, 1974, 15.

[52]Paul Routledge, "NUM Prepares to Blockade Oil and Coal Supplies for Industry," *London Times,* February 6, 1974.

who's going to win a bilateral contest."[53] Nixon wanted his advisors to make clear to U.S. allies that if bilateral diplomacy continued, they could expect America's military role in NATO to diminish.[54] Thus the U.S. proposed an energy conference not to move closer to the EEC, but rather to restrict the independence of its allies.

The first phase of the U.S. solution to the energy crisis centered on pressuring the British government to support a multi-lateral western front at the energy conference. Unlike the French government, which ignored American criticism because of its bilateral agreement with Saudi Arabia, the collapse of the British oil project made Britain vulnerable to U.S. pressure. Nixon told his advisors that the UK was "in trouble" but still trying to "kick the United States" around. The president continued saying that the U.S. needed to let its allies know if "they go into business for themselves" it will result in America "turning against" Europe. Kissinger agreed, even calling European foreign ministers "idiots," but he voiced some optimism. Kissinger excluded British Foreign Minister Alec Douglas-Home from condemnation and suggested that the U.S. could succeed in altering the course of European independence as long as the Americans did not do it "publicly." Kissinger added that the U.S. had "never failed by being strong."[55]

Henry Kissinger enlisted the support of Britain to divide the European Community against France to gain leverage in negotiations with OPEC, and demonstrate its power within NATO. The first objective Kissinger discussed with Douglas-Home was how to secure EEC support for the US energy policy. Kissinger told Douglas-Home that Nixon felt Britain was moving toward an "adversary" position "against the U.S." When Douglas-Home asked how Britain could "take the steam out" of the problem, Kissinger replied "isolate France." The French government openly opposed Washington's energy position and presented a threat to the success of the conference. Douglas-Home conceded that it might be difficult, but London would "play the game" and "overrule" France if necessary.[56]

The U.S. also sought British assistance in disrupting a separate EEC-OPEC agreement on oil. In December 1973 a delegation of OPEC representatives attended an EEC summit in Copenhagen to encourage a larger European role in the peace process in exchange for oil shipments. In a discussion with Nixon American diplomats described

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[53]*FRUS*, Vol. 36, Document 293.
[54]*FRUS*, Vol. 36, Document 314.
[55]Ibid.
[56]*FRUS*, Vol. 36, Document 315.

the possibility of an EEC-OPEC meeting as "dangerous" and "scary" because they thought the Europeans would "add their weight to the Arabs" which would limit U.S. power to maneuver an agreement.[57] At first Douglas-Home defended the European position by claiming that the oil ministers "just turned up" and "[the EEC] could not refuse to see them." Kissinger threatened "unfortunate consequences" if an EEC-OPEC summit succeeded. If the EEC supported "Arab radicals," Kissinger predicted a "negative effect on our political negotiations." Kissinger also claimed it was "suicidal" for the U.S. and U.K. to compete because "we still have many things that we want to do, we still face many common challenges." Douglas-Home told Kissinger that he "agree[d]" with the U.S. "I can assure you," Douglas-Home promised Kissinger, an EEC-OPEC meeting "won't fly."[58]

During the Western Energy Conference British Foreign Minister Alec Douglas-Home aided Kissinger in securing a unified consumer approach to oil. The Washington Energy Conference took place in Washington D.C. from February 11-13, 1974. The participants included the U.S., all nine EEC countries, and Japan. While most counties agreed in theory with the U.S. proposal to coordinate conservation, emergency sharing, and development of new energy sources, on the first day of the conference representatives could not reach an agreement. According to Kissinger, French criticism that the conference was a U.S. ploy to control energy policy cast doubt on U.S. motivations and delayed progress. On the second day of the conference Douglas-Home reported to Kissinger that many European governments appeared reluctant to choose between Paris and Washington. As a result Kissinger suggested that the other representatives might accept the principal of the American solution if the Japanese Foreign Minister Masayoshi Ohira reintroduced the idea at the next day's sessions. Douglas-Home responded to Kissinger that he would "have a word" with Ohira.[59] Ohira reintroduced the idea of a coordinated energy policy when the delegates reconvened, but his presentation was vague. In his memoirs, Kissinger wrote that Douglas-Home "saved the day" by taking the podium after Ohira to voice support, not for the U.S., but for Japan's proposal.[60] Douglas-Home's support offered a strong rebuttal to the French claim and opened the path to the agreement reached on the third day of the conference. The energy conference resulted in pledges by consumer nations to coordinate their energy policies more

[57]*FRUS*, Vol. 36, Document 314.
[58]*FRUS*, Vol. 36, Document 315.
[59]Kissinger, *Years of Upheaval*, 917.
[60]ibid., 921.

effectively by exchanging research and development technology and sharing oil during times of crisis. For Kissinger and the State Department, the agreement had larger implications for U.S. power.

The U.S. saw the energy conference as a success in terms of the display of American power to control its allies. The purposes of the conference were disrupting further EEC-OPEC bilateral oil deals, setting up a consumer organization that would negotiate as a block, and sharing oil technology. Despite the spirit of cooperation with its NATO allies, the U.S. had no intention of fully meeting its obligations. A CIA assessment found that some EEC states quickly acted on the conference agenda and "cancelled" their bilateral agreements.[61] By contrast, after the conference Kissinger confided to a deputy that the summit provided the U.S. a chance to "teach" a good "lesson" to the Europeans about who had "muscle."[62] Kissinger informed his staff that the U.S. would be "damned" if it was going to share its oil technology with the Europeans. The secretary believed that if its allies had access to U.S. technology they would set up companies to compete with American businesses.[63] Sensing power moving back to the U.S., Kissinger boasted "we have broken the community."[64] The conference did not cause OPEC to lift the embargo but it did confirm to American diplomats that the U.S. could occupy a leadership role once it improved its relationship with Saudi Arabia.

The second phase of the U.S. solution to the energy crisis focused on negotiating separately with Saudi Arabia. Prior to the October War and the oil embargo the U.S. discussed enhancing its relationship with Saudi Arabia. During a meeting between Kissinger and the oil ministers of Algeria and Saudi Arabia, shortly after OPEC announced the embargo the Saudi minister made a subtle reference to the type of future Riyadh envisioned. The Saudi government promised to increase production, which was the primary concern of American energy and finance officials. Yamani also claimed that first Saudi Arabia needed to obtain the tools to industrialize in order to increase production. Yamani concluded by expressing his hope for a "new era" of the U.S.-Saudi relationship.[65]

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[61]*FRUS*, Vol. 36, Document 348.
[62]*FRUS*, Vol. 36, Document 323.
[63]*FRUS*, Vol. 36, Document 344.
[64]*FRUS*, Vol. 36, Document 321.
[65]*FRUS*, Vol. 36, Document 263.



Figure 2. This image is from the Opper Project at Ohio State University. It originally appeared in the *Washington Star*.

U.S. diplomats recognized the contradictions in publically promoting multi-literalism while privately condemning a bilateral deal. A policy memo written just after the energy conference argued that American bilateral agreements with OPEC were "different" that those attempted by Europe. According to the memo U.S. bilateral contracts differed because American diplomats designed short term deals to meet "our immediate economic interest" of temporally increasing Saudi production. Without an increase to Saudi output western economies could not maintain their level of growth. With these circumstances in mind the NSC memo advised the U.S. government to "broaden and deepen" its relationship with Saudi Arabia and workout a "special deal" that would include U.S. economic, technological, and military assistance to the kingdom in conjunction with Saudi investment in the United States.[66] Such a "special deal" gave the U.S. a bargaining chip for securing an increase to Saudi oil production.

The American government pursued a bilateral agreement with Saudi Arabia despite its condemnation of European efforts to arrange bilateral oil contracts with OPEC nations. In mid-1973 U.S. diplomats

[66]*FRUS*, Vol. 36, Document 330.

determined that oil was a bilateral issue and therefore to ensure stable prices the U.S. needed to strengthen relations with Saudi Arabia.[67] During a meeting with West German government officials prior to the energy conference, one representative brought up the possibility of future Saudi investment in the U.S. to alleviate economic problems. Kissinger replied that he did not expect a positive response, but also revealed that Saudi investment was "really our secret plan."[68] The "plan" Kissinger referred to encompassed much more than encouraging Saudi investment in the U.S. economy. A policy memo outlined that the U.S. government proposed partnership would provide "special" exceptions including transferring American technological equipment to assist Saudi development, tax exemptions on Saudi investment, and military cooperation.[69]

In negotiations with the Saudi government, U.S. diplomats stressed the long-term benefits of political and economic cooperation. During a meeting on March 2, 1974 with Saudi officials Kissinger expressed the American interest in rebuilding ties between Washington and Riyadh "not based on oil."[70] In a discussion with King Faisal, Kissinger proposed the U.S. "coordinate" its foreign policy with Saudi Arabia.[71] For the U.S., strengthening relations amounted to "long term cooperation" in military, economic and scientific fields. In a gesture Kissinger had denied his European allies, the U.S. agreed to share scientific and technological advances with the Saudi government to help the kingdom industrialize quickly. The U.S. military assistance would also help protect the kingdom from taking strong positions on oil during political crises. In turn the Saudi government would invest in the U.S. economy and agree to increase oil production. While both nations benefited from closer contact, the U.S. government laid the groundwork to orchestrate a larger role in controlling the production of oil.

American officials believed that the agreement with Saudi Arabia would give the U.S. the power to continue dominating the oil market and prevent another embargo. Upon returning from Saudi Arabia Kissinger told Deputy Defense Secretary Jim Clements that the U.S. was "going all out" with Riyadh.[72] Kissinger also boasted that the U.S. had regained its dominance over the kingdom. The Saudis

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[67]Kissinger, *Years of Upheaval*, 880-881.
[68]*FRUS*, Vol. 36, Document 295.
[69]*FRUS*, Vol. 36, Document 330.
[70]*FRUS*, Vol. 36, Document 331.
[71]*FRUS*, Vol. 36, Document 332.
[72]*FRUS*, Vol. 36, Document 335.

"learned a good lesson," Kissinger told Clements, and will not coordinate an embargo against the U.S. again.[73] Kissinger informed an audience of American oil executives that assisting with Saudi industrialization would gain the U.S. government influence with the king and preferential agreements for petroleum exports. After publically threatening to leave OPEC unless other producing states agreed to lift the boycott, the Saudi government arranged an end to the embargo on March 18, 1974. The official reason OPEC gave for ending the embargo was U.S. progress on negotiating a disengagement agreement between Israel and Syria.[74]

U.S.-European relations appeared to improve drastically after OPEC lifted the embargo. The new British Foreign Minister James Callaghan told the House of Commons that, "We repudiate the view that Europe will emerge only out of a process of struggle with the United States."[75] Franz-Josef Strauss, an opposition leader in West Germany, noted that during the embargo Europe had an "almost hostile" attitude toward the U.S., which came close to causing the Atlantic Alliance to lay in "ruins."[76] Even the new French Foreign Minister Jean
Sauvagnargues admitted that Kissinger's Integrated Energy Program contained "good things."[77] To formalize the spirit of their renewed unity, the NATO allies held a conference in June 1974. In the "Declaration of Ottawa" all sides agreed to "encourage economic co-operation" and more involvement by British and France on nuclear decision making.[78] In his memoirs Kissinger wrote that mid-1974 represented one of the "best periods" of the Atlantic Alliance.[79]

Yet many of the same U.S.-European disputes continued. In July 1974 a coup unseated Cypriot president, which upset ethnic politics and threatened British troops on the island. Despite the potential for war between Greece and Turkey, two NATO members, the U.S. refused to reinforce the British military. The U.S. also criticized the British government for making "unilateral cuts" to its defense budget.

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[73]Ibid.
[74]Rachel Bronson, *Thicker Than Oil: America's Uneasy Partnership with Saudi Arabia*, (Oxford: Oxford University Press), 122.
[75]"British Labor Regime Backs Nixon Complaint," *Los Angeles Times*, March 20, 1974, 7.
[76]"U.S., Britain Charged with Bullying Brandt," *Los Angeles Times*, March 18, 1974, 7.
[77]*FRUS*, Vol. 36, Document 359.
[78]"NATO Allies Call for New Era of Detente," *Los Angeles Times*, June 20, 1974.
[79]Kissinger, *Years of Upheaval*, 933.

Kissinger warned British diplomats that these political differences could lead to "serious reassessment of Anglo-American cooperation."[80] Tension between the U.S. and France also resurfaced when France agreed to sell Iran $4 billion of equipment that included nuclear technology. A *New York Times* article claimed the French-Iranian deal proved the "dangers of division and rivalry" that still threaten the Atlantic Alliance. The article went on to question "whether there is or can be a common western purpose at all."[81]

The U.S. and Saudi Arabia also seemed to experience immediate benefits from their cooperation. After OPEC lifted the embargo Saudi Arabia increased production of oil by one million barrels per day to compensate the west for the financial burden. In April 1974 the Saudi government signed a contract to purchase $270 million of military equipment from the United States.[82] The same month Prince Abdullah finalized a $335 million agreement with the U.S. for American assistance in modernizing the Saudi military. By the late 1970s Saudi Arabia imported $4.4 billion worth of U.S. products and the Saudi government held $59 billion in U.S. securities and investments.[83] In the decades that followed the United States counted on Saudi Arabia to keep oil production levels high and disagreements about the Arab-Israeli conflict low.

The U.S. believed it had solved the energy crisis, but beneath the publicity of large financial contracts, the price of oil continued to rise. A June 1974 National Security Council memo by Charles Cooper and Harold Saunders argued that the U.S. needed to show its allies that as a result of "our influence" with Saudi Arabia the global economic threat had diminished. Cooper and Saunders claimed this would "restore confidence" in the west that a partnership with the U.S. was "the only productive course."[84] This assessment was not only optimistic, but also premature. The U.S. government placed too much weight on both the American power and Saudi ability to reign in oil prices. During a June 1974 OPEC meeting in Ecuador, the Saudi representative proposed a reduction to the cost of oil. But other producer states opposed the measure. When U.S. officials pressed the Saudi government, Foreign Minister Prince Saud replied, "We won't break up OPEC."[85] U.S.

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[80]Hughes and Robb," Kissinger and the Diplomacy of Coercive Linkage," 893-894.
[81]"French Sell Nuclear Reactor to Iran," *New York Times*, July 2, 1974, 34.
[82]al-Rasheed, *A History of Saudi Arabia*, 140-142.
[83]By contrast in 1971 Saudi Arabia had $150 million in U.S. investments, *FRUS*, Vol. 24, Document 146.
[84]*FRUS*, Vol. 36, Document 353.
[85]Stein, *Pivotal Decade*, 84.

discussions with Iran yielded similar results. American officials expressed concern because the Shah threatened to reduce production and keep prices high.[86] By 1974, it appeared the U.S. had misjudged the energy crisis. U.S. diplomats had focused on production instead of price, and relied on Saudi Arabia instead of Iran. In September 1973 oil was $2.70 per barrel. By July 1974 it had risen to $11.00.[87] Following the Iranian Revolution in 1979 the price of oil doubled.[88]

The OPEC embargo presented new challenges to U.S.-European relations. By using recently declassified government documents and focusing on U.S. decline, this article has shown that the rising price of oil, the growing power of developing countries, and the expansion of the EEC threatened American influence in Western Europe. After the October War the U.S. tried to take advantage of the energy crisis to reverse American political decline and reassert hegemony over its European allies by derailing the EEC's attempts to sign independent oil contracts. U.S. diplomats also tried to combat American decline by directly negotiating with Saudi Arabia to exchange industrial technology for an increase to oil production. Instead of cooperating, top U.S. officials had a shortsighted view of the crisis that focused more on preserving American power than on working with its European partners toward an equitable energy solution. For motorists around the globe, the legacy of the oil crisis became increasing prices at the pump. For American diplomats the energy crisis of the early 1970s represented a missed opportunity to develop a stronger partnership with its European allie

[86]FRUS, Vol. 36, Document 360.
[87]Stein, *Pivotal Decade*, 84.
[88]David S. Painter, "Oil and the American Century," *Journal of American History* (June 2012), 34.