

HELD HOSTAGE:
AMERICA AND ITS ALLIES CONFRONT OPEC, 1973 - 1981

A Dissertation

by

KATHLEEN MARIE BARR

Submitted to the Office of Graduate Studies of
Texas A&M University
in partial fulfillment of the requirements for the degree of

DOCTOR OF PHILOSOPHY

May 2012

Major Subject: History

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ABSTRACT

Held Hostage: America and Its Allies Confront OPEC, 1973 – 1981. (May 2012)

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Chair of Advisory Committee: Dr. Terry H. Anderson

The oil shocks of the 1970s, initiated by the first Arab oil embargo in 1973, stunned the industrialized world. The Organization of Petroleum Exporting Countries (OPEC) controlled a resource that was vital to the national well-being and national security of America and its allies. In the United States, gas lines formed as Americans waited for increasingly costly and scarce fuel. Europeans realized that the energy shortages, which they originally believed to be short-term, might permanently change their lives.

This dissertation places the historical debate about the effectiveness of domestic and foreign energy policy within the framework of the global transformations taking place at the end of the twentieth century. The collapse of the Bretton Woods system in 1971 and the advent of petrodollars on world currency markets, the emergence of the Soviet Union as an oil exporter, the rise of OPEC as a regulator of oil prices and the consequent decline in the power of the seven major multinational oil companies, and the growth of a global environmental movement, all contributed to the shifting interplay of forces confronting the United States and its allies in the late twentieth century and shaped the debate over national and international energy policy. America's efforts to

work with its allies to develop a cohesive national and international energy policy fell victim to the struggle between political autonomy and interdependence in an era of globalization. The allied response to the Iranian hostage crisis and the Soviet invasion of Afghanistan highlighted these conflicts within the alliance.

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CHAPTER I
INTRODUCTION AND
LITERATURE REVIEW

In 1960, the same year that Iran, Iraq, Kuwait, Saudi Arabia and Venezuela formed the Organization of Petroleum Exporting Countries (OPEC), U. S. Secretary of the Treasury Robert Anderson declared in a cabinet meeting, “Middle East oil is as essential to mutual security as atomic warheads.”¹ After the first OPEC oil embargo thirteen years later, Henry Kissinger, Richard Nixon’s National Security Adviser, proclaimed that the ability of the Middle East to use oil as a weapon “altered irrevocably the world as it had grown up in the postwar period.”²

The embargo stunned the industrialized world. In the United States, gas lines formed as Americans waited for increasingly costly and scarce fuel. In the most difficult winter since World War II, Europeans realized that the energy shortages, which they originally believed to be short-term, might permanently change their lives. The crisis was worst in Britain, where it was combined with labor strife in the coal mining and railroad industries. In France, the principal concern was unemployment, particularly in the auto industry, while German officials instituted a ban on Sunday driving. Japan’s

This dissertation follows the style of *The Chicago Manual of Style*, 16th ed.

¹ Douglas Little, *American Orientalism: the United States and the Middle East since 1945* (Chapel Hill: University of North Carolina Press, 2002), 61.

² Daniel Yergin, *The Prize: the Epic Quest for Oil, Money and Power* (New York: Simon and Schuster, 1990), 588.

leaders were forecasting a twenty percent decrease in fuel imports, leading to economic controls and restrictions on travel.³

Oil ministers from OPEC met periodically. By the early 1970s the organization was in control as industrialized countries around the world had to depend more on imports from the Middle East and Venezuela and less on oil produced domestically.

Then, in 1979, a second energy crisis again paralyzed America. In some cities gas lines often stretched for blocks, while in other towns officials instituted gas rationing. In Detroit, automobile makers began to address fuel economy in auto production. Competition from Japanese automakers like Nissan, Honda, and Toyota forced American companies to make cars that could contend with the high gas mileage of the imports. American Motors Corporation bought the exclusive rights to a new two-liter engine from the German company Volkswagen to be installed in AMC's "top-of-the-line" Gremlin that would allow the company to produce a car that would get thirty miles to the gallon.⁴

Jimmy Carter, elected in 1976 in the wake of the Watergate scandal and America's demoralizing withdrawal from Vietnam, had campaigned as a Washington outsider who would concentrate on the countries' economic problems. Carter, as this study will examine, was unable to develop an effective policy that would provide a solution to OPEC domination.

³ Terry Robards, "Oil-Short Europe is Facing Hardest Winter Since War," *New York Times*, December 11, 1973, 1, *Proquest Historical Newspapers*, <http://proquest.umi.com>. Fox Butterfield, "Japan Hails Decisions by Arabs: Will Keep Oil-Saving Measures" *New York Times*, December 26, 1973, 49, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁴ William K. Stevens, "Rx for American Motors: Power from Abroad," *New York Times*, February 6, 1977, 1, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

In Europe and in Japan, leaders also attempted to develop policies that would address the energy crises of the 1970s. French and German officials campaigned for office on platforms that vowed to decrease their countries' dependence on foreign oil. Throughout Europe and Japan, heads of state promoted the development of alternative energy sources, particularly nuclear power, and they built atomic power plants. Yet, like the U.S., those countries continued to rely on imported oil. As a result, OPEC's policy decisions in the late 1970s created conflict between the United States and its traditional allies.

Leaders in the United States, Europe, and Japan held summit meetings that focused on coordinating efforts to put pressure on the oil exporting countries. In London in 1977, Bonn in 1978, Tokyo in 1979, and Venice in 1980, the seven leaders of the industrialized nations met to discuss economic issues, and energy questions always were on the agenda. In spite of these efforts, they could not devise a successful policy in response to OPEC. Thus, the Group of Seven, or G-7, missed an opportunity to lay the groundwork for an alliance that would be able to exert counterforce against the power of the oil ministers. As a result, America and its allies around the world were held hostage by OPEC. From the perspective of the Carter administration, this failure was a direct outcome of the allies' desire for a foreign and economic policy that was more independent of U.S. influence. This was evident in the allied response to the Iranian hostage crisis and the Soviet invasion of Afghanistan, both in 1979.

The oil shocks of the 1970s were set against the backdrop of global transformations that forced a redefinition of America's relationship with its allies and its

adversaries. The collapse of the Bretton Woods system in 1971 and the emergence of petrodollars on world currency markets, the rise of the Soviet Union as an oil producer, the emergence of OPEC as a regulator of oil prices and the consequent decline in the power of the multinationals, and the emergence of the environmental movement, all contributed to the shifting interplay of forces confronting the United States and its allies in the late 20th century.

In 1971, Richard Nixon took the United States off the gold standard. With this, he effectively brought an end to the Bretton Woods system that had been the basis of the economic relationship between the United States and its allies in Western Europe and Japan in the post-World War II era. The dollar was no longer tied to gold but instead floated along with other currency on the world market. Fluctuations in currency worldwide affected and were affected by changes in the dollar.

After the creation of OPEC in 1960 and the collapse of the Bretton Woods system, the dollar became tied to the price of a barrel of oil. These came to be called petrodollars. Consumer nations bought oil from the OPEC cartel and paid for it in dollars. The revenue that producers received was returned to banks in the industrialized West and Asia as nations in the oil-producing cartel purchased goods from or invested in foreign assets in those countries. This placed the United States, Western Europe, and Japan in competition with each other. Each country wanted the petrodollars they paid for oil to be returned to their country.

The growing power of the Soviet Union as an oil producer was another change confronting the United States and its allies. By the 1970s, the Soviet Union was a major

producer and exporter of petroleum. Much of this oil went to Eastern bloc nations under Moscow's control. The emergence of America's cold war adversary as an oil exporter had the potential to upset the traditional relationships that existed between the industrialized nations and the oil producers of the Middle East.

With the signing of the Teheran and Tripoli agreements in 1971, OPEC's ability to control the price of oil increased considerably. In an effort to retain some control of production and price, the major oil companies attempted to influence policymaking related to energy legislation. They conducted ad campaigns aimed at consumers in an attempt to convince them that what was good for Exxon (and the other multinationals) was good for America.

Another factor influencing the Carter administration and its allies around the world was the growing environmental movement. By the time Jimmy Carter took office, growing numbers were joining the movement. It had taken off in 1970 with the first Earth Day, and by 1976 ecologists in the United States, Western Europe, and Japan were making their voices heard about issues like the building of the Alaska pipeline and the development of nuclear power.

It was within this framework that three American presidents faced a national and international problem. The opening chapter of this study will examine the first oil crisis in 1973 and the embargo that precipitated it. Henry Kissinger viewed the embargo within the context of the Arab-Israeli conflict. America's support of Israel in its war with the Arab states already had alienated U.S. allies in Europe, and the embargo further

alienated Europeans who were more willing to cooperate with the Arabs in order to secure oil imports.

The Ford administration proposed a number of initiatives designed to deal with the crisis. A “barrels-for-bushels” program with the Soviet Union ultimately fell through, as did Ford’s plan for building nuclear power and synthetic fuel plants. The Ford administration did record a major achievement with legislation in 1975 that set fuel efficiency standards for the automobile industry. This legislation also established a strategic petroleum reserve. In spite of these successes, however, the administration was unable to develop a program that would put pressure on OPEC.

Subsequent chapters will deal with attempts by the Carter administration and its allies in Europe and Japan to address the energy crisis and the effort to coordinate a collective response. The main focus of these chapters will be the four summit meetings held from 1977 to 1980 and the attempts to implement policies developed at these meetings as well as the reasons for the failure of those policies.

The final chapter will deal with the increasing tension in the Middle East in the last years of the Carter administration. The American hostage crisis in Iran and the Soviet invasion of Afghanistan, both in 1979, highlighted the failure to develop viable energy alternatives. These events also sounded an ominous warning for future administrations. The flow of oil out of the Middle East, for so long under the control of the American and European petroleum corporations, increasingly was linked to America’s security concerns in the region. Instability presented a threat to American

hegemony as well as an American lifestyle that had become heavily dependent on imported fuel.

Since he left office in 1981, scholars have documented Carter's failures and achievements in the area of foreign policy. Most of the work in that area, however, has focused on two topics. The first is the U.S. relationship with the Soviet Union. One of the most well-known of these is Strobe Talbott's *Endgame: The Inside Story of SALT II*. The studies that have examined U.S. relations with Europe have concentrated mainly on the NATO alliance within the framework of the U.S.-Soviet relationship. Richard J. Payne's *The West European Allies, the Third World, and U.S. Foreign Policy* deals with NATO and attempts by the United States to develop stronger ties to the Third World as a defense against Soviet influence in underdeveloped regions. Another area of focus is Carter's human rights policy. Joshua Muravchik's *The Uncertain Crusade: Jimmy Carter and the Dilemmas of Human Rights* and Lars Schoultz's *Human Rights and U.S. Policy towards Latin America* both examine the president's attempt to place human rights at the center of his foreign policy. One of the works based on archival research is John Dumbrell's *The Carter Presidency, a Reevaluation*.⁵ Dumbrell claimed that Carter's foreign policy reflected a shift that placed emphasis on human rights, particularly in regard to the developing world, and away from a focus on the Soviet Union and the ideological fight against communism. From this perspective, Dumbrell sees the Carter presidency as "keeping the faith" given the limitations within which he

⁵ Strobe Talbott, *Endgame: The Inside Story of SALT II*, (New York: Harper and Row, 1979). Richard J. Payne, *The West European Allies, the Third World, and U.S. Foreign Policy* (New York: Greenwood Press, 1991). John Dumbrell, *The Carter Presidency: A Re-evaluation* (New York: St. Martin's Press, 1995).

was operating, that is the constraints placed upon the presidency in the post-Vietnam, post-Watergate era.

The studies that have dealt with the energy crisis have focused mainly on the president's attempt to develop a domestic policy to meet the crisis. In *Jimmy Carter's Economy: Policy in an Age of Limits*, economist W. Carl Biven addressed the limitations placed on presidents and the impact they had on Carter's economic policy by discussing his energy policy within the broader framework of international economic policy. He believed that the Georgian's policies were a reasonable response to the economic crisis in an age of limited resources and restrictions placed on the executive branch in the post-Watergate, post-Vietnam era. According to the author, Carter was constrained by economic limitations at home and abroad.⁶

In his essay "An Age of Limits: Jimmy Carter and the Quest for a National Energy Policy," John C. Barrow assessed that presidency by looking at the development of his energy policy.⁷ The author mentions the Iranian revolution and its impact on crude prices as well as the December 17, 1978 decision by OPEC to raise crude oil prices, but generally he focused on the domestic response. According to the author, Carter's energy policy revealed both the strengths of his leadership and its weaknesses and contributed to his defeat in 1980. His conception of the office of the president as a trustee for the American people instilled in him a willingness to tackle difficult national problems without regard to political costs; however, his inability to rally his own party or inspire

⁶ W. Carl Biven, *Jimmy Carter's Economy: Policy in an Age of Limits* (Chapel Hill: University of North Carolina Press, 2002).

⁷ John C. Barrow, "An Age of Limits: Jimmy Carter and the Quest for a National Energy Policy" in *The Carter Presidency: Policy Choices in the Post-New Deal Era*, Gary M. Fink and Hugh Davis Graham, eds. (Lawrence: University Press of Kansas, 1998).

confidence among the American people were critical weaknesses that resulted in his 1980 reelection defeat.

One of the earliest books to deal with the Carter's foreign policy and the energy crisis was Gaddis Smith's *Morality, Reason, and Power: American Diplomacy in the Carter Years*.⁸ Smith argued that the four years of the administration were among the most significant in the history of American foreign policy in the twentieth century. To Smith, Carter constructed a foreign policy that was not shaped by an obsession with the Soviet Union and communism, yet the president's foreign policy objectives were forced to change with the events of 1979 in Iran and Afghanistan. The Iranian revolution led to a doubling of oil prices and the most acute phase of the energy crisis, which Carter considered more threatening than anything except nuclear war. By 1979, when the Soviet Union invaded Afghanistan, Carter perceived that fighting the energy crisis and confronting the Soviet Union were the same thing. It was imperative, the president stated, to equate energy security with America's military security. The two could not be separated.

Richard J. Barnet wrote another important book, *The Alliance: America, Europe, Japan, Makers of the Postwar World*.⁹ He examined the administration and its international relations within the framework of the western alliance as it developed following World War II. He began with the immediate postwar era and concluded with the development of the alliance through the Reagan administration. During the Carter

⁸ Gaddis Smith, *Morality, Reason, and Power: American Diplomacy in the Carter Years* (New York: Hill and Wang, 1986).

⁹ Richard J. Barnet, *The Alliance: America, Europe, Japan, Makers of the Postwar World* (New York: Simon and Schuster, 1983).

administration, energy policy was only seen through the prism of pressing domestic concerns created by a new economic order that followed the collapse of the Bretton Woods system. According to Barnet, those domestic concerns prevented the allies from developing an effective energy policy.

A number of books have been written dealing with the oil crisis from a broad perspective. One of the earliest was *The Seven Sisters: the Great Oil Companies and the World They Made* by Anthony Sampson.¹⁰ He examined the creation of the cartel of multinational oil companies that came to be known as the Seven Sisters. The author looked at the growth of the international companies from the first discoveries of oil in Pennsylvania in the late 1800s to the aftermath of the 1973 oil embargo to show the attitudes and the psychological changes that lay behind one of the most extraordinary revolutions in the oil industry. Sampson concluded that the transformations that occurred in the industry were the result of emergent Arab nationalism but also liberal policies in the United States that gave a great deal of economic and political power to the oil companies. The Seven Sisters gave the producing countries the model for both controlling production and working together to control prices.

Another of the early works was Raymond Vernon's edited volume, *The Oil Crisis*.¹¹ In this book, the authors were trying to determine the larger meaning of the 1973 oil crisis. The theme that tied the works together was that the energy crisis did not arrive full-blown in October 1973. The predicament resulted from structural changes in

¹⁰ Anthony Sampson, *The Seven Sisters: the Great Oil Companies and the World They Made* (New York: The Viking Press, 1975).

¹¹ Raymond Vernon, ed., *The Oil Crisis* (New York: W.W. Norton & Co., 1976).

the oil industry in the years prior to the outbreak of the Yom Kippur war as well as rising demand among consumers during the same period.

The Oil Price Revolution by Stephen Schneider examined the economic impact of the 1973 oil embargo and ensuing energy crises of the 1970s.¹² Schneider primarily relied on secondary sources to support his argument that the oil-price revolution that occurred in the 1970s was the result of a number of contradictions that were built into the system created by the United States in the aftermath of World War II. Among these were the growing reliance of consuming countries on oil produced in a few states in the Middle East and North Africa; the profitability of the major oil companies that attracted smaller companies to the industry, weakening the control of the multinationals; the growing economic power of Western Europe and Japan following World War II that increased competition between the consumers; and nascent nationalism in the Middle East. Schneider concluded that these factors allowed the producing nations to take control of price and production and prevented the consumers from coming to any agreement on energy policies.

Fiona Venn authored two books on the wider scope of the oil crisis. In 1986, she wrote *Oil Diplomacy in the Twentieth Century*.¹³ Venn looked at the energy crises of the 1970s from the perspective of the development of the oil industry in the twentieth century. She began in 1900 with the early stages of oil diplomacy and brought the idea forward to the formation of OPEC. The author ended with a postscript in which she examined oil diplomacy since the embargo in 1973. Venn argued that the changes that

¹² Stephen Schneider, *The Oil Price Revolution* (Baltimore: Johns Hopkins University Press, 1983)

¹³ Fiona Venn, *Oil Diplomacy in the Twentieth Century* (New York: St. Martin's Press, 1986).

took place in the early part of the twentieth century revolutionized the role of oil in the industrialized world. It became more central to the industrialized West and, as it did, oil as a factor in international relations grew in importance as well. Oil came to have direct influence over intergovernmental relationships, and as a multinational enterprise that was affected by the foreign policies of the states in which they operated.

Venn followed in 2002 with *The Oil Crisis*.¹⁴ The author argued that while 1973 did represent a turning point in the oil industry, many of the conclusions and predictions of contemporaries with respect to the international political economy did not materialize. One prediction was that the use of the oil weapon would force Israel to comply with Arab demands regarding the territory the country occupied in 1967. It did not. Another was that OPEC's decision to take control of price and production would spell the end of the multinationals. The oil cartel's decisions did affect the position of the oil companies in the international oil industry, but it did little to affect their profitability. Venn concluded that while the oil crisis had an immediate impact on prices and the policies of the consumers, it also had a long-range impact. It represented a breaking point between the postwar era of economic growth and a stable economic structure and an era of successive economic disruptions and increasing globalization.

One of the recent works dealing with the broad theme of oil policy was Stephen J. Randall's *United States Foreign Oil Policy Since World War I: For Profits and Security*.¹⁵ In this book, the author focused on the relationship between the state and the

¹⁴ Fiona Venn, *The Oil Crisis* (London: Pearson Education/Longman, 2002).

¹⁵ Stephen J. Randall, *United States Foreign Oil Policy Since World War I: for Profits and Security*, 2nd ed. (Montreal: McGill, Queens University Press, 2005).

private sector in the making of foreign oil policy. Randall argued that most of the histories that examined oil policy did so from a narrow geographic or chronological perspective. His work looked at the development of oil policy from the end of World War I through the intervention in Iraq by George W. Bush. He argued that narrow perspectives left a number of questions unanswered. The questions deal with the debate over energy policy between the public and private sector. He concluded that the evolution of U.S. foreign oil policy reflected the ongoing tension between the commitment to a reliance on market forces to set price and the efforts of the state to control those forces in the interests of consumers and national security.

To date, one of the most comprehensive books dealing with the topic of energy is Daniel Yergin's *The Prize: The Epic Quest for Oil, Money, and Power*.¹⁶ He examined the development of the international oil industry in the twentieth century. The quest for the control of petroleum was the motivating factor in the major political and diplomatic events of the period. Few would disagree; yet Yergin's focus was not presidential administrations and the decisions they made about energy policy, but the actions of the major oil companies and their impact on political developments around the world. He does not address specific issues such as the attempt by the Carter administration and its allies to develop an effective strategy to cope with OPEC.

This study is different – it places the historical debate about the effectiveness of domestic and foreign energy policy within the framework of the global transformations taking place at the end of the twentieth century. No author has examined the relationship

¹⁶ Yergin, *The Prize*.

between the United States, Western Europe, and Japan in terms of both the domestic and international aspects of the energy crisis of the 1970s and the reasons for and ramifications of the failure to develop an effective policy toward OPEC. I argue that America's efforts to work with its allies to develop a cohesive national and international energy policy fell victim to the struggle between political autonomy and interdependence in an era of globalization. The response to the Iranian hostage crisis and the Soviet invasion of Afghanistan highlighted these conflicts within the alliance. My study will address the ways in which policymakers in the past attempted to deal with these complex issues.

In the early years of the new millennium, questions about energy policy continue to drive political debate. China and India, increasingly industrialized countries with large populations, are becoming more reliant on oil. The United States has not decreased its dependence on foreign oil, but has increased it since Carter left office in 1981; and it has struggled developing viable alternatives. As the price of oil and gasoline continue to rise and OPEC continues to exert influence in regard to those prices, the United States and governments around the world face the same difficult dilemmas faced by the Carter administration and its allies. In the present era of wildly fluctuating oil prices, can we learn anything from the conflicts over energy policy that figured so prominently in the decade of the 1970s?

As long as Americans and others around the world continue to depend on oil exported from the Middle East, national security concerns will be at the forefront of debates on the development of energy policy. In 1973, the shah of Iran sounded an

ominous alarm about reliance on cheap imported oil. He warned that the industrialized nations would have to realize that the “era of their terrific progress is finished. They will have to find new sources of energy.” He went on to point out that “all those children of well-to-do families who have plenty to eat at every meal, who have their cars, and who act almost as terrorists and throw bombs here and there, they will have to rethink all these aspects of the advanced industrial world.”¹⁷

For American presidents today, as for Jimmy Carter and his administration over thirty years ago, the question of energy will continue to define and shape the relationship between the United States and the rest of the world. As there has been little rethinking about energy sources since the 1970s, the question of energy continues to define the relationship between the United States and the rest of the world, and sadly, we still are held hostage by OPEC.

¹⁷ Yergin, *The Prize*, 626.

CHAPTER II

THE OIL SHOCK OF 1973

At 6:15 a.m. on the morning of October 6, 1973, the phone rang in Henry Kissinger's suite at the Waldorf Towers in New York City, where he was headquartered for the annual meeting of the U.N. General Assembly. Joe Sisco, the Assistant Secretary of State for Near Eastern and South Asian Affairs, was on the other end. He was calling to inform the National Security Adviser that the State Department was getting reports that Israel was at war with two Arab neighbors, Egypt and Syria.¹ Although Kissinger could not quite believe the reports, they were true. The Egyptians and Syrians launched a surprise attack on Israel in an effort to regain territory in the Sinai Peninsula, the West Bank of the Gaza Strip, and the Golan Heights.

Fighting between the Arabs and the Israelis had been sporadic since the creation of the state of Israel following World War II. Israel's Arab neighbors resented the fact that territory was taken from them and given to their enemies. American and Soviet support for the Jewish state had inflamed Arab nationalism and sparked a number of conflicts between the two sides. The Israelis lived "unrecognized, ostracized, and bitterly resented by its neighbors."²

A major source of conflict in the region revolved around territory taken from Syria and Egypt during the Six Day War in 1967. To end the hostilities, moderate Arab

¹ Henry Kissinger, *Years of Upheaval* (Boston: Little, Brown, 1982), 450.

² Henry Kissinger, *Crisis: The Anatomy of Two Major Foreign Policy Crises* (New York: Simon and Schuster, 2003), 7.

states in the region were willing to accept a settlement based on the 1967 borders but were only willing to grant an end to the state of belligerency, not a full peace. The radical Arab states wanted Israel to be dismantled completely.

It appeared that a settlement was possible when Anwar Sadat became the Egyptian Prime Minister in 1970 following the death of Gamal Abdel Nasser. Sadat tried to secure the return of the lost territory through diplomatic means. Like Sadat, Henry Kissinger promoted the idea of an agreement between the Israelis and the Egyptians. Kissinger hoped that by forging a middle path between the two sides the United States could avoid openly having to support Israel and alienate moderate Arabs. Kissinger feared that alienating moderate voices in the unstable region could give the Soviet Union the opportunity to exert more influence in the area. With an agreement between the Israelis and the Egyptians, a key Arab player would be neutralized. Moscow would be deprived of a “major asset in the Middle East,” weakening its overall position in the cold war.³ Kissinger’s hope was that an agreement to return the territory would lead other Arab states to come to some accommodation with the Jewish state, leading to security. The Israelis, however, were unwilling to withdraw.

The outbreak of war in October 1973 forced the Nixon administration to throw its support behind the Jewish state. Kissinger and others in the Nixon administration feared that a loss of Israeli territory to Egypt would lead to the ultimate dismantling of the country, piece by piece. As far as Kissinger was concerned, the United States had no

³ Salim Yaqub, “Henry Kissinger and the Arab-Israeli Conflict” in *Nixon in the World: American Foreign Relations, 1969 – 1977*, Fredrik Logevall and Andrew Preston, eds. (New York: Oxford University Press, 2008), 228.

choice but to come to Israel's aid, in spite of repeated warnings from the Arabs not to interfere. As a result, Nixon initiated an airlift in which the United States supplied the Israelis with the military hardware they needed. This helped turn the tide for the Israeli forces. "I tell you gentlemen," declared the Israeli defense minister, "the tanks and ammunition our forces are firing in Egypt three weeks ago were in the United States."⁴

In retaliation for U.S. support of their enemy, the Organization of Arab Petroleum Exporting Countries (OAPEC) initiated the first oil embargo of the 1970s against America and other Western industrialized countries. In October, the group agreed to reduce production by a minimum of 5 percent based on September's production of 20.6 million barrel per day, followed by monthly cuts along the same lines. A later decision by all the producing governments except Iraq but including Dubai and Oman, which were not OAPEC members, banned exports to the United States. Most of the producing governments took a similar action against the Netherlands, as well.⁵ That country was the point of entry for oil imported to Western Europe, sometimes called Europe's "oil giant." In effect, reducing shipments to Rotterdam would cut off oil imports to all of Western Europe. The embargo was a reflection of a power shift that occurred between the oil producing countries and the oil consuming countries in the decades after World War II.

Multinational oil companies had controlled the production, distribution, and marketing of oil around the world since the early 1900s when the British first gained control of Persian oil concessions. American companies with large amounts of capital to

⁴ Robert Schulzinger, *U.S. Diplomacy Since 1900* (New York: Oxford University Press, 2002), 306.

⁵ "Middle East Oil Emergency," *Petroleum Press Service*, Vol. 40, No. 11, November 1973, 407.

invest and the technological knowledge to get the oil out of the ground quickly followed the British into the Middle East, an area with oil riches beyond the wildest imagination. The British oil company, British Petroleum, and the American companies, Exxon (Standard of New Jersey), Mobil, Texaco, Chevron, and Gulf Oil, were joined by Royal Dutch Shell to form a loose cartel collectively known as the Seven Sisters. Together, the seven were the undisputed kings of the oil industry around the world.

By the 1970s, however, that control was being questioned. Middle Eastern leaders were witness to the wealth the oil companies were taking out of the ground at their expense. The postwar increase in free world crude production was “gargantuan.”⁶ It increased from 8.7 million barrels per day in 1948 to 42 million barrels per day in 1972. U.S. production grew from 5.5 million barrels per day to 9.5 million barrels per day. For the United States, the significant aspect of the growth in production was that the U.S. share of total world production decreased from 64 percent to 22 percent while Middle East production grew from 1.1 million barrels per day to 18.2 million barrels per day. Just as significant was the shift in proven oil reserves; in the noncommunist world they grew from 62 billion barrels in 1948 to 534 billion barrels in 1972. American reserves increased from 21 billion barrels in 1948 to 38 billion barrels by 1972, although the statistical significance shrank from 34 percent of total world reserves to 7 percent. By contrast, Middle East reserves increased from 28 billion barrels to 367 billion barrels during the same period.⁷ Producing countries began to recognize the power they held

⁶ Yergin, *The Prize*, 500.

⁷ American Petroleum Institute, *The Basic Petroleum Data Book*, (Washington, D.C.: American Petroleum Institute, 1981), vol. 6, September 1986, IV – 1, 11 – 1.

over a commodity that was valued around the industrialized world. Without it, the engines of industry would grind to a halt. These heads of state wanted more control of the oil the companies were producing. They set about getting it by forcing the oil companies to renegotiate contracts that were more advantageous to the Middle Eastern countries.

A rapid increase in consumption from the early 1940s to the end of the 1960s accompanied the surge in world oil production during that period. Total world energy demand more than tripled between 1949 and 1972. Between 1948 and 1972 consumption in the United States tripled from 5.8 to 16.4 million barrels per day. Demand in Europe during the same period increased from 970,000 to 14.1 million barrels per day. Japanese use increased from 32,000 to 4.4 million barrels per day during those years.

Rapid economic growth and rising incomes fueled the surge in demand. One sector of the industrial economy that grew rapidly was the automobile industry. The number of motor vehicles in the U.S. increased from 45 million in 1949 to 119 million in 1972. Outside the U.S., the number of motor vehicles increased from 18 million to 161 million during the same period.⁸

The increase in demand for oil was coupled with a decrease in domestic production. In 1950, petroleum provided about 40 percent of the total energy consumed in the U.S.⁹ In 1972, about 46 percent of the energy used in the United States was derived from petroleum. Imports of petroleum and refined products came from various oil producing regions around the world, including Canada, Latin America, and Asia. As

⁸ Yergin, *The Prize*, 542.

⁹ *The Basic Petroleum Data Book*, Section I, Table VI; Section IV, Table I.

some of the refined products were derived from crude produced in the Middle East, about half the imported petroleum products came from that region.¹⁰

The formation of the OPEC in 1960 began to alter the relationship between the producers and the West. The organization had been formed as a way for the oil producing countries to negotiate with the oil companies. Between 1960 and 1970, however, OPEC had little real power because the Seven Sisters controlled all aspects of production, distribution, and marketing. The complicity of the Middle Eastern governments allowed this arrangement to continue as no producer government was willing to take a stand against the oil companies. The State Department indicated that the international oil industry had a positive effect on the U.S. balance of payments and it was in America's best interests for the oil companies to remain "healthy and productive." The United States government was as interested in the continuing involvement of the industry in exploration and production as were the companies themselves. The State Department was "highly skeptical" of the chances of oil being found or developed if the international industry was "removed from the production of oil or even if its role were severely curtailed." Officials concluded that the "industry and the government both wish to see a continuing major role for the U.S. industry in foreign oil production, as well as in transport, refining and marketing."¹¹

¹⁰ Report; "The Oil Crisis and the U.S. Economy;" December 15, 1973; Oil, 1973; Arthur Burns Papers, 1969 – 78, Federal Reserve Board Subject File; Box B86; Gerald Ford Presidential Library (hereafter GFPL).

¹¹ Department of State Report; "The U.S. and the Impending Energy Crisis"; March 9, 1972; Energy Crisis – Part 3 [2 of 2]; National Security Council Files; Subject Files; Box 321; Richard Nixon Presidential Library (hereafter RNPL).

The multinational oil companies operating in the Middle East got concessions from the producers that gave them a great degree of power over exploration, drilling, production, and distribution of the rich oil reserves in the region. For example, in 1970 the Iranian government requested an increase in production from the consortium of oil companies operating in that country. The U.S. government supported the idea because the shah played an important role in America's Middle East policy by acting as a regional policeman. The consortium, however, was unwilling to allow the increase in spite of the desires of either the Iranian or the U.S. government. White House officials were not happy about the consortium's decision and thought that Nixon and British Prime Minister Harold Wilson should direct the companies to work out an increase in production.¹²

Ultimately, the Iranians and the oil consortium reached a satisfactory settlement. In return for a higher output and export of oil by the consortium, the group agreed to pay the Iranian government \$1.1 billion for the 1970 – 71 fiscal year. During the 1969 – 70 fiscal year, consortium output rose 14.7 percent, accounting for over 90 percent of total Iranian production. This was the highest rate of any Persian Gulf producer except Oman and Abu Dhabi, who were “newcomers with relatively small total output.” The consortium also agreed to assist the Iranian government in negotiating an overseas loan from outside sources.¹³

¹² White House Memorandum; William Watts to Kissinger; January 26, 1970; Oil 1970 [2 of 2]; National Security Council Files; Subject Files; Box 367; RNPL.

¹³ National Security Council Memorandum; Harold Saunders to Peter Flanigan; May 7, 1970; Iran vol. I Jan. 20, 69 – May 31, 1970 [1 of 3]; National Security Council Files; Country Files – Middle East; Box 601; RNPL. “Iran: Agreement on Revenues,” *Petroleum Press Service*, Vol. 37, No. 6, June 1970, 220. “NIOC/Consortium Annual Talks,” *Petroleum Press Service*, Vol. 37, No. 4, 144.

The balance between the oil companies and the producers suited not only the oil companies, but Western governments as well. The governments received benefits in the form of tax revenue and employment opportunities for Americans in the U.S. and overseas. In the realm of international oil, what was good for the Seven Sisters was good for America. Because the oil company executives operating in the Middle East directly dealt with the Middle Eastern government officials, the oil companies became de facto diplomats, negotiating deals that benefited the government as well as the companies. Rawleigh Warner, Jr. of Mobil Corporation explained the role of multinational oil companies in negotiating with foreign governments. The companies, he said, “negotiate *with* governments *but not on behalf* of governments.” They could “fulfill their commercial role in a way no government, or government-owned company can.”¹⁴

Libya played a major role in strengthening OPEC’s bargaining power. The overthrow of the Libyan King Idris in 1969 in a military coup led by Col. Muammar al-Qaddafi initiated the shift. After the ouster of the king, Qaddafi made a move to nationalize the oil industry. The colonel was dissatisfied with the fifty-fifty profit-sharing arrangement between the Libyan government and the multinational oil companies. He warned the twenty-one major oil companies operating in Libya that he would shut down production if necessary to achieve his objectives. “People who have lived without oil for 5,000 years,” he said, “can live without it again for a few years in order to attain their legitimate rights.”¹⁵ The major operators in Libya were the Oasis

¹⁴ “The Role of the International Oil Companies,” Remarks by Rawleigh Warner, Jr. to the American Club; February 18, 1965; Exxon-Mobil Collection; Center for American History, The University of Texas at Austin.

¹⁵ Yergin, *The Prize*, 578.

Group, a combination of four oil companies, and Esso Standard Libya. It was estimated that the companies engaged in Libya took out half a billion dollars a year in profits, 80 percent of that going to the United States. Qaddafi called a meeting with the representatives of the oil companies and told them that the posted price, a theoretical figure on which royalties and tax payments were based, was too low. The figure varied from country to country, but for Libya it was \$2.21 a barrel. Of that, the Libyan government received \$1.25. Raising the posted price would increase the amount the companies paid to the government in royalties and taxes.¹⁶

In order to remedy what Qaddafi saw as an unfair agreement, he confronted the oil companies operating in his country. Because the multinationals operated as a bloc, they were invulnerable to pressure to change the way things were being done. Instead, the Libyan leader approached the independents operating in Libya. The two major independent oil companies were Occidental Petroleum, owned by Dr. Armand Hammer, and Bunker Hunt, a partner of British Petroleum in Libya.¹⁷ Libyan officials ordered Occidental to cut production from 800,000 to 400,000 barrels per day. The cut was ordered “in the name of conservation.” Although it was acknowledged that the company was overproducing one of its concessions, most regarded the move as a ploy in the war over prices between the majors and the Libyan government. Hammer did agree to cut

¹⁶ John L. Hess, “Libya and Foreign Oil Concerns in Test of Wills Over Payments,” *New York Times*, June 2, 1970, 51, *Proquest Historical Archive*, <http://proquest.umi.com>.

¹⁷ Department of State Telegram; American Embassy Benghazi to American Embassy Tripoli; October 8, 1970; Libya Jul 70 – vol. II; National Security Council Files; Country Files – Africa; Box 739; RNPL.

back production, thereby weakening the bargaining position of the other oil companies operating in the country.¹⁸

In 1972, the Libyan government again forced Occidental to cut its crude production, once again maintaining that it was for reasons of conservation. The company claimed that this was a clear violation of the 1970 agreement, which took conservation into account. Hammer was most concerned about the fact that the cut was ordered without prior notification or consultation. Because the company was in a very precarious financial circumstance and had no other sources of crude by which to meet its commitments to its customers, State Department officials speculated that Occidental might come to them to intervene; however, the State Department acknowledged that U.S. ability to influence Libya was “very limited,” because of U. S. support for Israel. Additionally, the decision of the Libyan National Oil Company hinged on a technical question of good oil field practices and the U.S. government was reluctant to become involved. The State Department was limited to pointing out to the Libyan government that, while it had been calling for greater investment by the oil companies, its actions would “hardly encourage it.”¹⁹

Once the independent oil companies yielded to pressure from the Libyan government to cut production, the handwriting was on the wall. The major oil companies were forced to follow suit. The majors, however, were not willing meekly to follow the lead of the independents and give in to Libyan demands without consultation, and they

¹⁸ John L. Hess, “Libya and Foreign Oil Concerns in Test of Wills Over Payments,” *New York Times*, June 2, 1970, 51, *Proquest Historical Archive*, <http://proquest.umi.com>.

¹⁹ Department of State Memorandum; Robert Miller to Kissinger; June 28, 1972; Libya Jul 70 – vol. II; National Security Council Files; Country Files – Africa; Box 739; RNPL.

believed they had the support of the American government behind them. This was not necessarily the case, however. The State Department was concerned about the attitude of the majors should a confrontation arise with the Libyan government; officials were worried about the ramifications for U.S. interests in Libya and throughout the Middle East, as Qaddafi wanted to claim the mantle of the late Egyptian leader, Nasser, and pan-Arabism. As one embassy official remarked, “The ‘fact of Arab unity’ in Qaddafi’s eyes is, like the Koran, immutably true. He is wedded to promote unity whenever and however he can.”²⁰ The U.S. embassy in Libya recommended that the secretary of state call in the top company managers for a “frank, in-depth discussion” of the problem and to urge “all negotiating flexibility” the companies could muster.²¹

American oil companies feared that the developments in Libya would spread to the rest of the Middle East, and they reinstated a group known as the Front Uni. This group had formed originally in 1922 as a way to protect Western interests in Russia against the threat from the newly formed Soviet Union. The group pledged to fight the Soviet Union as a bloc and not allow each member to be “picked off” individually.²² The group that formed in the 1970s engaged in negotiations with government officials about price and production, although oil company officials recognized that the negotiations were pro forma. Because of the State Department’s lack of support and Occidental’s surrender in Libya, they were left in a very weak bargaining position. After urging the companies to be as flexible as possible, Secretary of State William P. Rogers believed

²⁰ Department of State Telegram; Palmer to Secretary of State; February 24, 1971; Libya Jul 70 – vol. II; National Security Council Files; Country Files – Africa; Box 739; RNPL.

²¹ Department of State Telegram; Palmer to Secretary of State; September 26, 1970; Libya Jul 70 – vol. II; National Security Council Files; Country Files – Africa; Box 739; RNPL.

²² Yergin, *The Prize*, 240.

that the time had come for the U.S. to “step back and let negotiations take their course, in order minimize any impression that oil company positions and interests are identical” with those of the U.S. government, “particularly since situations could arise when USG might have to consider involving itself further to try to avoid serious adverse developments.”²³

The leapfrogging they feared became reality when Iran, representing Abu Dhabi, Kuwait, Qatar, Iraq, and Saudi Arabia, met with oil company officials to renegotiate the contracts they had with the oil companies. The shah made it clear that he was displeased that Libya received concessions that the companies did not give to the Persian Gulf producers. He took the occasion of the opening of the Iranian Parliament to “make it clear that Iran was not going to be left behind” and warned that failure to meet Iran’s expectations would be met by legislation, or in effect “appropriation of part of the concession.”²⁴ Iran was more of a concern to the Nixon administration because that country, along with Saudi Arabia, played an important role in security in the Middle East. The government was willing to do much to support the shah and satisfy his demands. The oil companies recognized that national security would be best served by doing what they could for Iran.²⁵ Shortly after the developments in Tripoli, the producers and the oil companies signed the Tehran agreement with Iran. Accordingly, payments by the companies to the producers increased over a five year to a total of \$1.45 per barrel.

²³ Department of State Telegram; Rogers to Palmer; January 28, 1971; Libya Jul 70 – vol. II; National Security Council Files; Country Files – Africa; Box 739; RNPL.

²⁴ “Oil to the Rescue,” *The Economist*, November 21, 1970, 88, *The Economist Historical Archive*, <http://find.galegroup.com>.

²⁵ White House Memorandum; Peter Flanigan to Kissinger; January 10, 1970; Oil 1970 [2 of 2]; National Security Council Files; Subject Files; Box 367; RNPL.

Total revenue would increase over the five-year period from \$1.4 billion in 1971 to nearly \$12 billion by 1975. In return, the oil producers agreed to maintain this level for five years.

In 1971, the oil companies met once again with the producers from Libya, Iraq, Saudi Arabia, and Algeria. The countries wanted the same deal for all of Mediterranean crude that Libya got for itself in 1970. The State Department was concerned about these negotiations because they had a direct impact on Western Europe, which received most of its crude exports from this group. The department wanted to assure U.S. allies that the United States shared their interest in ensuring the flow of oil to Western Europe. There was “some grumbling” in Western Europe that they were “hostage not only to the producing countries, but also to the American petroleum companies.”²⁶

The oil companies were frantic to find a way to fend off this leapfrogging that was pushing the prices higher and giving the producers more control. The expected five years of stability guaranteed the oil companies by the Tehran and Tripoli agreements seemed to be only a dream. This was reinforced in September 1971 when, following an OPEC meeting in Beirut, the producers demanded “compensation to the producing countries for loss in income caused by recent changes in currency values” and “acquisition by producing countries of a participating share in the production activities of the concessionary companies.”²⁷

²⁶ White House Memorandum; Bergsten to Kissinger; March 9, 1971; Oil 1971 [1 of 2]; National Security Files; Subject Files; Box 367; RNPL.

²⁷ White House Memorandum; Hormats to Kissinger; October 20, 1971; Oil 1971 [1 of 2]; National Security Council Files; Subject Files; Box 367; RNPL.

Acquisition of a participating share, or participation, was a way for the oil producers to take advantage of higher prices without outright nationalization or having to compete with oil companies and each other for markets. While the Nixon administration recognized that the companies would have to be willing to show some flexibility in higher posted prices, the concept of participation would be more difficult. The company position was that participation was in contravention of the Tehran agreements; State Department officials agreed. Officials also believed that the department should give the companies diplomatic support in resisting the demand for participation. Stalling OPEC on participation and confiscation of properties would likely be successful but only if the companies were willing to begin discussion of new company-government relationships after 1976 when the Tehran agreements would end.²⁸ As far as the State Department was concerned, the oil companies had two choices: participation or nationalization. Neither choice appealed to the multinationals, but there was no going back. Because of the Tripoli and Tehran agreements, the relationship between the oil companies and the producers had changed forever.

The change in the nature of oil production and distribution that took place in the early 1970s had an impact on relations between the oil companies and the government in the United States. After the Tripoli and Tehran agreements were signed, the power of the multinationals diminished. One historian has suggested that Nixon's decision to support the Libyans at the expense of the multinationals was deliberate. Nixon and Kissinger felt that America's allies in Europe and Japan were becoming economically and politically

²⁸ Department of State Report; "The U.S. and the Impending Energy Crisis"; March 9, 1972; Energy Crisis – Part 3 [2 of 2]; National Security Council Files; Subject Files; Box 321; RNPL.

independent of the United States. This independence would have serious repercussions for American influence in those countries. To Nixon and Kissinger's way of thinking, "slower allied growth occurring within a restructured energy and monetary environment" would lead to a "substantially strengthened American position in a more cohesive alliance system – one better able to withstand growing Soviet pressures."²⁹ In order to curb their push for independence, Nixon and Kissinger sided with Libya and Iran over the multinationals, and therefore, their allies in Western Europe and Japan. Siding with Libya meant higher prices for crude, and it gave away the power over pricing to countries that may or may not have the allies' best interests at heart.

Even if the Nixon administration did not deliberately side with Libya and Iran over the issue of nationalization, both Qaddafi and the shah had leverage. The shah knew what his position was with regard to U.S. national security in the Middle East. He had been a good friend to the oil consuming countries through two closures of the Suez Canal and attempts by Arab countries to embargo their most valuable commodity.³⁰ The shah knew he could appeal to the U.S. government to intervene with the oil companies, and the possibility of support was good. The U.S. government was also concerned about the Libyan position. First, Libyan crude was some of the best in the world. It was light with a low sulfur content. Second, the U.S. government feared pan-Arab unity being mobilized against Israel and its U.S. supporters. The White House acknowledged that giving in to Libyan demands would enhance Qaddafi's prestige in the Arab world, while

²⁹ Richard C. Thornton, *The Nixon – Kissinger Years: The Reshaping of American Foreign Policy* (St. Paul: Paragon House Publishers, 2001), 313.

³⁰ "Playing the Iranian Game," *The Economist*, March 14, 1970, 85, *The Economist Historical Archive*, <http://find.galegroup.com>.

undermining the positions of the more moderate leaders in the region but would be less confrontational than refusing Libyan demands.³¹ Support for both Iran and Libya diminished the position and power of the oil companies.

In order to circumscribe the bargaining power of OPEC, governments filled the void left by the multinationals. Between 1971 and 1973, governments negotiated bilateral oil deals with the producing countries. The governments concluded deals that bartered oil for commodities such as munitions and armaments. They also negotiated deals that brought technical experts from the consuming countries into the producing countries. These bilateral deals, however, worked against the consumers because they prevented them working together to negotiate deals as a bloc. The U.N. Secretary General Kurt Waldheim told Kissinger that the deals between European countries and the producers would hurt the consumers in the end, since the deals would set the price of oil so high that they would spend too much of their foreign exchange on it. This could lead to a world-wide depression and “threaten the cohesion of the non-communist world we have worked so hard for.”³²

Nixon administration officials also recognized that new relationships would have to be developed between the multinational oil companies, the producers, and the U.S. government. A State Department report in March 1972 entitled “The U.S. and the Impending Energy Crisis” detailed the nature of this new relationship. By 1975, and

³¹ Memorandum for the President – Evening Report; August 15, 1973; President’s Evening Report – 8/21/73 – 12/31/73; RG 59, General Records of the Department of State, President’s Evening Reading Reports; Box 4; National Archives II (hereafter NAII).

³² Telegram; Kissinger to American Embassy Paris, U.S. Mission Geneva, American Embassy the Hague, U.S. Mission United Nations; January 28, 1974; Energy Crisis – Part 3 [2 of 2]; National Security Council Files; Subject Files; Box 321; RNPL.

possibly earlier, the world would enter a permanent seller's market. In order for there to be even short-lived success in dealing with OPEC, the oil companies would have to be willing to discuss with the producers some form of new relationship. It was time for the U.S. government to take immediate action, including "efforts to reduce rates of growth of consumption and to raise domestic production and imports from secure sources," which would be "as unpopular as they will be costly," and they would require "a good deal of political courage."³³ It was this transformation in the relationship between the producers, multinationals, and consumer governments that gave OPEC the power to unsheathe the oil weapon.

Western Europe and Japan were particularly hard hit by the embargo. Both had become increasingly dependent on oil from the Middle East. In the first half of 1973, over 70 percent of Western Europe's crude oil requirements came from that region. If the cuts announced by OPEC were sustained, that would mean an immediate loss of over one 500,000 barrels per day for each month.³⁴ Japan was even more vulnerable to supply interruptions. That country depended on oil to supply 75 percent of its energy and it imported over 40 percent from Arab sources. Between April and September 1973, Japan imported over 900 million barrels of crude oil, about five million barrels per day.³⁵

In response, the Japanese Ministry of International Trade and Industry (MITI) devised a strategy to deal with the crisis. In an effort to reduce fuel consumption by ten to twelve percent, the government announced that all filling stations would be closed on

³³ Department of State Report; "The U.S. and the Impending Energy Crisis"; March 9, 1972; Energy Crisis – Part 3 [2 of 2]; National Security Council Files; Subject Files; Box 321; RNPL.

³⁴ "Europe's Imports Threatened," *Petroleum Press Service*, Vol. 40, No. 11, November 1973, 411.

³⁵ "Testing Time for Japan," *Petroleum Press Service*, Vol. 40, No. 12, December 1973, 444.

Sundays, the use of expressways for long-distance travel tightly controlled, and the direct burning of crude oil in power stations prevented. Powers to enforce these and other restrictions were included in an emergency bill due to go before the Diet in November.³⁶

A major concern for both Western Europe and Japan was the effect the embargo would have on economic growth. Loss of petroleum supplies to industry would be a severe blow to manufacturing, resulting in higher unemployment. MITI forecast zero to negative economic growth from December onwards, reducing the expected Gross National Product from 9.5 to less than 5 percent for the 1973 fiscal year. German officials were projecting zero growth for 1974, France was expecting expansion to be halved from six percent to three percent, and Britain's was likely to be about 2.5 percent.³⁷ The outcome was that all of these countries intensified their search for alternative sources of energy, nuclear, solar, oil from shale, and reduced dependence on Arab sources, including the development of North Sea oil and oil in the waters off the coast of Japan.

The embargo and price increases were a double-edged sword for the Arabs. They could use the oil weapon to achieve their political goals. At the same time, however, that weapon could be used against them. The oil exporting countries were heavily dependent on goods imported from the West. They received things as varied as food, raw materials, and machinery. They also received loans and other financing from the American Export-

³⁶ "Testing Time for Japan," *Petroleum Press Service*, Vol. 40, No. 12, December 1973, 444.

³⁷ "Not So Fierce," *The Economist*, December 8, 1973, 88, *The Economist Historical Archive*, <http://find.galegroup.com>. "Testing Time for Japan," *Petroleum Press Service*, Vol. 40, No. 12, December 1973, 444.

Import Bank, the World Bank and various UN agencies, most of which originated in the United States and Western Europe.³⁸ Their actions could cause the importing countries to reduce the flow of goods and money to the region.

The Soviet Union stood to benefit from the embargo. Western Europe and Japan, in particular, would turn to the Soviets for their oil needs if the Arab embargo continued. In 1973, it would have been difficult for the Soviet Union to supply the industrialized countries with sufficient oil to offset the effects of the embargo. The USSR Planning Committee announced in that year that industrial progress would be slower as a result of delays in expanding capacity in the oil and gas industry. Crude oil production under the five-year plan covering 1970 to 1975 was scheduled to increase from 350 million tons in 1970 to almost 500 million in 1975. This was a slightly lower growth rate than that during the period from 1965 to 1970. Production in 1972 reached about 394 million tons, indicating average annual increases of only 5.2 percent in that year and the previous one.³⁹

The idea of cooperation between the West and the Soviet Union appeared attractive, at least on the surface. The Soviets had large reserves in Siberia but did not have the technological capabilities or the capital to access it. The United States, Western Europe, and Japan had the available capital and expertise for energy development. Oil shortages in the West and Nixon's emphasis on détente made the possibility of cooperation with the Soviets on oil and gas production seem attractive. It could be

³⁸ "Dangerous Weapon," *Petroleum Press Service*, Vol. 40, No. 12, December 1973, 443.

³⁹ "Should We Aid the Russians?" *Petroleum Economist*, Vol. 41, No. 1, January 1974, 4. "Russian Headaches," *Petroleum Economist*, Vol. 40, No. 3, March 1973, 87.

“mutually advantageous.”⁴⁰ The U.S. also was looking for opportunities to expand oil production outside the Middle East.⁴¹

Arab oil ministers agreed to end the embargo on March 18, 1974, after the Saudis opened the door for American and Syrian negotiations concerning disengagement on the Golan Heights. In spite of this, however, fears about dependence on foreign sources of oil lingered. How would the United States and its allies in Western Europe and Japan deal with a future embargo? How could it be avoided? The best way forward seemed to be developing effective international and domestic policies that could counter the bargaining power of OPEC. That, however, was easier said than done.

Henry Kissinger viewed the energy crisis within the framework of the crisis in the Middle East. He believed that the embargo grew out of political and geopolitical concerns that involved conflict between the Arabs and Israelis. If those concerns were addressed, the oil situation would take care of itself. Because of that, his focus remained on forging an agreement between the two sides. America’s allies, however, had other interests. Western Europe and Japan imported more oil from the Middle East than did the United States. Because of that, they were less willing to alienate the Arab countries in the region. Over the course of the 1970s, the debate raged among the allies about how to accomplish the goal of energy independence.

⁴⁰ “Should We Aid the Russians?” *Petroleum Economist*, Vol. 41, No. 1, January 1974, 4. “Russian Headaches,” *Petroleum Economist*, Vol. 40, No. 3, March 1973, 87.

⁴¹ “Should We Aid the Russians?” *Petroleum Economist*, Vol. 41, No. 1, January 1974, 4.

CHAPTER III

TOWARD A STABLE PEACE AND EXPANDING PROSPERITY:

THE NIXON ADMINISTRATION AND THE ENERGY CRISIS

“At home and abroad, America is in a time of transition,” Richard Nixon proclaimed to Congress in April 1973. “Old problems are yielding to new initiatives, but in their place new problems are arising which once again challenge our ingenuity and require vigorous action. Nowhere is this more clearly true than in the energy field.”¹ The embargo initiated by the Arab members of OPEC brought home to the industrialized world the truth of Nixon’s message.

The producers’ actions sparked a dual response by the Nixon administration. The starting point of that effort, the Washington Energy Conference, was international in scope and attempted to address the problems associated with the oil embargo among America’s allies in Western Europe and Japan. The second response was a domestic attempt to deal with the embargo: Project Independence. The Nixon administration’s efforts to deal with the energy crisis reflected the belief that stability at home and abroad was a necessary first step in dealing with OPEC.

In the United States, fears of a fuel shortage caused alarm. Nixon’s mandatory allocation program, designed to share resources among the states, only increased those fears. Americans responded by panic buying. Gas lines formed in filling stations across the country. Lines at these stations often snaked around several blocks. In New York,

¹ Richard Nixon, “Special Message to the Congress on Energy Policy,” April 18, 1973, *The American Presidency Project*, <http://www.presidency.ucsb.edu>.

patrons sat for two hours waiting to get \$2 worth of gas, the maximum allowed at some stations. At others, customers waited for several hours only to find that the station had no gasoline left. In California, where a study by *The Los Angeles Times* indicated that the state did not face fuel shortages but would if panic buying set in, Governor Ronald Reagan made a plea to his citizens, asking that they not go to the service station for refueling until their tanks were less than half full.²

The fuel shortages also affected American industry. Airlines cut routes. *The New York Times* reported that three major airlines that offered competitive service cancelled forty flights on fifteen different routes.³ The president of Western Airlines, a Los Angeles-based carrier, claimed that “we risk our entire economy grinding down to a pace that will make us not a second-rate nation, but a third-rate nation” unless the United States did not develop a program to find a solution to the shortage.⁴

Reaction around the world varied, but all of the industrialized countries that relied on petroleum exports from the Middle East developed programs that anticipated shortages. The French announced price controls on basic foods like beef, fruits and vegetables, and cheese to hold down a skyrocketing cost of living exacerbated by the oil crisis. The French government conceded that the price controls were “intended as much for their psychological impact on public opinion as their real impact on prices.”⁵ The

² Tom Goff, “Bill Proposed to Create State Energy Czar,” *Los Angeles Times*, December 6, 1973, 3, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

³ “The Fuel Crisis: A Question of Whose Lights to Dim,” *New York Times*, Nov. 4, 1973, 241, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁴ Marvin Miles, “Gasoline Rationing for Autos Declared a Must,” *Los Angeles Times*, Nov. 7, 1973, D18, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁵ Clyde Farnsworth, “French Announce Some Price Curbs,” *New York Times*, Nov. 3, 1973, 35, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

Dutch and Belgian governments imposed restrictions on Sunday driving, and West Germany considered a similar move and announced a major effort to switch from oil to coal as a source of industrial energy in an attempt to offset the effects of the embargo.⁶ Japan, more vulnerable to the “political blackmail that is the aim of the Arab oil embargo,” also took measures aimed at alleviating the effects of the boycott. The Cabinet announced a petroleum supply law and a livelihood stabilization law, giving the government the power to fix prices on a variety of commodities and regulating the processing and supply of commodities like oil and steel. In addition, the Cabinet banned the sale of gasoline and use of private cars on Sundays and holidays and shortened the hours of restaurants, businesses, and theaters.⁷

The Nixon administration’s domestic response to the embargo was Project Independence. He wanted Americans to commit to conserving energy so that by the end of the decade the nation would be able to meet its own energy needs from its own sources. This effort involved administration and legislative actions on both a short-term and long-term basis. Accordingly, Americans were supposed to reduce the supply of heating oil for homes and businesses as well as for aircraft, preventing industries that used coal from converting to oil, reductions in energy consumption by the federal government, and asking governors to enforce these actions at the state and local level. Nixon also asked the Atomic Energy Commission (AEC) to speed up licensing and

⁶ “Saudi Arabia Warns U.S. Against Oil Countermoves,” *New York Times*, Nov. 23, 1973, 1, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁷ Fox Butterfield, “Japanese Reduce Budget Increase,” *New York Times*, Dec. 23, 1973, 1, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

construction of nuclear power plants. Nixon demanded that Congress pass an emergency energy bill that would fill the void until more permanent action was put in place.⁸

Reaction to the president's initiative was mixed. Some claimed that the president's program would lead to savings in the number of barrels of oil used every day. Voluntary controls by Americans to conserve energy, things such as carpooling and lowering home thermostats, along with "immediate and severe cutbacks" in energy use by the federal government would save 1.2 million barrels of oil per day. When added to other programs, such as reducing airline flights, converting to coal in some industries, and increasing domestic oil production, the total savings was projected at 2.3 million barrels a day.⁹

Others claimed that the plan would not be effective. Columnist Joseph Kraft wrote that Nixon "defined an objective that, while rhetorically pleasing, does not make sense. He has not charted the way to achieve an objective that does make sense." The concern was that in becoming independent of the Arab oil producing countries, an objective almost universally agreed upon, the Nixon administration wanted to pursue an isolationist policy that would cut the U.S. off from the rest of the world. It was in American interests to cooperate in the energy field with the non-Arab oil producers such as Iran as well as the nation's partners in Western Europe and Japan. U.S. self-sufficiency would be detrimental to organizing joint research projects in order to develop alternatives to dependence on Arab oil. In addition, the objective of self-sufficiency by

⁸ Richard Nixon, "Address to the Nation About Policies to Deal with the Energy Shortages," November 7, 1973, *The American Presidency Project*, <http://www.presidency.ucsb.edu>.

⁹ Lou Cannon, "Rationing, Shutdowns Predicted," *Washington Post*, November 8, 1973, A1, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

1980 was unrealistic. The vice president of Shell Oil claimed that there were discrepancies in the administration's projections for self-sufficiency, specifically the time it would take to bring new energy sources into the system. Projections were "over-optimistic."¹⁰

Critics also questioned the effectiveness of the voluntary nature of the conservation efforts. A Gallup poll indicated that Americans were skeptical about the source of the crisis. Only seven per cent of the American people blamed the Arabs for the oil shortage and the resulting gas lines. Twenty-five percent blamed the oil companies, and twenty-three percent blamed the federal government. Nineteen percent of the American public held Nixon personally responsible, and sixteen percent thought American consumers were to blame.¹¹ The government would have to convince Americans that the crisis was real if conservation efforts were to be effective. Additionally, most of the research and development programs aimed at creating alternatives to oil would not begin paying off until after 1980. During the "crunch time" between 1973 and 1980, the government was not going to mandate any actions that would require conservation on the part of the American people. Critics doubted that a

¹⁰ Joseph Kraft, "President Charts an Objective that Fails to Make Sense," *Boston Globe*, November 28, 1973, 19, *Proquest Historical Newspapers*, <http://proquest.umi.com>. Walter Robinson, "Shell Vice President Says Nixon Fuel Goal Impossible," *Boston Globe*, March 15, 1974, 40, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

¹¹ "Department of Energy 1977 – 1994: A Summary History," United States Department of Energy, Energy History Series (Oak Ridge, TN: Office of Science and Technical Information, 1994), 7, http://energy.gov/sites/prod/files/maprod/documents/Summary_History.pdf.

voluntary program would work and claimed that it was “Pollyanna-ish” to believe the administration could more than “take a sizable nibble” by the end of the decade.¹²

Part of Nixon’s domestic agenda was to develop alternative sources of energy such as geothermal, cleaner coal, and nuclear energy. The administration planned to increase the effort to drill in areas previously off limits to oil companies, especially the Alaskan wilderness, which sparked a heated debate between the domestic oil industry and the growing environmental movement.

The environmental movement got a boost on April 22, 1970 with the first Earth Day, a day set aside to celebrate the world’s natural resources and call attention to the environmental degradation brought about by pollution of the air and water by industrial development. Activists pointed to a number of industrial accidents involving oil slicks. Wells off the coast of Louisiana caught fire. A damaged Greek oil tanker in Tampa Bay spilled oil into the bay. The movement received a major boost in 1969 when an oil rig ruptured off the California coast, fouling the waters and beaches of Santa Barbara. Just the year prior, Secretary of the Interior Stuart Udall said that the record sale of oil and gas leases off the California coast “shows the petroleum industry responds to the need for keeping capital investments at home.”¹³ The leak from the well owned and operated by Union Oil Company poured 21,000 gallons of oil into the sea every day. By February, dead sea birds began washing up on the beaches. The fear among conservationists was that the oil slick would upset the ecological balance in the area, an

¹² Harry B. Ellis, “U.S. Energy Independence by 1980? Nixon Project Called Unrealistic,” *Christian Science Monitor*, November 28, 1973, 1, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

¹³ Eric Malnic, “Fight on Oil Slick Speeded,” *Los Angeles Times*, February 1, 1969, 1, *Proquest Historical Newspapers*, <http://proquest.umi.com>. “Udall Lauds Oil Firms on Santa Barbara Bids,” *Los Angeles Times*, February 8, 1968, B13, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

area in which gray whales migrated at the time of year. The Sierra Club contacted Walter J. Hickel, Nixon's Secretary of the Interior, and suggested that until new safeguards were put into place, channel drilling should be halted. A local Santa Barbara conservation group, Get Oil Out or GOO, called for a permanent end to drilling in the Santa Barbara Channel. The divergent interests of the two sides set them against each other when it came to drilling in sensitive areas of the U.S.

The domestic environmental movement had the support of administration officials as well as members of Congress who worked together to create legislation designed to protect the environment. The National Wildlife Federation, the Environmental Defense Fund, and Friends of the Earth opposed the construction of nuclear power plants and the Alaska pipeline on the grounds that both of these would lead to environmental degradation. A letter initiated by Republican Senator Robert Griffin and supported by twelve others urged the Nixon administration to delay a decision on the pipeline route until the feasibility of an alternative route through Canada could be examined more closely. The senators pointed out that a cross-Canada route would offer, among other things, an environmental advantage over the proposed Alaska route. The pipeline system across the area would "cause the least destruction to the natural environment."¹⁴

The Canadian government considered the possibility of allowing construction of a pipeline, but before the two sides could come to an agreement the White House withdrew the offer. NSC officials claimed that a pipeline through that region would

¹⁴ News Release from U.S. Senator Robert P. Griffin; May 2, 1972; Alaska Pipeline; Ford Congressional Papers, Press Secretary and Speech File, 1947 – 1973; Box D 58; GFPL.

constitute a national security risk. The director of the Office of Emergency Preparedness, General G.A. Lincoln, advised the administration that the Canadian government may not view future crisis situations in exactly the same way as the U.S. Therefore, in a broad national context, there would “in some possible scenarios be a national security advantage to having Alaskan oil move to the United States under U.S. control all the way.”¹⁵

A major concern for environmentalists in the industrialized countries was oil pollution in coastal waters. The oil spills off the coast of the U.S. convinced conservationists that it was necessary to remove the threat that offshore drilling represented and that set them at odds with the Nixon administration’s reluctance to regulate the oil industry at a time when the industry was suffering setbacks abroad. Nixon told Congress that his administration was committed to protecting the environment, but it would not come at the expense of social or economic progress.¹⁶ He was unwilling to regulate the oil industry at a time of economic uncertainty related to the actions of OPEC because that would constrain the industry when they needed more latitude. As the Chairman of the Board of Standard Oil (Indiana) declared, the United States was “at war – not a shooting war but an economic war with nations comprising the Organization of Petroleum Exporting Countries. Our country can have no economic or military security while we are dependent on others for one-third of our oil and one-sixth of our total energy supply.” He advocated a program to assess the feasibility of

¹⁵ Memorandum; Gen. G.A. Lincoln to Secretary of the Interior; November 11, 1971; Oil, 1971; National Security Council Files, Subject Files; Box 367; RNPL.

¹⁶ Richard Nixon, “Special Message to the Congress on Marine Pollution From Oil Spills,” May 20, 1970, *The American Presidency Project*, <http://www.presidency.ucsb.edu>.

drilling on the continental shelf to solve our domestic energy problems. It would also demonstrate to the Europeans and the Japanese that we were “serious about coming to grips with our energy problems.”¹⁷

Nixon indicated his resistance to regulation of the oil industry in a 1971 special message to Congress on marine pollution from oil spills. The “growing threat” from the oil spills could be contained, he said, “not by stopping industrial progress but through a careful combination of international cooperation and national initiatives.” Conservatives at the *Wall Street Journal* agreed, declaring that “price controls made the market an inefficient allocator of supply while environmental objections impede development of nuclear power and offshore oil.”¹⁸

Several international conventions addressed this issue, and in 1970, Nixon submitted two to the Senate for its advice and consent. The first empowered the U.S. to take preventive action against vessels in the high seas that presented “imminent pollution danger to our coasts.” The second imposed civil liability upon the owners of vessels responsible for pollution damage to coastal areas, regardless of the location of the vessel. In addition, the U.S. adopted amendments to the 1954 Convention for the Prevention of Pollution of the Sea by Oil. They dealt with the discharge of oil or oily substances on the high seas and established new rules prohibiting the discharge of oil within fifty miles of the U.S. coastline. In 1977, additional amendments aimed to reduce “materially the

¹⁷ Correspondence; John E. Swearingen to Ford; May 23, 1975; Business and Economics – Industry: Petroleum, 10/74 – 6/75; Presidential Handwriting File, Box 3; GFPL.

¹⁸ Richard Nixon, “Special Message to the Congress on Marine Pollution From Oil Spills,” May 20, 1970, *The American Presidency Project*, <http://www.presidency.ucsb.edu>. Lindley H. Clark, Jr., “Speaking of Business: Lethargy on Energy,” *Wall Street Journal*; August 18, 1975, 8, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

discharge of persistent oils” into the sea, thereby providing more protection for beaches and coastal areas and the wildlife and marine resources there.¹⁹

In London in November 1972 an international convention addressed the need to regulate the dumping of wastes into the world’s oceans. Some 80 governments attended the conference. The convention embodied the concepts of the international environmental movement and its views regarding protection of the “marine environment and the living organisms which it supports” that are of “vital importance to humanity.” The participants recognized that dumping of oil by ships at sea was a hazard to the marine environment and was included in the convention. It stated that the signatories pledged themselves to protect the marine environment against pollution caused by “hydrocarbons, including oil, and their wastes.” This included crude oil, fuel oil, heavy diesel oil, and any mixtures containing these, taken on board vessels for the purpose of dumping. The convention also covered radioactive pollutants from all sources, including vessels at sea.²⁰

Another area of focus for the environmental movement was the drive to develop alternatives to oil. Coal continued to be an important energy source, and the government involved itself in trying to develop better ways to mine and process coal so that it would be more environmentally acceptable, including coal liquefaction and gasification.

Liquefaction involved a process for conversion of coal to synthetic crude, and

¹⁹ Richard Nixon, “Special Message to the Congress on Marine Pollution From Oil Spills,” May 20, 1970, *The American Presidency Project*, <http://www.presidency.ucsb.edu>. White House Memorandum; Brzezinski to Carter; February 1977; HE 7-3, 1/20/77 – 3/31/77; White House Central File, Subject File, Health; Box HE – 17; Jimmy Carter Presidential Library (hereafter JCPL).

²⁰ *Convention on the Prevention of Marine Pollution by Dumping of Wastes and Other Matter; Ocean Dumping Convention*; 31 Oct. – 10 Nov. 72 (London) [Oct. – Dec. 72]; National Security Council Files, Subject Files; Box 367; RNPL.

gasification involved the conversion to methane-synthesis gas mixtures. The Atomic Energy Commission (AEC) proposed that \$25 million from the Department of Interior fund for energy research and development be set aside for specific projects that would be under its jurisdiction, including \$4 million for synthetic fuels development, \$2.15 million for coal liquefaction, and \$1.85 million for gasification. A writer for *Nucleonics Week* in 1972 wrote that the “men in AEC are in accord with basic White House thinking that the prime fuels for the U.S. future are uranium and coal” and that AEC was quietly lobbying for the project.²¹

One problem with the development of cleaner coal was that the coal gasification program was under the management of the Department of the Interior. That department claimed that giving over the coal gasification to AEC would make that organization the policeman of the industry it was intended to regulate. AEC claimed that the Interior Department, as the keeper of the nation’s lands, would represent a much more blatant conflict of interest.²² The end result of this organizational dispute, along with the lack of a cabinet-level department dealing specifically with energy questions, hindered the development of coal gasification.

Moreover, there were disputes between the AEC and the Environmental Protection Agency (EPA). A dispute arose over the question of standards for permissible levels of radiation for nuclear installations; one agency set general and one set specific standards, raising the question why one agency should not have the responsibility of

²¹ Correspondence; Glenn Schleede to Dr. James Connor; March 2, 1973; AEC’s Non-Nuclear Energy R&D; White House Central File, Staff Member Office Files, Glenn Schleede; Box 7; RNPL.

²² Correspondence; Glenn Schleede to Dr. James Connor; March 2, 1973; AEC’s Non-Nuclear Energy R&D; White House Central File, Staff Member Office Files, Glenn Schleede; Box 7; RNPL.

setting both standards.²³ The administration claimed that there was never any ambiguity. The EPA set standards for radiation in the general environment while the AEC set standards governing emissions in nuclear facilities. In spite of the administration's explanation, however, there was clearly confusion about the overlapping nature of the two agencies, so much so that the matter was sent to the White House for the president's decision. Ultimately, Congress passed legislation that abolished the Atomic Energy Commission and created an Energy Research and Development Administration and a separate Nuclear Energy Commission. The latter was concerned with the regulation of nuclear energy and acquired the function of establishing emission standards.²⁴

Throughout the 1970s, officials in Washington focused their efforts on developing new sources of energy which were neither coal- nor petroleum-based. A number of alternatives were sought. The Nixon administration called for solar and geothermal power as well as expanding drilling in the United States, particularly on the Outer Continental Shelf. Even the recycling of municipal trash was considered as an alternative energy source, but the alternative that seemed to offer the most promise was nuclear power.²⁵

Nuclear energy was touted as a clean and efficient source of power that would solve the energy problems of the industrialized world. Nuclear energy could solve the

²³ Correspondence; Archibald Rogers to Roy Ash; March 19, 1974; White House Central Files, Staff Member Office Files, Glenn Schleede; Box 6; RNPL.

²⁴ Correspondence; Roy Ash to Mrs. Paul Ignatius; January 7, 1974; White House Central Files, Staff Member Office Files, Glenn Schleede; Box 6; RNPL.

²⁵ Richard Nixon "Special Message to the Congress on Energy Policy," April 18, 1973, *The American Presidency Project*, <http://www.presidency.ucsb.edu>. *Alternative Energy Sources: Toward a National Energy Policy*; Mobil Solar Energy Corporation; Publications, 1975 – 1982; Exxon-Mobil Collection; Center for American History, The University of Texas at Austin.

problem of the “nearly hysterical ravaging” of the land for energy production. As one expert claimed, once the “automatic chill” that the word “nuclear” provoked passed, the “objective fact” was that nuclear power was the “cleanest, least destructive and safest way” to meet America’s energy needs.²⁶ Even before American officials began to press for the use of nuclear power for civilian use, other countries in the industrialized world had supported the idea. In Europe, government officials in both France and Germany were beginning to build nuclear plants during the early 1970s. One of the first countries to develop nuclear power for civilian use was Japan, the only country to have experienced the devastation of a nuclear bomb.

In spite of the apparent promise of nuclear power, many in the United States and around the world opposed its development because of environmental concerns. Disposal of atomic waste and potential accidents caused concern among opponents. The Sierra Club worried about the accumulated effects of radioactive emissions.²⁷ The Price – Anderson Act, passed in 1957, was an early piece of legislation that addressed concerns about the industry. This act was designed to ensure that adequate funds would be available to satisfy claims for personal injury or property damage that resulted from a nuclear accident involving a commercial power plant. Then, in 1969 the Nixon administration passed the National Environmental Policy Act (NEPA), considered by some to be the “most important single piece of modern environmental law now on the

²⁶ Ernest B. Ferguson, “Nuclear Energy Can Give Us a Clean Power Source,” *Washington Post*, March 31, 1971, B7, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

²⁷ “Around the Nation: Sierra Club,” *Washington Post*, June 6, 1971, 7, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

statute book,” which required all nuclear power plants constructed have environmental impact statements.²⁸

At the state level, some officials lobbied their legislatures to prevent the construction of sites in their states. In 1972, Governor Robert Docking of Kansas opened the legislature asking for a ban on radioactive waste disposal in Kansas. Nixon administration officials claimed that pressing for the Lyons, Kansas site was a “liability” because it guaranteed the Democrat Docking “an issue on which to build his reelection campaign.” The administration believed that Docking’s objections were only politically motivated and aimed at getting him reelected rather than real concerns about the safety of the citizens of his state, in spite of the fact that one of the Kansas sites chosen as a repository for nuclear waste, Lyons, was considered by the Kansas Geological Survey to be the “poorest choice” of seven sites in Kansas.²⁹

One concern for opponents of nuclear power was the water pollution. A case involving the state of Illinois demonstrated that NEPA could be and was skirted by the government in terms of environmental impact statements. The AEC wanted to go ahead with the construction of the Quad Cities nuclear plant on the boundary of Illinois and Iowa, in spite of the fact that the environmental impact statement had not been completed. The AEC claimed that the level of limited operation of the facility did not fall under the guidelines of the NEPA and so no environmental impact statement was required. The Attorney General of Illinois, together with the Illinois Chapter of the

²⁸ “NEPA in Danger,” *New York Times*, July 17, 1973, 38, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

²⁹ Office of Science and Technology Memorandum; Stephen Gage to Dr. Edward David, Jr.; AEC [Atomic Energy Commission]; White House Central Files, Staff Member Office Files, Glenn Schleede; Box 6, RNPL.

United Auto Workers and the Isaak Walton League, challenged the limited operation procedure and sought and obtained an injunction against AEC's licensing of Quad Cities without completing the NEPA review. The AEC was aware that the plant had "significant thermal pollution problems" but hoped that the Court of Appeals would overturn the decision on procedural grounds; the plaintiffs failed to follow proper procedure in bringing the suit in the first place, and the courts should disregard the functional aspects of the case such as the pollution problems associated with building the plant.³⁰

Another problem associated with nuclear power was the problem of the disposal of nuclear waste. A preliminary AEC report on the management of nuclear wastes compared the storage of fossil wastes with the storage of nuclear wastes and found that management problems and potential hazard to man and his environment for nuclear waste were vastly reduced because of the smaller quantity of nuclear waste. The report used as an example a 1000 megawatt electric power plant which could supply energy to a city of over half a million people. The conclusion of the report was that the "comparative problem is the handling of approximately 200,000 tons of relatively innocuous, but highly unsightly, ashes plus approximately 187,000 tons of air pollutants for fossil plants versus the permanent isolation from man's environment of less than two

³⁰ Council on Environmental Quality Memorandum; Russell Train to John Ehrlichman; December 17, 1971; AEC [Atomic Energy Commission]; White House Central Files, Staff Member Office Files, Glenn Schleede; Box 6; RNPL. Memorandum; John Whitaker to Ed David; February 24, 1972; AEC [Atomic Energy Commission]; White House Central File, Staff Member Office Files, Glenn Schleede; Box 6; RNPL.

tons of highly hazardous solid radioactive waste.”³¹ What the report neglected to mention in its conclusion was that, should the radioactive waste somehow find its way into man’s environment, it was, without question, lethal.

In 1972, the AEC conducted research to determine the best way to deal with radioactive waste. This program was aimed at “isolation of the hazardous materials from man and his environment until the process of radioactive decay” rendered them “harmless.” A report recommended two ways, based on the current state of technological affairs. One was storage “under careful conditions of surveillance and maintenance in man-made structures engineered to assure integrity of containment.” The other was geological structures such as salt mines which were “compatible with the waste and which have sufficient integrity to prevent migration of the waste to man’s environment.”³²

Concerns were raised in 1973 about the harmful effects of radioactive waste. The Shippingport nuclear power station in Pennsylvania was the first operating commercial scale nuclear power plant. It was built in 1957 and owned by the AEC and operated by Duquesne Power and Light. Citizens living in the area of the plant claimed that radioactive waste from the reactor was causing an increase in infant mortality and cancer rates. The governor of Pennsylvania appointed a fact-finding committee to investigate the allegations. The group held public hearings and urged that the AEC “recognize its

³¹ Draft Report on Management of Commercial High-Level Radioactive Waste; March 31, 1972; AEC [Atomic Energy Commission]; White House Central Files, Staff Member Office Files, Glenn Schleede; Box 6; RNPL.

³² Draft Report on Management of Commercial High-Level Radioactive Waste; March 31, 1972; AEC [Atomic Energy Commission]; White House Central File, Staff Member Office Files, Glenn Schleede; Box 6; RNPL.

public responsibilities in this matter” and send representatives to testify at the hearings. The EPA, at the request of the AEC, conducted an independent study of the situation while the AEC conducted its own. Both studies concluded that the data on radioactive releases used by the citizens making the charges was faulty. According to a Nixon administration official, the organization collecting the data admitted it was faulty. The AEC and EPA studies claimed that the statistical approach Dr. Sternglass, the doctor making the charges, used was also faulty. The charge was “all wet.” The AEC decided not to appear because “it was a ‘no-win’ arena” for them. The commission felt the hearing procedures were stacked against them.³³

Environmentalists also were concerned about the safety of nuclear reactors. In 1972, Congressman Donald Fraser (D-Minn) sent a letter to the president asking him to give priority to the completion of an environmental impact statement on the Northern States Power Company plant in Monticello, Minnesota. The congressman was writing on behalf of his constituents and claimed that the “questions of radioactive discharge and of plant safety are of grave concern to the State and people of Minnesota.”³⁴ According to an internal AEC memo, studies predicted “monumental risks of damage to people in the environment from major nuclear power reactor accident.”³⁵

Many in the environmental movement feared nuclear accidents. Consumer advocate Ralph Nader was a vocal opponent, claiming that nuclear power plants posed

³³ White House Memorandum; Glenn Schleede to Dick Fairbanks; July 27, 1973; AEC [Atomic Energy Commission]; White House Central Files, Staff Member Office Files, Glenn Schleede; Box 6; RNPL.

³⁴ Correspondence; Congressman Donald M. Fraser to Nixon; January 18, 1972; AEC [Atomic Energy Commission]; White House Central Files, Staff Member Office Files, Glenn Schleede; Box 6, RNPL.

³⁵ Memorandum; Dick Fairbanks to Ken Cole; May 31, 1973; AEC [Atomic Energy Commission]; White House Central Files, Staff Member Office Files, Glenn Schleede; Box 6; RNPL.

an “enormous hazard to public safety and health.”³⁶ A film sponsored by Nader, the Center for Science in the Public Interest, Friends of the Earth, and the Sierra Club, claimed that the cooling system in a nuclear reactor could fail, safeguards could fail and the result could be a ‘melt-down’ that would release radioactivity over a widespread area.”³⁷

Though the Nixon administration emphasized the need to develop alternative energy sources, the problems and obstacles associated with these sources proved insurmountable – the most viable option was oil. The fact that American oil companies were marginalized in the Middle East meant that domestic drilling became more important. This pitted the oil industry against environmental groups that tried to prevent drilling in areas they considered ecologically sensitive.

The showdown between environmentalists and the oil industry came in Alaska over the proposed Alaska pipeline. The pipeline was proposed in 1969 as a way to reduce dependence on imported oil. Gulf Oil originally expressed interest in searching for oil, but company officials believed that the amount of oil that might be available would not be worth the cost of exploratory drilling. “It would cost \$5 a barrel,” one senior executive flatly declared, “and oil will never get to \$5 a barrel in our lifetime.”³⁸

Eventually, a consortium of companies including multinationals such as Exxon and Mobil as well as smaller companies such as Atlantic Richfield and Amerada Hess,

³⁶ “Energy Report/Nader, Nuclear Industry Prepare to Battle Over the Atom”; James G. Phillips, National Journal Reports, February 1, 1975, Nuclear Power – General; Staff Secretary, James E. Connor, Subject File; Box 14; GFPL.

³⁷ Hal Willard, “Some Still Unconvinced of Nuclear Plant Safety,” *Washington Post*, May 17, 1973, H1, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

³⁸ Yergin, *The Prize*, 570.

banded together to form the Trans Alaska Pipeline System (TAPS). The group agreed to share the costs of exploration, drilling, and transport of oil from the North Slope in northern Alaska to Prudhoe Bay, where the oil would be loaded on tankers and transported to the West Coast of the United States. Completion was originally planned for 1972. The pipeline was to be 789 miles long and 48 inches in diameter. The initial flow was expected to be 600,000 barrels per day, increasing within months to more than one million barrels per day. Total capacity was estimated at two million barrels per day, offsetting pre-embargo U.S. oil consumption of about 17 million barrels per day. A 373-mile highway from the Yukon River to Prudhoe Bay was to be built by the oil companies during construction of the pipeline, which would be turned over to the State when pipeline construction was completed.³⁹

The project ran into snags and obstacles from the start. An official at Jersey Standard, the company that originally planned to build the pipeline in partnership with Atlantic Richfield, outlined the problems – the “extreme cold, remoteness of the area, absence of transportation facilities, impassibility of the tundra during the summer thaw, and icing of the Arctic Sea most of the year.” In spite of that, they decided to go ahead, pointing out that it would take “inventiveness, experimentation, and large expenditures” to accomplish the task. For example, Jersey Standard planned to outfit a tanker, the S.S. *Manhattan* with a reinforced hull, an icebreaker bow, and special equipment to test the

³⁹ *Facts About Alaskan Oil Development*; n.d.; Trans-Alaska Pipeline [1 of 2]; White House Central Files, Staff Member Office Files, Glenn Schleede; Box 5; RNPL. “Conservationists Could Clog Giant Alaskan Oil Pipeline,” *Los Angeles Times*, October 26, 1969, J1, *Proquest Historical Newspapers*, <http://proquest.umi.com>. The consortium was composed of Amerada Hess Corp., ARCO Pipeline Co., Exxon Pipeline Co., Mobil Pipeline Co., Phillips Petroleum Co., Sohio Pipeline Co., and Union Oil Co. of California.

feasibility of transporting oil from Alaska through the Northwest Passage to East Coast markets.⁴⁰

Technical issues also had to be resolved. The first issue dealt with the question of jurisdiction. Did the federal government have the authority to grant oil companies rights-of-way across federal land to build the pipeline? The Wilderness Society, the Friends of the Earth, and the Environmental Defense Fund filed a lawsuit in 1970, charging that the plan for a 300-foot-wide right-of-way exceeded the 54-foot limit imposed by the Mineral Leasing Act. Additionally, the groups claimed that Interior Secretary Walter Hickel failed to comply with the National Environmental Protection Act, which required environmental impact statements as well as the development of alternatives.⁴¹ In February, 1973, the Secretary of the Interior called on the Justice Department to ask the Supreme Court to review the case and to decide on the merits both of the Mineral Leasing Act issue and whether the environmental impact statement complied with the provisions of the National Environmental Policy Act.⁴² The case went to the Circuit Court of Appeals for the District of Columbia in 1973. The court ruled that the Secretary of the Interior lacked authority under the Mineral Leasing Act to grant rights-of-way

⁴⁰ “Jersey Standard Gets Set to Tap North Slope Oil,” *Los Angeles Times*, May 15, 1969, C22, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁴¹ Daryl Lembke, “Oil Pipeline in Alaska to be ‘Some Show,’” *Los Angeles Times*, April 12, 1970, C1, *Proquest Historical Newspapers*, <http://proquest.umi.com>. Robert L. Jackson, “Alaska Pipeline Indefinitely Delayed by New Court Ruling,” *Los Angeles Times*, April 14, 1970, D9, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁴² Fact Sheet; U.S. Department of the Interior; March 1, 1973; Trans-Alaska Pipeline [2 of 2]; White House Central Files, Staff Member Office Files, Glenn Schleede; Box 6; RNPL.

across federal lands in order to build an oil pipeline, so Congress eventually passed the Alaska Pipeline Bill, designed to provide the pipeline right-of-way authority.⁴³

After the Senate and House both approved bills amended to give the government right-of-way, there were further delays. Before any permits could be issued, several agencies had to approve the project, including the Departments of Interior, Transportation, and Agriculture, the Corps of Engineers, the Coast Guard, the National Oceanographic and Atmospheric Administration, and the Environmental Protection Agency. There also were outside forces that might prevent the completion of the project, such as Native Americans who felt they were not getting fair compensation for their land.

The pipeline had diverse opponents and proponents. Those that supported the construction believed that America's national security interests would be served by reducing dependence on imported oil, and that the project would bring much-needed job opportunities to a state with a habitually high unemployment rate. Opponents looked at the environmental degradation that they believed would result and worked with environmental organizations to try to prevent the project.

Some Americans opposed plans to ship the oil from the pipeline to Japan at a time when Americans in the East were suffering through harsh winters with insufficient supplies of heating oil. At a press conference in California in 1973, Secretary of the Interior Rogers Morton was asked whether all of the oil from the North Slope would be consumed domestically or imported to Japan. His response was there was "no reason to

⁴³ Discussion; n.d.; Trans-Alaska Pipeline [1 of 2]; White House Central Files, Staff Member Office Files, Glenn Schleede; Box 5; RNPL.

export any of it. Here we are, a country that is already importing some 20 percent to 22 percent of our oil; by 1985 perhaps as much as 30 percent to 35 percent. There is no reason to export it to Japan.” The

only reason you might trade some oil is that if Japan had some African oil that was closer to our Eastern Seaboard we might pick up some oil in trade for some oil there. But we have pretty tough stipulations on the kind of ships that can be loaded at Valdez and one of the stipulations is that they have to be tankers with double bottoms so the ballast do not contain oil, so when they are flushed, they are flushed through with water to avoid any discharge of oil into the sea. So they would be American tankers and it would be uneconomical for American tankers to go abroad.⁴⁴

Naturally, the environmental movement opposed the pipeline. To them, the trucks, tractors, and other equipment necessary to build the pipeline would tear the tundra, exposing the permafrost to damage and erosion. Hot oil moving through the pipes would melt the permafrost and create “muddy bogs.” When the oil companies offered to lay down a layer of gravel, environmentalists complained that the gravel would have to be cut from hills or river beds and that salmon and other fish that lay their eggs in those river beds would be wiped out, destroying a major industry for the state.⁴⁵

The National Wildlife Federation, the Environmental Defense Fund, Friends of the Earth, and the Wilderness Society, filed a suit in federal court to halt construction of

⁴⁴ Press Conference Transcript; Office of the White House Press Secretary; Press Conference of Secretary of the Interior Rogers C. B. Morton; April 5, 1973; Trans-Alaska Pipeline [2 of 2]; White House Central Files, Staff Member Office Files, Glenn Schleede; Box 6; RNPL.

⁴⁵ “Conservationists Could Clog Giant Alaskan Oil Pipeline,” *Los Angeles Times*, October 26, 1969, J1, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

the pipeline on the grounds that it would “trigger irreversible degradation of the Alaskan environment.”⁴⁶ The groups also were concerned about the possibility of an earthquake. A 1964 quake in Valdez, where the pipeline would terminate, virtually wiped out the small fishing village. A similar event could cause the pipeline to break, flooding the landscape with a “frozen black blob.” The damage to the landscape could last for years.⁴⁷

The administration believed that completion of the pipeline was essential for national security. Following the Tehran and Tripoli agreements in 1971 and the oil embargo in 1973, Washington officials understood that the relationship between the producers and consumers had changed. The producers had the power successfully to employ the oil weapon. Oil flowing from Alaska to the lower 48 would give Americans a reliable supply of petroleum that OPEC could not appropriate. In 1971, the Departments of State, Defense, and Interior conducted a study of the national security aspects of Alaskan oil. The group determined that the oil was essential in providing the potential to keep U.S. dependence on insecure foreign sources within “reasonable bounds” and that “early completion of the Alaskan pipeline must be considered an important national security objective.”⁴⁸ Nixon’s address in November 1973, just a month after the Yom Kippur war and the oil embargo, underscored his administration’s belief that America’s national security was at stake if oil did not begin flowing through

⁴⁶ Robert L. Jackson, “U.S. Judge Grants Injunction Blocking Alaska Oil Pipeline,” *Los Angeles Times*, April 2, 1970, C13, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁴⁷ Daryl Lembke, “Oil Pipeline in Alaska to be ‘Some Show,’” *Los Angeles Times*, April 12, 1970, C1, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁴⁸ Memorandum; Director of Office of Emergency Preparedness to Secretary of the Interior; November 11, 1971; Oil 1971 [1 of 2]; National Security Council Files, Subject File; Box 367; RNPL.

the pipeline. The president warned that America's energy requirements had so outpaced its ability to supply them that it created a "dangerous condition of reliance on foreign energy sources which could have a profound effect on this Nation's ability to play an independent role in the international arena."⁴⁹

Alaska's governor, William Egan, and the Alaskan congressional delegation supported construction because it would provide 1600 jobs in a state with an annual unemployment rate of 9 percent – twice the national average.⁵⁰ Unfortunately, the job opportunities did not go to unemployed Alaskans only, for people from the lower 48 flocked to Alaska. So many made their way to the state that the commissioner of the Alaska Department of Labor felt compelled to send out a warning that the workforce in Alaska was sufficient to handle the job needs of TAPS. Further, he indicated that as of May 1, 1970, there were 6100 unemployed persons in Fairbanks, a city of 45,000. Court challenges to construction of the pipeline system also would increase unemployment in business centers like Anchorage.⁵¹ Small businesses in Fairbanks took out loans on speculation that once roads and pipelines were built by TAPS, revenue would flow into their town. While waiting for the two sides (environmentalists and oil companies) to settle their differences, however, the town was going broke. The vice president of the Alaska National Bank of Fairbanks estimated that businesses in the city borrowed \$12 million to \$15 million in local capital in anticipation of the boom. Businessmen

⁴⁹ Richard Nixon, "Statement About the Trans-Alaska Oil Pipeline," November 16, 1973, *The American Presidency Project*, <http://www.presidency.ucsb.edu>.

⁵⁰ "Conservationists Could Clog Giant Alaskan Oil Pipeline," *Los Angeles Times*, October 26, 1969, J1, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁵¹ Thomas J. Moore, "Warning About Jobs in Alaska," *Los Angeles Times*, May 16, 1970, A4, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

“borrowed what they could and gambled it on an oil boom.” On June 12, the residents of Fairbanks found out the bad news. TAPS would not agree to construction of an access road because of delays in the Interior Department approval for construction of the pipeline. The anticipated boom was becoming a bust.⁵²

The Nixon administration’s support of the proposed pipeline was one indication that it intended to attack the energy crisis. Domestically, the president undertook efforts to make the United States energy independent. The White House also addressed the international dimensions of the crisis. The changing structure of the world oil economy was creating conflict between the multinational oil companies and the Arab producers. The predominance of the Seven Sisters in setting world prices had given way and the power to set prices now belonged to the producers. This conflict threatened to destabilize the Middle East. Another aspect of the tension in the Middle East involved America’s cold war adversary, the Soviet Union. Kissinger was concerned that the Soviet Union would take advantage of the instability and gain the upper hand in the region. The stable world order which the administration believed was so necessary to the security of the oil supply to the industrialized nations in the West and Japan seemed very precarious following the shock of the oil embargo.

In Washington, Henry Kissinger lectured his audience that difficulties around the world, unforeseen a generation ago, had arrived, and those problems required a rejuvenated and strengthened partnership between America and Western Europe. “We are prepared,” he claimed “to work cooperatively on new common problems we face.”

⁵² “Fairbanks Oil Bubble Bursts Without Boom,” *Los Angeles Times*, August 13, 1970, A5, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

Energy was one of those concerns which Kissinger noted “raises the challenging issues of assurance of supply, impact of oil revenues on international currency stability, the nature of common political and strategic interests, and long-range relations of oil-consuming to oil-producing countries.”⁵³

The United States was prepared to work with Western Europe and Japan to solve problems collectively. Kissinger claimed that working cooperatively was the only way to approach problems in a new era characterized not by postwar problems of reconstruction and rebuilding but by opportunities to solve problems before they became crises.

“Perhaps the greatest danger lurking in the worldwide energy crisis,” he said, “is the possible re-emergence of narrow nationalism inspired by the belief that there really is such a thing as self-sufficiency for individual nations.”⁵⁴ He specifically mentioned ensuring the supply of energy upon which the industrialized world relied. In this speech declaring that 1973 was the “Year of Europe,” Kissinger pointed out that the United States had global responsibilities while Europeans sometimes addressed problems on a regional basis. Kissinger claimed that this tendency to work in their own self-interest rather than in the collective interest of the alliance was obstructionist and would no longer be effective in dealing with global problems.⁵⁵

Europe’s response was lukewarm. It seemed to some Europeans arrogant and condescending. “Every year in Europe,” one British official remarked, “is the Year of

⁵³ Henry Kissinger, *Years of Upheaval*, 152 – 153.

⁵⁴ “Kissinger on Interdependence,” *Boston Globe*, December 17 1973, 18, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁵⁵ “Address Given by Henry A. Kissinger, New York, 23 April 1973,” *European Navigator*, <http://www.cvce.eu/viewer/-/content/dec472e3-9dff-4c06-ad8d-d3fab7e13f9f/en>.

Europe.” The French were also less than enthusiastic about Kissinger’s proclamation. Paris viewed with suspicion any alliance “which may appear like that between the wolf and the lamb because of the specific weight of the principal partner.”⁵⁶ Many European officials questioned the motives of the Nixon administration. Was the United States prepared to give up leadership within the alliance and work with the Europeans and the Japanese on an equal footing? Whatever the answer to that question, the events of that year underscored the need for greater cooperation among the allies.

The 1973 oil embargo made government officials in the consuming countries aware that, in order to deal effectively with OPEC, bilateral deals would have to be replaced by deals negotiated with the consumers as a bloc. NSC officials urged “creation of a multilateral union of the major oil consumer nations to present the producer countries with a united front and coordinate policies to counter the OPEC cartel. To be successful, this would require a high degree of unity,” and Kissinger suggested that the consuming countries come together in Washington to discuss their mutual concerns.⁵⁷

The main effort to develop cohesive energy policies was the Washington, D.C. Energy Conference, convened in February 1974. This conference called together representatives from thirteen oil consuming countries as well as senior officials from the Organization for Economic Cooperation and Development (OECD) and the European Economic Community (EEC). One of the main reasons for a conference was the concern

⁵⁶ “A Super Secretary to Shake Up State,” *Time Magazine Online*, September 3, 1973, <http://www.time.com/time/magazine/article/0,9171,910726-5,00.html>. “Kissinger’s Europe Speech Praised in London, Bonn; Paris is Reserved,” *Washington Post*, April 25, 1973, A28 *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁵⁷ NSC Memorandum; Phil Odeen to HAK; September 7, 1973; *Declassified Documents Reference System*; <http://galenet.galegroup.com>.

among Nixon administration officials that nations would make bilateral deals with the producers. Both the Americans and the British were concerned about the long-term effects of short-term gains that would result from bilateral deals. Sir Alec Douglas-Home, U.K. Secretary of State for Foreign and Commonwealth Affairs, was in agreement with Kissinger on this issue. In a meeting, Douglas-Home remarked that he thought that bilateral deals were dangerous and Kissinger agreed, saying that bilateral deals made countries susceptible to political pressure. The U.S. secretary went on to note that if American officials got involved, as they would if there was unrestricted competition, they would bid up the price.⁵⁸ Kissinger implied that the U.S. would pay whatever price was necessary for access to oil, but that would also make the U.S. more vulnerable to political pressure from both inside and outside Washington.

The ministers met in order to develop international policies to deal not just with the immediate crisis but with OPEC on a long-term basis, especially as the power of OPEC increased. They sought to “establish new, mutually beneficial arrangements for international energy and related economic matters.” Kissinger wrote Nixon that the conference

takes place against a background of intense concern that the energy crisis could plunge the world into a period of economic, and potentially political, instability. A “go-it-alone” response to those concerns by major consumers seeking bilateral arrangements with producers could snowball into a ruinous competition for oil among consumers which would create economic

⁵⁸ Memorandum of Conversation; Kissinger and Sir Alec Douglas-Home; January 20, 1974; *Digital National Security Archive*, <http://nsarchive.chadwyck.com>.

tensions and severely strain alliance relationships.⁵⁹

In addition to strengthening the cohesion of the alliance, the conference aimed to demonstrate to OPEC that the cartel would have to deal with the consumers as a bloc and would not be subject to the whims of the producers. Kissinger commented that, in order to avoid economic tensions and strains on the alliance, the consumers needed to demonstrate that the energy crisis was manageable through multilateral cooperation. He also believed that the conference would bind the participants in “a continuing obligation” to cooperate in “restraining demand and developing new energy sources.”⁶⁰

One of the issues under discussion at the conference was the approach that should be taken in dealing with the producers. Should the consumers come to some agreement among themselves and then approach the producers, or should the producers be brought into the discussion from the beginning? There was some concern among government officials in Western Europe and Japan; they did not want to appear confrontational because they were much more vulnerable to embargoes than the United States. Representatives from outside the U.S. wanted to make their positions clear. British Prime Minister Heath echoed Kissinger’s intentions about cooperation between OPEC and the industrialized world but added that he saw the conference as a way for consumers and producers to work together to achieve the cooperation that was essential to weathering the crisis. He declared that “close and early association among consumers, producers and *the developing countries*” was an important aspect of any dialogue

⁵⁹ White House Memorandum; Kissinger to Nixon; February 9, 1974; Energy Crisis [Nov. 73 – Feb. 74]; National Security Council Files, Subject Files; Box 321; RNPL.

⁶⁰ White House Memorandum; Kissinger to Nixon; February 9, 1974; Energy Crisis [Nov. 73 – Feb. 74]; National Security Council Files, Subject Files; Box 321; RNPL.

between the two sides. Chancellor Willy Brandt of Germany also emphasized that the conference should be a “first step towards a more comprehensive dialogue with the oil producing countries.”⁶¹ These leaders were willing to participate in a discussion about the need for cooperation but were unwilling to be bound by any punitive measures that would come out of the conference.

Other participants were more direct in indicating to Kissinger their concerns about actions that would appear confrontational. Prime Minister Mariano Rumor of Italy stated that the conferees should avoid making the “impressions that the conference itself might result in the building of a bloc of oil consumer countries determined to confront antagonistically the producer countries.” The Japanese Prime Minister, Kakuei Tanaka, emphasized his hope that the conference would be the “first step towards establishing harmonious relations between oil producer and consumer countries.” Brent Scowcroft, a member of the NSC, understood that the prime minister’s statement was a reflection of Japan’s “current sensitivity to its relations with the Arab states.”⁶²

Even the choice of conference chairman was discussed within the framework of avoiding confrontation with OPEC. Many in the group wanted to avoid the appearance of “forming a rich man’s club.” The representatives chose Foreign Minister Knut Frydenlund of Norway as conference chair. Since Norway was self-sufficient in North Sea oil, they hoped he would play the role of a somewhat disinterested third party who could take a position of neutrality in discussions about the proper way to approach the

⁶¹ White House Memorandum; Kissinger to Nixon; n.d.; Energy Crisis – Part 3 [1 of 2]; National Security Council Files, Subject Files; Box 321; RNPL; emphasis added.

⁶² Correspondence; Rumor to Nixon; January 31, 1974; Energy Crisis – Part 3 [1 of 2]; National Security Council Files, Subject Files; Box 321; RNPL. Memorandum; Scowcroft to Nixon; January 14, 1974; Energy Crisis – Part 3 [1 of 2]; National Security Council Files, Subject Files; Box 321; RNPL.

oil producing states. They believed he would work to avoid the impression that the consumers were “ganging up on the producers” and the positions he would take would allow Norway to play a “bridgebuilding role between consumers and producers.”⁶³

Not all governments were supportive of the idea of an energy conference convened by and held in Washington. The French, in particular, were leery of American leadership. Kissinger and French Foreign Minister Michel Jobert had opposing viewpoints. Kissinger claimed that the fundamental choice was “whether the nations of the world cooperate or consume ourselves in nationalistic rivalry over energy supplies that could duplicate the collapse of world order in the ‘30s.” Jobert’s position was that the real danger lay in establishing or imposing a “new world energy order.”⁶⁴ U.N. Secretary General Kurt Waldheim met with Kissinger and said that the French were calling for talks to be conducted under the auspices of the United Nations. Waldheim was not interested in the French proposal, feeling that a U.N. energy conference would “produce chaos.”⁶⁵

Kissinger opened the conference stating that the energy situation posed economic and political challenges for all nations and the way forward must involve cooperation with the producing nations rather than conflict. The communiqué that was issued at the close of the conference stated that the countries would work together to promote conservation and demand restraint, research and development of alternative energy

⁶³ Department of State Telegram; Ambassador Byrne to Under Secretary of State Donaldson; January 21, 1974; Energy Crisis – Part 3 [2 of 2]; National Security Council Files, Subject Files; Box 321; RNPL

⁶⁴ Murrey Marder, Ronald Koven, “Compromise is Sought,” *Washington Post*, February 12, 1974, A1, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁶⁵ Telegram; Kissinger to American Embassy Paris, U.S. Mission Geneva, American Embassy the Hague, U.S. Mission to United Nations; January 28, 1974; Energy Crisis – Part 3 [2 of 2]; National Security Council Files. Subject Files; Box 321; RNPL.

sources, and an emergency allocation program. Kissinger believed that bringing the consumers together to create a cooperative framework was important because a policy of “jockeying for national advantage in the hope of riding out the immediate crisis was bound to fail – weakening confidence in democratic institutions, demoralizing governments, and eroding political ties on which Western security depended.”⁶⁶ The representatives recognized, however, that there was no international institution equipped to implement this program. As a result, the consuming nations formed the International Energy Agency (IEA).

The IEA was founded as an autonomous organization, linked to the OECD. Among the original members were the United States, Great Britain, West Germany, the Netherlands, and Japan. France did not become a member until 1992. The objective of the IEA was to act as policy advisor on energy questions, to coordinate an organized international response to the embargo, and to address any other actions that would have adverse effects on the member countries and their use of oil.

One of the major problems with the creation of the IEA was that France remained outside the organization. The French justification for this was that they believed that the only solution to the energy crisis lay in a consumer-producer meeting. Developing bilateral contacts with the producers and working out agreements in trade and aid that were mutually beneficial for the consumers would avoid economic confrontation and coercion.⁶⁷ The Nixon administration and other consumers maintained that the consumers needed to develop coherent policies and then approach the producers

⁶⁶ Kissinger, *Years of Upheaval*, 46.

⁶⁷ “Consuming Nations Fail to Agree,” *Petroleum Economist*, Vol. 42, No. 8, August 1975, 285.

with a comprehensive plan. This was a problem because while the French maintained support for the U.S. in their initiatives, it gave them some latitude in dealing bilaterally with the producers.

When the conference ended on February 13, there was some criticism in the U.S. about the outcome. Some dismissed it as a failure because there was little “tangible progress.”⁶⁸ Most, however, claimed it a victory. American officials asserted that the meeting “got off to a good start” in spite of complaints by the participants that there was inadequate time for preparation. The real victory for American officials, however, was the fact that U.S. strategy to convene and carry on the conference prevailed over French strategy to disband the conference and take up the matter in the OECD where Paris had veto power. Because Foreign Minister Jobert was unwilling to make any compromise, those countries that might have supported France were forced to choose between a “French lead and an American lead” with the U.S. willing to make some compromises.⁶⁹

The Washington Energy Conference was one way for Kissinger to bring order from disorder. It was part of his ongoing strategy to reorient the relationships between the two superpowers and their proxies around the world. The cold war conflict between the U.S. and the Soviet Union, Kissinger believed, could easily escalate in regions where instability upset the political and economic order. In Vietnam, in Africa, and in the Middle East, instability could have disastrous consequences. Even if the possibility of

⁶⁸ “Oil Talks: a First Step,” *Boston Globe*, February 13, 1974, 18, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁶⁹ Murrey Marder, “Clash of Strategies Makes Kissinger the Diplomatic Victor,” *Washington Post*, February 15, 1974, A14, *Proquest Historical Newspapers*, <http://proquest.umi.com>. “Oil-Using States Hold Meeting,” *Washington Post*, February 26, 1974, A14, *Proquest Historical Newspapers*, <http://proquest.umi.com>. Joseph Kraft, “Kissinger’s Personal Diplomacy has its Perils,” *Boston Globe*, 17, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

nuclear war had diminished by the 1970s, the actions of the Arab states in the Middle East following the outbreak of the Yom Kippur war demonstrated the adverse effects disorder could have on the United States.

The effort to bring stability to an unstable world had begun in the 1960s and was an outgrowth of the conflicts between East and West in the immediate postwar decades. Crises in Berlin and Cuba brought Americans to the brink of nuclear war with the Soviet Union, American involvement in Vietnam deepened, and the civil rights era gave birth to a protest movement that found expression on college campuses across the country. When Richard Nixon became president in 1969, he claimed he was the spokesman of the great “silent majority” whose voice was drowned out by protesters and on both the left and the right. He would bring peace and order to the world.

By the late 1960s, Kissinger felt that superpower conflict had to be replaced, and in his inaugural address in 1969, the incoming president announced a new direction in U.S. foreign policy. “Let us take as our goal: Where peace is unknown, make it welcome; where peace is fragile, make it strong; where peace is temporary, make it permanent. After a period of confrontation, we are entering an era of negotiation.” He continued, “Those who would be our adversaries, we invite to peaceful competition – not in conquering territory or extending dominion, but in enriching the life of man.”⁷⁰ Nixon declared détente an attempt to find stability in a world divided by conflict and confrontation. Kissinger gave shape to the ideas Nixon expressed and underscored the idea that détente did not mean that the United States would allow adversaries to

⁷⁰Richard Nixon, “Inaugural Address,” January 20, 1969, *The American Presidency Project*, <http://www.presidency.ucsb.edu>.

undertake unchecked expansionism. He indicated that the Nixon administration was prepared to make three types of agreements with the Soviet Union: those that eased tensions in danger spots like Berlin, where the Nixon and Kissinger felt that the overall benefit was on the U.S. side; those that were in the mutual general interest, such as arms limitations; and those that were technically useful but had no political implications, such as technological and scientific exchanges. Kissinger believed that through this policy “we are gaining the freedom of maneuver we need to resist in those places which are most likely points of attack or pressure.”⁷¹

A Policy Review Group prepared a report promoting a limited adversary relationship. This approach was based on the belief that there would continue to be underlying hostility between the United States and the Soviet Union, but there would also be areas of mutual concern which would make possible “certain kinds of accommodation,” although the report did not mention specifics. This option favored a strong U.S. nuclear deterrent and a continuing strong NATO. Kissinger combined several of these elements to develop a policy in which agreements reached about one area of the world allowed the Nixon administration to press the Soviets to American advantage in trouble spots around the world.⁷²

Détente was intended to provide stability, and it had an impact on the relationship between the United States and its allies in Western Europe and Japan. “Western cohesion,” Nixon said in his annual report to Congress in 1972, “must be the

⁷¹ Kissinger, *Years of Upheaval*, 54.

⁷² Report; National Security Council Policy Review Group; n.d.; East – West Relations, Jan. ’69 – Jan. ’74; National Security Council Files, Subject File; Box 321; RNPL.

bedrock of our pursuit of détente. We and our allies have a responsibility to consult together in sufficient depth to ensure that our efforts are complementary and that our priorities and broad purposes are essentially the same.”⁷³

The foundations of détente were laid in the decades after World War II as Europeans attempted to develop policies that would protect them from competition between the superpowers. After the Soviet Union detonated its first atomic weapon in 1949, nuclear war became a real possibility. Repressions of rebellions in Hungary and Czechoslovakia, in the 1950s and 1960s respectively, indicated that the Soviet Union was unwilling to allow their satellites in Eastern Europe to assert their independence and would repress rebellion by military means if necessary. As justification for the invasion of Czechoslovakia in 1968 Brezhnev developed what become known as the Brezhnev Doctrine, which asserted the right of the Soviet Union to intervene in the affairs of other Communist countries. A National Security Council memorandum indicated that, as the 1970s began and “memories of Czechoslovakia recede, both halves of divided Europe increasingly are inclined to pursue a more active dialogue that could lead to reduce tensions.” There were few indications, however, that the Soviets would agree to proposals settling the central issues of European security. They “still seek to consolidate and obtain recognition of their substantial political and security gains from World War II.”⁷⁴

⁷³ Richard Nixon, “Third Annual Report to the Congress on United States Foreign Policy,” February 9, 1972, *The American Presidency Project*; <http://www.presidency.ucsb.edu>.

⁷⁴ NSSM 83: Current Issues of European Security; February 24, 1970; *Digital National Security Archive*; <http://nsarchive.chadwyck.com>.

In the early months of 1973, the Nixon administration was not as focused on détente as it was on bringing the remaining troops home from Vietnam and resolving the ongoing conflict in the Middle East. A National Security Council memorandum prepared for Kissinger prior to a trip to Europe in December identified one area in which the Europeans could help the United States – resisting Arab pressures on Israel. Nixon and Kissinger saw the Middle East as an area ripe for Soviet expansionism. As far as they were concerned, the “emergence of a permanent Soviet presence in the Middle East would constitute a permanent crisis.”⁷⁵ The administration feared that if the United States and its allies did not support Israel, the Soviet-supported Arab countries in the region, such as Iraq and Afghanistan, would allow Soviet influence to expand. A second area in which the U.S. expected European help, although marked as “much less pressing,” was the effort to lay the groundwork for future cooperation on energy questions.⁷⁶

The 1973 Yom Kippur war and the ensuing embargo placed the alliance at the center of the conflict. In spite of Kissinger’s protestations about solving problems collectively, however, the Nixon administration viewed the oil embargo within the larger framework of the cold war that was being played out in the Middle East. One strategy upon which the administration settled involved reliance on partners in the region, Iran and Saudi Arabia. As a result, the National Security Adviser failed to perceive the

⁷⁵ Franz Schurmann, *The Foreign Politics of Richard Nixon* (Berkeley: Institute of International Studies, University of California, Berkeley, 1986), 247.

⁷⁶ National Security Council Memorandum; Jan Lodal and Helmut Sonnenfeld to Secretary Kissinger; December 4, 1973; *Declassified Documents Reference System*; <http://galenet.galegroup.com>.

impact of the socioeconomic changes taking place in Iran, one of America's staunchest allies in the area, and how those transformations shaped the debate over energy policy.

In the immediate post-World War II era, Iran had become a strategically important ally for the United States and the other industrialized countries. The United States had supported the young shah, Mohammed Reza Pahlavi, during the 1950s when he returned to the throne after the overthrow of Mohammed Mossadegh, Iran's anti-Western prime minister. The shah's pro-Western position made him an important ally against Iranian concerns that were counter to U.S. interests in the region and against what the United States perceived to be the expansionist tendencies of the Soviet Union. The concern among officials in the Eisenhower administration was that the leftist and nationalist groups Mossadegh brought together could prove so powerful that Iran could be lost to Moscow.⁷⁷

The Kennedy administration saw reform and modernization as the best defense against revolutionary nationalism. Soviet radio had begun attacks on the shah in 1959 and initiated appeals to the Iranian people to rebel and oust the shah on the grounds that he was a "tool of Western imperialism." Economic and military aid began to flow into Iran from the United States in order to quell unrest. On a visit to the United States in 1961, the shah met with the president of the World Bank to discuss the possibility of forming a consortium of the Bank, the United States, France, West Germany, Great Britain, Italy, the Netherlands, Belgium, and Japan to supply assistance. The shah considered himself a key ally of the United States and was reportedly irritated that his

⁷⁷ Douglas Little, *American Orientalism: The United States and the Middle East since 1945*, 216.

regime was under “strong and constant pressure” from the Soviet Union, and the U.S. had been unwilling to provide the economic and military assistance the shah claimed he required.⁷⁸

In the 1970s, with the further development of the Iranian oil industry, the United States continued to support the shah in his efforts to modernize his country with the oil wealth he had accrued. In 1969, the Iranian Ambassador Hushang Ansary said that he believed that the U.S. and Iran should build on good relations between them in “joint ventures, economic development and trade.” Ansary believed that U.S. investment in Iran had been “rather negligible” but he was working on ways to stimulate investment because this was a field with which the Shah was “deeply concerned.” Ansary suggested that U.S. businesses should invest in Iran as a “special pilot project so that when conditions improve in neighboring states, ventures in Iran could serve as models.”⁷⁹ In January 1974, the shah doubled the amount planned for economic development, from \$35 billion to \$70 billion. The money went into the building of port facilities, refineries, and petrochemical plants.⁸⁰

As with previous administrations, Nixon and Kissinger understood the importance of the U.S. relationship with Iran and other friendly countries in a region where America did not necessarily have many friends. The importance of the relationship was evident in the application of the Nixon Doctrine to Iran. The doctrine

⁷⁸ Carroll Kilpatrick, “Kennedys Will Meet Shah of Iran Arriving Today with Wife on Visit,” *Washington Post*, April 11, 1962, A1, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁷⁹ State Department Memorandum of Conversation; Hushang Ansary to U. Alexis Johnson; July 25, 1969; Iran vol. I Jan. 20, 69 – May 31, 1970 [1 of 3]; National Security Council Files, Country Files – Middle East; Box 601; RNPL.

⁸⁰ Steven A. Schneider, *The Oil Price Revolution* 322.

was originally intended to address American involvement in Vietnam. When Nixon campaigned for president he did so on the promise that he would reduce American involvement in Southeast Asia. It was promoted by the administration as a redefinition of America's role in the world "in the light of new realities around the globe and new attitudes at home." The main idea behind the doctrine was that the United States would remain committed to its partners around the world but would do so in a way that would encourage the involvement of other nations with American support.⁸¹

Application of the Nixon Doctrine in the Middle East meant that the "twin pillars" of Iran and Saudi Arabia would serve as America's surrogates in the region. Under Secretary of State Elliot Richardson wrote that of all of America's geographic regions, the Middle East was "probably the most diverse and problem-ridden."⁸² Giving Iran and Saudi Arabia more of the responsibility for the security of the region, the United States could focus on other areas, including a resolution to the war in Vietnam as well as a settlement between the Israelis and the Arabs. "The US is an old friend of the Saudis," wrote Kissinger. "Even if oil supplies were not at issue, the stabilizing influence of the Saudis in the Middle East is valuable."⁸³ There was a general consensus among American officials that "Iran represents the main pillar of strength" in the region. This was especially true when the British, the major power in the region until their

⁸¹ White House Memorandum; The Nixon Doctrine; November 22, 1971; *Declassified Documents Reference System*; <http://galenet.galegroup.com>.

⁸² Memorandum; Under Secretary of State Elliot L. Richardson to Secretary William Rogers; May 4, 1970; Memos S, U, J, C, D, 1966 – 1970, Volume I; General Records of the Department of State, Office of the Executive Secretariat, Memorandums of the Executive Secretariat, 1964 – 1976; Box 1; RG59, NA II.

⁸³ Yergin, *The Prize*, 644. Memorandum; John K. Wilhelm to Wilson Lord; October 31, 1973; NoDis, Misc. Docs, Tels, Etc., 1973 – 77, Folder 5; Box 1; RG59, General Records of the Department of State, Records of Henry Kissinger, 1973 – 77; NA II.

defeat in the crisis over Nasser's nationalization of the Suez canal in 1956, lost their political influence and began pulling troops out of the Middle East. This left a power vacuum that many in Washington were concerned the Soviets would fill. Kissinger wrote that he had always believed that it was essential to reduce Soviet expansionist tendencies in the Middle East. He viewed the U.S. performance after the Suez crisis as "deplorable" and "shortsighted." Manhandling France and Great Britain would not earn Nasser's gratitude; on the contrary, he would be "confirmed in a course inimical to Western interests" and the "realities of power would then impel us to fill the resulting vacuum" and take on the "moral onus of difficult geopolitical decisions."⁸⁴

The Nixon Doctrine had a dual purpose with respect to Iran. It bound the Shah closer to the U.S. while at the same time allowing the U.S. to redirect its security forces to other troubled regions around the world. In return the shah's willingness to assume the role of policeman of the region, and a generous policy of weapons sales to his country, the shah served as the industrialized West's ally with OPEC. In 1970, the U.S. Ambassador in Tehran indicated that the President and Secretary of State should know that, while he did not wish to sound alarmist, he believed that "we are headed for some kind of crisis" because of the shah's "absolute conviction – or obsession – that unless he substantially strengthens his military posture, the Arab side of the Gulf will, after British withdrawal, fall before a massive radical Arab campaign of subversion encouraged by Soviets with Iran left standing alone." The crisis also could result from the U.S. inability

⁸⁴ Memorandum; Under Secretary of State Elliot L. Richardson to Secretary William Rogers; May 4, 1970; Memos S, U, J, C, D, 1966 – 1970, Volume I; RG59, General Records of the Department of State; Box 1; NA II. Kissinger, *White House Years* (Boston: Little, Brown and Company, 1979), 347.

to make special arrangements with Iran for oil, or to extend more than \$100 million of Foreign Military Sales (FMS) credit per year to the shah, when Iran's financial resources would be stretched to the limit as a result of modernization projects.⁸⁵ During the 1973 oil embargo, Iran chose to side with the United States against OPEC and that commodity continued to flow from Iran.

While the United States was courting the shah, unrest was growing in Iran. A rising gross domestic product seemed to be an indicator of a growing economy, but with a population of 30 million people extravagant parties such as the one put on by the shah to celebrate the 2500th anniversary of the founding of the Persian empire highlighted the social disparities in the country.⁸⁶ In the early years of his rule, the shah centralized power by eliminating all existing political parties and created one party, the National Resurrection party. He called on "all Iranians who believe in the royal regime, the Iranian constitution, and the Iranian revolution" to join the new organization. The shah dominated this organization through control of the prime ministership and the Majlis, the Iranian parliament. In his decree, the shah announced that 99 percent of all government owned factories were to be sold to their workers and to the public. The shah's generosity was tempered, however, by the fact that key industries such as oil were to be exempted.⁸⁷ Dissatisfaction was demonstrated in an attempted plot in 1973 to assassinate

⁸⁵ Department of State Telegram; MacArthur to Kissinger; April 1, 1970; Iran vol. I Jan. 20, 69 – May 31, 1970 [1 of 3]; National Security Council Files; Country Files – Middle East; Box 601; RNPL.

⁸⁶ "Between Two Giants," *The Economist*, October 31, 1970, 20, *The Economist Historical Archive*, <http://find.galegroup.com>. Marvin Howe, "In Middle East, Oil Pays the Way," *New York Times*, January 21, 1972, 49, *Proquest Historical Newspapers*, <http://proquest.umi.com..>

⁸⁷ Department of State Telegram; American Embassy Doha to Secretary of State Washington; March 1975; Daily Report, March 1975; ; RG59, General Records of the Department of State, Executive Secretariat, Daily Report, 1972 – 1975; Box 6, NA II.

or kidnap the shah and other members of his family. SAVAK, the shah's secret police, arrested twelve radicals in October, whom the government labeled Marxist Communists, members of the banned Tudeh Party.⁸⁸

Dissatisfaction arose in part from the fact that the shah was not using oil revenue to improve the lives of ordinary Iranians. The new wealth in Iran was not being distributed evenly; the gap in living standards between the towns and the countryside was growing wider, and so was the gap inside the towns between those who had already "latched onto the new wealth and those who have poured in from the villages" in hopes of getting a share of that wealth. There were the makings of a "genuine new political problem." Unless the shah's government could put down deeper roots, this kind of dissatisfaction about social and economic dislocation could cause "would-be revolutionaries" to gain oppositional footing.⁸⁹

The shah's control was questioned. His success at centralizing power created opposition outside the halls of government in Tehran. These "dormant appetites for power outside the court" existed in the armed forces, the police, business, and politics. *The Economist* called the Iranian economy "volcanic" and claimed that "residual power to create chaos exists" because "it is hard to see how the Shah can loosen up except at enormous risk."⁹⁰ A columnist for the *New York Times* noted that opposition to the shah existed during the early years of the second Nixon administration. The military buildup

⁸⁸ "Iran Arrests 12 'Communists' in Plot to Kill Shah," *Washington Post*, October 3, 1973, C5, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁸⁹ "March Imperial," *The Economist*, May 17, 1975, 40, *The Economist Historical Archive*, <http://find.galegroup.com>.

⁹⁰ "A Question of Time," *The Economist*, October 31, 1970, 41, *The Economist Historical Archive*, <http://find.galegroup.com>.

in Iran was the result of threats arising from “conflicting national interests and Communist subversion.” The Iranians saw the major threats coming from Iraq, but they were directed at Arabic minorities within Iran. Western intelligence analysts did not see any serious threats from the “minority movements and isolated cases of internal guerrilla actions by opponents of the Shah” because SAVAK was “ruthless in suppressing political subversion.”⁹¹

Anti-shah movements were led by Iran’s religious community. When the young shah succeeded his father during World War II, he perceived a threat from the mullahs, the religious leaders in Iran. In 1951, a group of religious fanatics, the Fadayam Islam (Crusaders of Islam), assassinated the American-supported premier of Iran, Ali Razmara, partly because he was unwilling to nationalize the Anglo-Iranian Oil Company. Shortly thereafter, Iranian officials uncovered a plot by the same group to assassinate the shah. Following the discovery of the plot, the leader of the sect claimed that there were those in Iran “who must be pushed down the incline to hell” because they had sold Iran to the oil companies.⁹² In 1952, Ayatollah Kashani, a fanatical anti-Western mullah whom many considered to be the “real behind-the-scenes strongman in Iran,” was elected as speaker of the Majlis. He boasted he could “summon an army of a million martyrs for any cause.” Kashani had been exiled to Syria on charges that he had plotted the

⁹¹ Juan de Onis, “Modernizing Iran Seeks Dominant Role in Region,” *New York Times*, July 4, 1973, 3, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁹² Joseph Mazandi, “More Assassinations Forecast by Iran Nationalist Leader,” *Washington Post*, May 13, 1951, M3, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

assassination of the shah.⁹³ Thus the Iranian leader conducted a war of persecution against the religious chiefs, which earned their enmity.

Another of the mullahs was the Ayatollah Ruhollah Khomeini. The shah's government exiled him to Turkey in 1963 because of his "instigations against the nation's interests, security, independence and territorial integrity." His arrest precipitated three days of rioting.⁹⁴ He continued to get his message back to Iran. He labeled the shah's rule a "satanical regime" and claimed that the U.S. government was "world-devouring."⁹⁵ After Khomeini's exile, most Westerners assumed the shah was in control of a stable country; however, indications of a rising sense of dissatisfaction continued from big landowners, populist nationalism, and the religious right. One magazine claimed Islamic fundamentalism was not an "extinct volcano."⁹⁶

The pro-Western shah and his American advisers working in Iran became the target of anti-western attacks. While the shah welcomed U.S. enterprise, some Iranians expressed their dissatisfaction with Western influence in their country.⁹⁷ In 1970, radicals attempted to kidnap the American ambassador Douglas MacArthur II and his wife. Three years later, gunmen who were believed to be members of a radical leftist guerrilla group shot and killed a U.S. officer assigned as an adviser to the Iranian

⁹³ "Radical Kashani Will Lead Majlis," *Washington Post*, August 8, 1952, 3, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁹⁴Dispatch of *The Times, London*, "Religious Leader in Iran Exiled on Security Charge," *New York Times*, November 5, 1964, 8, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁹⁵ Ayatollah Ruhollah Khomeini, "We Shall Confront the World With Our Ideology," *Middle East Research and Information Project Reports*, Issue 88 (1980:June), 22, <http://www.jstor.org/stable/3011306>.

⁹⁶ "March Imperial," *The Economist*, May 17, 1975, 39, *The Economist Historical Archive*, <http://find.galegroup.com>.

⁹⁷ Department of State Telegram; Kissinger to American Embassy in Tehran, October 1976; Iran – State Department Telegrams from SECSTATE – NODIS (5); Presidential Country Files for the Middle East and South Asia; Box 14; GFPL.

military. The officer was the first American reported killed in a three year campaign of terror targeting the pro-American government of the shah.⁹⁸

Kissinger claimed that the shah was one America's strongest allies in the region, and so the Secretary turned his attention to solving the Arab – Israeli conflict. He believed that a peace settlement between the two sides would bring lasting stability and marginalize an expansive Soviet Union.

America's position regarding a settlement forced U.S. allies in Western Europe and Japan to choose sides. The idea of interdependence and working with America's allies to solve global problems seemed to be less important to Kissinger than solving the Mideast crisis in a fashion that he believed would bring lasting results. The allies disagreed throughout Kissinger's tenure in Washington on how best to bring peace. France, especially, declined to take America's lead in the troubled region.

The Nixon administration believed the oil embargo was a corollary to the cold war, so the oil crisis had a political component. In responding to the crisis, Kissinger claimed that the U.S. "must persevere in the Arab – Israeli negotiations. To the extent that those negotiations are linked to oil they become insoluble. Even if producers see them as linked, we cannot proceed. We will continue to make efforts toward peace in the Middle East, and we welcome assistance from others."⁹⁹ Kissinger saw the energy crisis

⁹⁸ "Iran Sentences," *Washington Post*, July 1, 1973, A6, *Proquest Historical Newspapers*, <http://proquest.umi.com>. "U.S. Officer Shot Dead by Iran Gunmen," *The Washington Post*, June 3, 1973, A1, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁹⁹ Department of State Memorandum of Conversation; Foreign Participants in the Camp David Meeting, September 28, 1974; Classified External Memcons, May – November 1974, Folder 4; RG59, General Records of the Department of State, Records of Henry Kissinger, 1973 – 77; Box 21, NA II.

as an outgrowth of the instability between the Arabs and the Israelis. If that conflict could be solved, the energy crisis would solve itself.

The United States, the Soviet Union, France, and Great Britain held talks to develop a solution to the Arab-Israeli conflict. U.N. Secretary General U Thant originally suggested that the four foreign ministers meet and discuss common problems such as a Middle East peace settlement. He felt that such a meeting would help to halt the growing feeling of insecurity in the world and “provide some antidote to the feeling of pessimism about the future of international peace and security” that was so widespread. The Secretary General acknowledged, however, that there was a risk involved in such a meeting; his concern was that it might raise unrealistic expectations.¹⁰⁰ As far as Kissinger was concerned, the talks were to “hold the line in order to let the pressures of the situation build up on others, particularly the UAR and the Soviets, who realize that in the final analysis we are key to a settlement.”¹⁰¹

In 1971, the United States put the brakes on the talks because they disagreed with the French approach; the French attempted to move Israel closer to the Arab position. French President Georges Pompidou took the position that Israel’s intransigence was the major sticking point to peace in the Middle East and that the U.S. should do more to convince the Israelis to move closer to the Arab position. Pompidou also believed that

¹⁰⁰ Department of State Telegram; U.S. Mission to U.N. to Secretary of State; October 1968; *Declassified Documents Reference System*; <http://galenet.galegroup.com>.

¹⁰¹ White House Memorandum; Rogers to Nixon; January 12, 1970; Middle East – General – vol. II (Oct. 69 – Jan. 70) [1 of 2]; National Security Council Files; Country Files – Middle East; Box 644; RNPL.

the only way to bridge the gap between the two sides was with intervention from the major powers and U.N. involvement.¹⁰²

Kissinger called for a new Atlantic Declaration in May 1973. The secretary aimed at putting U.S – Western European relations on a new footing. Kissinger felt the declaration contained a statement of how Washington saw the evolution of European-American relations. It reaffirmed a European identity and European autonomy. It emphasized issues such as Atlantic security, common interests in an orderly international economic system, and the common problems facing advanced countries, such as environment and energy. Kissinger hoped that a declaration based on commonalities would tie the allies to the U.S. position on the economic and political issues, such as the Arab-Israeli conflict and the oil crisis that was a corollary to it.¹⁰³

The Atlantic Declaration was a part of Kissinger's Year of Europe initiative. The Secretary claimed that unity among the United States and Western Europe was essential in an unstable world. The new realities facing the allies in the 1970s, the development of Japan as a major power, the emergence of national identities and national rivalries, and problems requiring cooperative action, such as ensuring the supply of energy for industrialized nations, "produced a dramatic transformation of the psychological climate of the West – a change which is the most profound challenge to Western statesmanship."¹⁰⁴ Kissinger believed that solving the conflict between the Arabs and the

¹⁰² Department of State Memorandum for the President; Kissinger to Nixon; May 12, 1973; Consultations with President Pompidou of France, Reykjavik, May – June 1973; RG59 General Records of the Department of State, Records Relating to France, 1963 – 1975; Box 1; NA II.

¹⁰³ National Security Council Memorandum; Sonnenfeldt to Kissinger; June 4, 1973; French Exchanges [2 of 2], [Folder 1 of 3]; National Security Council Files, Country Files, Europe; Box 56; RNPL.

¹⁰⁴ Kissinger, *Years of Upheaval*, 152.

Israelis, and getting America's allies to see that cooperative action on the energy crisis could not happen until that issue was solved, required that the allies talk with one voice. Speaking out against U.S. initiatives could only be detrimental to the peace process, which would ensure that the industrialized West remained vulnerable to the oil weapon.

The U.S. – French relationship had been trying since the end of World War II. The Suez crisis in 1956, the Vietnam War, and NATO were issues that divided the two nations. Relations between the two countries continued to deteriorate when Nixon became president in 1968. De Gaulle resigned on April 27, 1969 and was replaced by Georges Pompidou, who inherited the Gaullist view of U.S. – French relations and continued to resist attempts at unity between the allies. The State Department acknowledged France's independent vision. The French would be the most difficult to convince of the necessity of establishing a “unifying framework for the conduct of relations among the allies.”¹⁰⁵

The French ambassador, Jacques Koscuisko – Morizet told Kissinger that the French never had any intention of being obstructionist when it came to the Arab – Israeli peace process. The U.S. was under the wrong impression. The French were not moving to counter American actions in the Middle East and the notion that French Minister of Foreign Affairs, Michel Jobert was “encouraging the Arabs to harden their position” was wrong. Koscuisko claimed that he did not know where this impression could have come from because Jobert had demonstrated that France supported Kissinger's efforts. The

¹⁰⁵ Briefing Paper; Department of State; May 12, 1973; Consultations with President Pompidou of France, Reykjavik, May – June 1973; RG 59, General Records of the Department of State, Records Relating to France, 1963 – 1975; Box 1; NA II.

minister had said nothing to undermine what the Nixon administration was trying to do in the Middle East. Kissinger countered by claiming that he and Nixon had never taken the position that they could not work with France. French actions among the Arab countries demonstrated to the pair that French officials wanted to conduct their policies in a way that “indicates that they are aloof from or even unfriendly to what the US is trying to accomplish.” The U.S., according to the secretary, was willing to work with France, but French policies were “symptomatic of a systematic of movement away from the US.”¹⁰⁶

America’s allies feared that too close an identification with the U.S. position endangered their access to Persian Gulf oil. Up to the point that the Arabs initiated the embargo, the United States attempted to convince the Europeans and Japanese that consumer cooperation on developing effective policies was essential. The U.S. position with regard to cooperative energy policy covered three aspects of the problem. The first area involved demand restraints. Kissinger told a gathering of foreign ministers that it would be difficult to negotiate with the producers if consumption remained high and the “ability to demonstrate restraint will at the same time demonstrate solidarity.” The second area was financial solidarity. In order to maintain economic growth in the face of rising oil prices, it was necessary for the allies to arrange borrowing and lending among themselves so that the flow of petrodollars would be more flexible. This was necessary because petrodollar recycling from the producers to the consumers was uneven. At any

¹⁰⁶ Department of State Memorandum of Conversation; Kissinger and Koscuisko-Morizet; March 22, 1974; NODIS Briefing Memos, 1977; Folder 2, RG59 General Records of the Department of State, Records of Henry Kissinger, 1973 – 77; Box 20, NA II.

given time, petrodollars flowed to one country more than another based on the economic decisions made by the oil producers. The third area of cooperation involved deciding if economic policies in the allied countries worked to the benefit of the group when it came to a dialogue between OPEC and the allies. If OPEC did not want a dialogue with the consumers and they chose another embargo, allied economic policies must be in place to overcome the economic difficulties associated with an embargo.¹⁰⁷

The State Department indicated that there was some movement among the allies toward the U.S. position. The Europeans and Japanese expressed interest in cooperation but “real problems and obstacles of interpretation and individual national interests and need exist.” The Japanese feared any action among the group that would antagonize the producing countries; the French would clearly have to be convinced of the need for cooperation because they had long felt “unhappily dependent on the Anglo-Saxon combine.”¹⁰⁸ The French were concerned about taking a position that would endanger their access to oil from the Middle East. French foreign policy operated on the reality that Arab oil, particularly from the Middle East, kept French industry moving. This was evident in French attitudes toward the Arab-Israeli dispute and by continuing French efforts to gain a “favored position in Iraq and other Arab producing countries capable of supplying a significant portion of future French petroleum requirements.”¹⁰⁹

¹⁰⁷ Memorandum of Conversation; Foreign Participants in the “Camp David” Meeting; September 28, 1974; *Digital National Security Archive*; <http://nsarchive.chadwyck.com>.

¹⁰⁸ Department of State; Briefing Paper, US – EC Consultations, Brussels; March 21, 1973; E 3 – United States – European Community Consultations, 6th Round, March 1973; RG59 General Records of the Department of State, Bureau of European Affairs; Box 3, NA II.

¹⁰⁹ Department of State Memorandum; Memorandum for Henry Kissinger; May 11, 1973; Consultations with President Pompidou of France, Reyjavik, May – June 1973, Folder 2; RG59 General Records of the Department of State, Records Relating to France, 1963 – 1975; Box 1; NA II.

The French purpose in pursuing an independent oil policy was to prevent any action by the Arabs that would endanger their access to oil. Prior to the embargo in late 1973, the Arabs wanted a gesture from the Europeans who had economic interests in the region to demonstrate that they were not neglecting the Arabs and to show that the Europeans would not take a position which would embarrass them.¹¹⁰ The French were willing to fulfill this desire. Between 1963 and 1973 Western Europe's dependence on Middle Eastern and North African oil had increased from 32 to 54 percent of its total energy consumption; in Japan, it increased from 44 to 65 percent.¹¹¹

With Arab countries supplying more and more of the oil that was in increasing demand, and with few short- or medium-term alternatives to petroleum as an energy source, America's allies could not afford to take steps that would antagonize the oil exporters and run the risk of having that supply cut off. At the time of the embargo, Western Europe as a whole was dependent on Arab sources of petroleum for over 70 percent of its crude oil requirements. In France, the proportion was closer to 80 percent. Arab producers gave a "vague promise" in October 1973 that "friendly countries" would not be affected by the embargo.¹¹² Early on the Arab countries did exempt France and Britain from their export restrictions. In January 1974, France signed a long-term supply protocol with Saudi Arabia for 800 million tons of oil over twenty years. Giscard d'Estaing said that "producing countries were interested in getting as much as possible for their industrialization and that this called for cooperation between the producing and

¹¹⁰ Memorandum of Conversation; Roberto Gaja to Henry Kissinger; July 17, 1973; Kissinger Transcripts; *Digital National Security Archive*, <http://nsarchive.chadwyck.com>.

¹¹¹ Steven A. Schneider, *The Oil Price Revolution*, 105.

¹¹² "Europe's Imports Threatened," *Petroleum Press Service*, Vol. 41, No. 11, November 1973, 411.

consuming countries.”¹¹³ This ran counter to Kissinger’s desire that the consumers develop a plan to cooperate amongst themselves before agreeing to a producer-consumer dialogue.

The energy crisis dominated the discussion at a conference of the European Community heads of state in Copenhagen in December 1973. This was partly because of the embargo, but partly the result of the fact that they were joined by four foreign ministers acting as emissaries of the Arab League. The ministers stressed their desire for closer Arab-European economic ties. Their real intent, however, was to press for European action against Israel. The Europeans rejected that notion but did affirm their “united stand” in favor of Israel’s withdrawal from the territory they occupied in 1967 and for a settlement of the Palestinian question.¹¹⁴

Since de Gaulle’s presidency, the French had been developing policies independent of the United States. Pompidou was a Gaullist and his constituency in France supported his position. This coincided with the increasing power of the European Community in European politics. The EC had a nascent political framework in which each country had voting rights; the leadership of the group revolved on a yearly basis. The French, while understanding the necessity of the U.S. nuclear umbrella for Europe’s safety, believed that too close an identification with the superpower “weakened the drive for European integration and Europe’s independence as a major world power.”¹¹⁵ France attempted to play a major role in coordinating policy; they urged European countries to

¹¹³ “Production Up – Then Down,” *Petroleum Economist*, Vol. 41, No. 1, January 1974, 12.

¹¹⁴ “Testing Time for the Nine,” *Petroleum Economist*, Vol. 41, No. 1, January 1974, 8.

¹¹⁵ Briefing Paper; Department of State; May 12, 1973; Consultations with President Pompidou of France, Reykjavik, May – June 1973; RG 59, General Records of the Department of State, Records Relating to France, 1963 – 1975; Box 1; NA II.

move towards “greater independence from American oil companies and US Mideastern policies considered inimical to French and European interests.”¹¹⁶ The Nixon administration should strive to convince the French that, however difficult the Israelis might be, the French pursuit of their “one-sided pro-Arab policy only makes the achievement of a settlement more remote.”¹¹⁷ In America’s view, an Arab – Israeli peace agreement was more important for the collective security of the alliance than individual policies that promoted national interests.

The U.S. implication was that France’s pro-Arab policy promoted instability in the region, which threatened American and allied interests, and tilted the scales of power in favor of the Arabs. Kissinger claimed that bilateral negotiations to deal with the economic dimensions could only be accomplished by the United States. His larger concern, however, was for the political implications associated with proceeding bilaterally, writing “political weakness among us that would result would destroy the cohesion of the Western world.”¹¹⁸

Kissinger believed that the stakes involved were even higher than the impact of oil prices on allied economies. Political weakness “involved the whole framework of future political relations.” If consumers could not develop effective responses, the revenues gained by the producers would be converted into command over resources,

¹¹⁶ Department of State Memorandum; Theodore Eliot, Jr. May 11, 1973; to Henry Kissinger; Consultations with President Pompidou of France, Reykjavik, May – June 1973, Folder 2 of 2; RG59 General Records of the Department of State, Records Relating to France, 1963 – 1975; Box 1; NA II.

¹¹⁷ Department of State Memorandum; Theodore Eliot, Jr. to Henry Kissinger; May 11, 1973; Consultations with President Pompidou of France, Reykjavik, May – June 1973, Folder 2 of 2; RG59 General Records of the Department of State, Records Relating to France, 1963 – 1975; Box 1; NA II.

¹¹⁸ Department of State Memorandum of Conversation; Foreign Participants in the Camp David Meeting, September 28, 1974; Classified External Memcons, May – November 1974, Folder 4; RG59, General Records of the Department of State, Records of Henry Kissinger, 1973 – 77; Box 21, NA II.

which in turn would be translated into political power. This would have key political ramifications, the most worrisome of which was the effect on the unity and strength of the allies. This unity had served as the basis for their ability to resist threats from Soviet power throughout the years. Kissinger speculated that vulnerable European countries such as Italy could “become a supplicant to the Middle East, and be subject to influence from radical left and right wing political forces.”¹¹⁹ The embargo in 1973, though not directed specifically at the Europeans or the Japanese, demonstrated their vulnerability to supply interruptions and clearly illustrated that taking a position that was too close to that of the U.S. would put them in serious jeopardy.

Any international effort on the part of Washington was clearly part of a broader strategy. The objective for Kissinger and Nixon was to ensure European cooperation in U.S. efforts to reduce Arab-Israeli tensions and end the embargo. The two saw the oil embargo as leverage to use to assure European cooperation. A National Security Council memorandum claimed that the oil crisis and the longer-term oil situation gave the U.S. some leverage over the Europeans. The Nixon administration had “the power to make their oil situation better or worse.” The leverage derived from a number of political, economic, and technical factors, including pressuring the Israelis to accept a satisfactory peace settlement and the fact that Europeans would need U.S. help if the situation worsened.¹²⁰

¹¹⁹ Department of State Memorandum of Conversation; Foreign Participants in the Camp David Meeting, September 28, 1974; Classified External Memcons, May – November 1974, Folder 4; RG59, General Records of the Department of State, Records of Henry Kissinger, 1973 – 77; Box 21, NA II.

¹²⁰ National Security Council Memorandum; Jan Lodal and Helmut Sonnenfeld to Secretary Kissinger; December 4, 1973; *Declassified Documents Reference System*, <http://galenet.galegroup.com>

The fear among European governments was that U.S. support of Israel would cause the Arab countries to impose increasingly harsh sanctions against the United States and any government that appeared to support U.S. policies in the Middle East. America's allies had to walk a fine line between the traditional Atlantic alliance and the ongoing Arab-Israeli conflict.

In spite of various efforts on the part of the Nixon administration and the allies, the group was not able to come up with strategies to challenge OPEC. Two factors contributed to this failure. The first was opposition in the United States to efforts to make the country energy independent. The environmental movement "hit the energy industries like a blitzkrieg" and succeeded in delaying the process of development, whether it was the pipeline or nuclear facilities.¹²¹ The environmental movement complicated efforts to complete the Alaskan oil pipeline and reduce America's independence on imported oil.

Second was the Nixon administration's emphasis on an Arab-Israeli peace settlement. Because the Nixon administration saw the crisis within the framework of the conflict in the Middle East, and therefore an aspect of the Cold War, their attention was not focused on the issues peripheral to that conflict, such as the growing discontent in oil producing countries upon which the United States depended for maintaining security in the region. The administration ignored the shah's heavy-handed tactics in silencing opposition to his regime and the growing popularity of Islamic religious leaders.

¹²¹ Thomas O'Toole, "Energy-Starved U.S. Seeks Sustenance," *Washington Post*, November 26, 1972, A1, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

Arab oil ministers agreed to end the embargo on March 18, 1974 after the Saudis opened the door for American and Syrian negotiations concerning disengagement on the Golan Heights. The dire consequences that Nixon and Kissinger predicted did not materialize. For most Americans, as well as their counterparts in Europe and Japan, the end of the embargo in the spring of 1974 meant that the energy crisis had passed, and their lives could return to normal. Oil consumption returned to near pre-crisis levels. In 1973 oil consumption as a share of U.S. energy consumption stood at 47.2 percent. In 1975, it was 43.9 percent, and in 1978, the figure had risen to 46.7 percent.¹²² In spite of this, however, fears about dependence on foreign sources of oil to grease the engines of industry lingered. How would the United States and its allies in Western Europe and Japan deal with a future embargo? How could it be avoided? The best way forward seemed to be to follow up on the efforts made at the Washington Energy Conference and Project Independence, developing effective international and domestic policies that could counter the bargaining power of OPEC. That, however, was easier said than done.

The energy crisis seemed to fade into the past as the nation became fascinated with the unfolding events surrounding the break-in of the Watergate Hotel. The fact that Congress was scrutinizing Nixon's involvement meant that issues like the Middle East peace initiatives and the energy crisis that was such an important corollary to that situation remained peripheral to the Watergate investigation in the minds of most Americans.

¹²² Schneider, *The Oil Price Revolution*, 106.

In spite of Nixon's domestic difficulties, Kissinger continued to press for policies that would promote stability. His efforts, however, were in vain. Détente with the Soviet Union was not proving to be the solution to all of the crises around the world. The Soviet Union maintained strict control of its satellites in Eastern Europe, the situation in Vietnam was unresolved, and communist groups were making inroads in Latin America. America's allies were not buying the notion that the "Year of Europe" meant anything of significance for the U.S. – allied relationship, and the Arab-Israeli conflict continued. Prior to 1973, Kissinger had little to do with policymaking for the Middle East. That responsibility had fallen primarily to the State Department. As the instability grew with the use of the oil weapon in 1973, and with Kissinger's ascendancy in the policymaking establishment, the Secretary of State focused his attention on efforts to bring peace to the Middle East. With peace in the region, he believed, the energy crisis would be resolved.

CHAPTER IV

A FORD IN THE WHITE HOUSE:

THE FORD ADMINISTRATION AND THE ENERGY CRISIS

The dramatic developments unfolding in Washington eclipsed fears over the energy crisis. Americans turned their attention to the events surrounding the break-in of the Watergate Hotel. In April 1973, five men pleaded guilty to charges of theft and wiretapping. One of the men, James McCord, admitted that high-ranking officials in the White House were involved in planning the break-in. Initially, Nixon denied any involvement in the affair. Over the course of the summer of 1973 and into 1974, Congress conducted an investigation. White House tapes revealed that Nixon had been involved in covering up the matter. The Watergate affair brought an end to Nixon's presidency. When Nixon resigned in August of 1974 rather than face impeachment, the energy question became the responsibility of the man that inherited the presidency, Gerald Ford.

Before becoming president, Ford had served in the U.S. Congress, representing his home state of Michigan. He was first elected to the House of Representatives in 1949 and two years later became a member of the House Appropriations Committee. In 1965, the congressman became minority leader, a position he held for eight years. When Spiro Agnew resigned as Vice President late in 1973, after pleading no contest to a charge of bribery, President Nixon chose Ford to replace him. The minority leader was confirmed and sworn in on December 6, 1973.

When Ford assumed the presidency he continued Nixon's policies both domestically and internationally, even retaining Kissinger as Secretary of State. This continuity meant that the focus of Ford's administration continued to be stopping Soviet expansion, pushing the creation of a framework for exerting counterforce against OPEC far down the agenda. The Ford administration's efforts to develop effective energy policies were frustrated by political and economic instability that resulted from the Arab oil embargo as well as by limitations on American power at home and abroad

Détente in Europe continued under the new president, a fact that was demonstrated with a meeting in Helsinki in 1975. The two sides moved closer together over some important issues that had previously hindered the development of strong economic ties. The Helsinki participants came up with groups of proposals that were put in three "baskets." Basket I laid out ten principles on interstate relations; Basket II dealt with cooperation in the fields of economics, science and technology, and the environment; and Basket III addressed issues such as the free movement of people and ideas across borders.

The Final Act accepted *de facto* if not *de jure* recognition of the political status quo in Eastern Europe. The reunification that many Europeans sought and many Americans hoped for fell by the wayside for the act recognized the inviolability of frontiers and territorial integrity. The Eastern nations considered this the most important section of the Final Act.¹ In a prescient speech before Congress in 1971, Nixon claimed that the Soviets too often interpreted détente to mean Western ratification of the status

¹ Memorandum; Robert Ingersoll, Deputy Secretary of State, to President Ford; April 20, 1976; *Declassified Documents Reference System*; <http://galenet.galegroup.com>.

quo. He voiced his administration's dissatisfaction with a "differentiated détente, limited to the USSR and certain Western allies but not others." He claimed that this kind of détente "would be illusory" and "would cause strains among allies. It would turn the desire for détente into an instrument of political warfare. Far from contributing to reconciliation in Europe, it would postpone it indefinitely."²

As Europeans were moving closer, however, it appeared that the United States and the Soviet Union were moving farther apart, a development that completely undermined détente between Eastern and Western Europe. One purpose for détente was to allay the fears of Western Europeans that a superpower showdown would place Europeans directly in the middle of the conflict. Actions between the two superpowers in Angola and the Middle East, as will be explained, demonstrated that perhaps Europeans were not as safe as they hoped to be.

The limits of détente were tested in Angola by the involvement of both the United States and the Soviet Union in what began as an internal conflict between a leftist group and two anti-communist groups. The conflict began in April 1974 when the remnants of Portugal's colonies in Africa and East Asia initiated a revolt against the ruling Portuguese. The rebellion was short and the citizens of Angola, along with Macao and East Timor in Asia, received their independence. In Angola, the real conflict began when several competing groups began vying for power in an effort to determine which group would rule the newly independent country. The three main groups contending for power were the Popular Movement for the Liberation of Angola (MPLA), the Front for

² Richard Nixon, "Second Annual Report to the Congress on United States Foreign Policy," February 25, 1971, *The American Presidency Project*, <http://www.presidency.ucsb.edu>.

the National Liberation of Angola (FNLA), and the National Union for the Total Independence of Angola (UNITA). Each group had supporters within Angola, but each group also received support from various groups at various times. Although official U.S. policy toward the conflict was one of noninvolvement, the FNLA initially received modest financial backing from the CIA, but it also received support from Zaire.³ UNITA, which had broken off from FNLA, was the most anti-western of the factions. Its chief support came from the Bakongo tribe along the border between Angola and Zaire. The MPLA received support from Cuba.

In the initial stages of the conflict the Soviet Union, the United States, and China, remained on the periphery as interested observers. It was the Portuguese who initially worked toward a settlement between the three groups following the ending of all military actions against the opposition in May 1974. Following this, the government in Portugal began to work toward establishing a transitional government. The Portuguese were joined in their efforts by the Organization of African Unity. The members of the OAU convinced the three groups to meet in Alvor, Portugal in January 1975 where the three sides agreed to a tripartite collaboration with the Portuguese in a transitional government.

In the early months of 1975, the situation began to change with the increasing involvement of outside powers. In early January, the Ford administration authorized substantial CIA financial assistance to the FNLA. CIA director William Colby told

³ Report; "Discussion of Soviet Involvement in Angola;" 1975; *Digital National Security Archive*; www.nsarchive.chadwyck.com. Seymour Hersh, "Early Angola Aid by U.S. Reported," *New York Times*, December 19, 1975, 81, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

members of a secret Congressional hearing that increased financial support was necessary in order to “match increased Soviet activity.”⁴

Because the Ford administration believed that the MPLA was only a minority group with support from less than 30% of the Angolan population, it was convinced that the MPLA would have to take control of the government by force of arms. That necessarily would mean that the group would require Soviet financial and military assistance. Washington officials also believed that the Soviet Union would support the MPLA in order to keep out the Chinese. One report indicated that the goal of the United States was to ensure the withdrawal of all foreign forces in order to allow Angolans to govern themselves. This could only happen, however, if a coalition government representing all three groups was stable enough to do without foreign military support. The administration believed, particularly in light of the recent situation in Vietnam, that it was essential to the credibility of American policies around the world not to permit the “power play by the Soviet Union to go totally unchallenged.” At the same time, the administration acknowledged the lessons learned from Vietnam and claimed that aid would not include sending American troops into Angola.⁵

This perception that the Soviet Union was using the instability in Angola to gain a foothold in the region provided the justification for increased and overt U.S. support in the early months of 1975. The administration claimed that the purpose in providing financial and military support to the FNLA, a “limited commitment,” had two objectives.

⁴ Seymour Hersh, “Early Angola Aid by U.S. Reported,” *New York Times*, December 19, 1975, 81, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁵ Report; “Discussion of Soviet Involvement in Angola,” 1975; *Digital National Security Archive*; www.nsarchive.chadwyck.com.

The first was to prevent the MPLA and its Soviet and Cuban supporters from achieving a military take-over of Angola, and the other was to achieve a balance among the competing groups in Angola in order to allow for a political solution.⁶

The increase in U.S. aid came in response to what the administration claimed was a buildup of Soviet arms prior to January 1975. The Soviets had been sending arms and financial support to the MPLA since its creation in 1956. Soviet interest in the region diminished somewhat over the 1960s, but by the time of decolonization, U.S. intelligence indicated that Soviet shipments of arms and money had resumed. Henry Kissinger claimed that the one hundred tons of arms that had been landed by Soviet planes in southern Angola was evidence that since late 1974 the Soviets had been increasing aid.⁷

With the infusion of Soviet aid, the forces of the MPLA were beginning to push back the FNLA and UNITA forces and take control of the capital, Luanda. By the first week in October, U.S. intelligence reported the arrival of Cuban combat forces in Angola.⁸ These developments sparked the response by the American secret intelligence and covert operations committee, known as the 40 Committee, to increase American aid to the FNLA. Nathaniel Davis, Assistant Secretary of State for African Affairs, voiced his concern. When the 40 Committee committed the U.S. to support the FNLA and UNITA, Davis resigned, arguing that more U.S. aid would be perceived by the Soviets

⁶ Report; "Discussion of Soviet Involvement in Angola;" 1975; *Digital National Security Archive*; www.nsarchive.chadwyck.com.

⁷ Seymour Hersh, "Early Angola Aid by U.S. Reported," *New York Times*, December 19, 1975, 81, , *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁸ Report; "Discussion of Soviet Involvement in Angola;" 1975; *Digital National Security Archive*; www.nsarchive.chadwyck.com.

as escalation and would prompt a similar escalation by the Kremlin. When the new U.S. support allowed the FNLA and UNITA forces to begin to push back the MPLA forces, the Soviets began airlifting arms and Cuban soldiers in October 1975.

Soviet and American behavior in Angola had implications for efforts to bring stability to the Middle East. It gave ammunition to the anti-détente group in the U.S. Henry Jackson and Ronald Reagan, both campaigning for their party's nomination, used the issue of Angola as a weapon. Both were critical of détente, and they saw Russian activities in Angola as reflective of a failed policy. To them, détente was giving away power to the Soviets. The Russians were taking advantage of U.S. efforts at cooperation to enhance their own power in unstable areas around the world. Jackson claimed that U.S. national security was not at stake in Angola and he opposed American intervention. "The Soviet Union's efforts," he said "are obviously inconsistent with its stated policy of lessening tensions between the superpowers."⁹ Reagan also claimed that the Soviets were using détente to further their efforts at "world conquest. . . . "It's time for us to straighten up and eyeball them and say, 'Hey fellas, let's get this back on the track where it's something for something, not all one way.' And that could begin with the situation in Angola right now."¹⁰

Soviet behavior in Angola convinced some State Department officials that "under the umbrella of détente," Russia could "expand its zone of influence into the southern tier of African states. . . . If both sides do not practice mutual restraint, détente

⁹ John H. Averill, "Virtually All Democratic Candidates Oppose U.S. Angola Role," *Washington Post*, January 6, 1976, A2, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

¹⁰ Jules Witcover, "Reagan Starts '76 Bid in N.H.," *Washington Post*, January 6, 1976, A1, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

can have no meaning.” If the U.S. conceded to the Soviets in Angola, they would see that as a sign that the U.S. was not prepared to resist Soviet moves in the future. They would “continue to probe and to grab and we would ultimately have to resort to stronger action than our minor effort in Angola can forestall.”¹¹

The United States and the Soviet Union also continued to disagree over the course of a Middle East peace settlement. The Ford administration, like the Nixon administration before it, emphasized a step-by-step approach to the Arab – Israeli conflict. Ford told French Foreign Minister Jean Victor Sauvagnargues that he and Kissinger believed that “only by moving a step at a time can the negotiating parties break the issues down to a scale that they can manage politically.” Ford pointed to the two agreements, Sinai I and II, that had been negotiated to that point to indicate that the administration’s approach was working.¹² The Sinai Accords consisted of two agreements between Egypt and Israel, signed in 1974 and 1975. As a result of these agreements, Israel and Egypt agreed to settle the disputes that existed between them by peaceful means. Israel also agreed to withdraw from the Mitla and Giddi passes and the oil fields at Abu Rudeis and Ras Suder, on the west coast of the Sinai peninsula. In return for these pledges, the United States agreed to provide Israel with roughly \$2 billion worth of defense equipment each year for the next ten years. Washington also agreed to compensate Israel for its increased oil costs that resulted from the return of the oil fields and to supply Israel with oil for five years. Additionally, the U.S. agreed to

¹¹ State Department Report; Joe Sisco to Kissinger; “Discussion of U.S. Policy and Soviet Involvement in Angola,” 1975; *Digital National Security Archive*; www.nsarchive.chadwyck.com.

¹² Talking Points; Meeting with French Foreign Minister Jean Victor Sauvagnargues; September 28, 1974; France (1); National Security Adviser, Presidential Country Files for Europe and Canada; Box 3; GFPL.

refuse to negotiate with the Palestine Liberation Organization (PLO) until it recognized Israel's right to exist and recognized U.N. Resolution 242, which called for an end to the state of belligerency between the two sides in exchange for the return of the territory Israel occupied in 1967. Finally, for the first time in twenty years, the United States agreed to sell arms to Egypt.¹³

While marginalizing the role of the Soviet Union in the peace process, Kissinger used the fear of Soviet expansionism in the Middle East to encourage America's partners in the region to act in ways which furthered U.S. interests. King Faisal of Saudi Arabia was concerned about the possibility of Soviet activity and subversion in his kingdom. He attributed any incident of a radical nature to Communist influence.

Faisal expressed his concern about Communist influence to Kissinger in a 1974 meeting. Kissinger indicated that he wanted to lay out the strategy for U.S. – Saudi relations, “where we stand and where we think we are going.” He addressed the Watergate situation and claimed that this was “used by those who oppose the peace negotiations to organize a general attack on the authority and prestige of President Ford and myself.” Kissinger told the king that Saudi Arabia was America's “oldest and closest friend in the Arab world. No matter what the magazines and newspapers may say, our relations are based only on friendship, not self-interest.”¹⁴ Détente was not intended to disrupt that friendship; however, any agreement between the United States and the Soviet Union regarding the Middle East concerned the king because he was

¹³ Schneider, *The Oil Price Revolution*, 295.

¹⁴ Memorandum of Conversation; Kissinger and Saudi King Faisal; October 13, 1974; Classified External Memcons, May – November 1974 (folder 7); RG59, General Records of the Department of State, Records of Henry Kissinger, 1973 – 77; Box 21; NA II

“suspicious” of the U.S. – Soviet relationship.¹⁵ Kissinger played on Faisal’s fears and made clear to the king that support of U.S. positions would provide protection from Soviet expansionism in the Middle East.

The Ford administration continued to support America’s Middle East surrogates, Saudi Arabia and Iran, as a way to maintain stability in the Middle East. Kissinger carried on the policies initiated under the Nixon Doctrine, believing that the anti-communist position taken by the leaders of the two Middle Eastern countries made them valuable allies in a region that continued to be volatile.

From Tehran in 1975, Ambassador Richard Helms reported to Kissinger on an audience with the shah. The shah was concerned about Soviet ambitions in South Asia and the Indian Ocean, and discussed the Indian threat to Pakistan, claiming that he saw a “Soviet hand” behind this threat, recalling Moscow’s historical push toward the Indian Ocean and that Pakistan and Afghanistan provided the “most vulnerable channel” for this thrust. Prophetically, he claimed that Afghanistan provided the most tempting target because Afghan communists were the only group which could take over when Mohammed Daoud, the Afghan leader, died or fell from power. The shah continued that détente had frozen Soviet expansionism in Europe and so the new target was the Middle East. He was certain that the Russians were behind subversive elements in Iran. “Every time we scratch a dissident,” he claimed, “we find evidence of Soviet influence.”¹⁶

¹⁵ Correspondence; Mike Mansfield to Ford; August 23, 1975; FG 31 – 1, 9/1/75 – 9/9/75; White House Central Files, Subject File, Legislative Leadership Meetings; Box 120; GFPL.

¹⁶ Department of State Telegram; Helms to Kissinger; October 6, 1975; Iran – State Department Telegrams To SECSTATE – EXDIS (2); Box 14; National Security Adviser, Presidential Country Files for the Middle East and South Asia; GFPL.

In order to help the shah build a stable country, the United States continued to supply the shah with weapons systems. It is important to note, however, that while Ford administration officials were willing to supply the shah, they had no reluctance in turning down requests that they felt jeopardized American interests. For example, the shah was interested in the co-production of defense systems, but the Ford administration was reluctant to allow that, in spite of the shah's assertions that Iran's participation amounted to not much more than "putting a few screens in place."¹⁷

In return for U.S. military support, the shah worked to prevent OPEC price increases. President Ford sent a telegram to the Iranian leader shortly after an OPEC meeting in Bali, applauding him for his efforts and expressing his "deep concern, which I bring to your attention in the spirit of our close relationship," that economic recovery in the importing countries would be reversed if there were new increases in the price of oil. Ford wrote that the shah's decision not to insist upon a price increase was an act of "statesmanship" that allowed the global economic recovery that was underway to continue. Ford also noted that this was at great sacrifice to the development of the shah's own economy but that increased economic activity in the importing countries could only be a positive development for financing Iran's economic development and defense plans.¹⁸

¹⁷ Department of State Telegram; Ambassador Helms to Kissinger; September 10, 1974; Iran – State Department Telegrams From SECSTATE – NODIS (1); Box 14; National Security Adviser, Presidential Country Files for the Middle East and South Asia; GFPL. Department of State Telegram; Helms to Kissinger; September 23, 1974; Iran – State Department Telegrams from SECSTATE – NODIS (1); Box 14; National Security Adviser, Presidential Country Files for the Middle East and South Asia; GFPL.

¹⁸ Department of State Telegram; Ford to shah of Iran; October 30, 1976; Iran – State Department Telegrams From SECSTATE – NODIS (5); Box 14; National Security Adviser, Presidential Country Files for the Middle East and South Asia; GFPL.

The administration also worked with Iranian officials to open communications between oil producers and consumers. French president Giscard d'Estaing favored a consumer/producer dialogue, but Kissinger was unwilling to agree to this until the consumers agreed upon a unified policy. Administration officials in Iran consulted the shah's Minister of Economic Affairs and Finance, Hushang Ansary, on alternatives when negotiations among the consumers broke down at the preparatory conference held in Paris in 1975. Ambassador Helms and Minister Ansary reached preliminary agreement on a bilateral consideration of alternative approaches to include discussions of both energy and other commodity issues that would lead to the resumption of multilateral discussions.¹⁹

Saudi Arabia's importance as a bulwark against Communist aggression increasingly was coupled with its role as a moderate in OPEC. The kingdom's ability to raise and lower its production between three and twelve million barrels per day, wrote Brent Scowcroft, made it the "virtual dictator of oil supply conditions and therefore the future of the cartel."²⁰ With the U.S. and world economy reeling from the effects of recession, Ford indicated to the king the importance Washington placed on Saudi Arabia's moderating influence. Ford clearly believed that economic stability, aided by Saudi Arabia's willingness to hold the line on a price increase, would prevent the growth and influence of Communist parties in areas of the world where the "political fabric and orientation" was already strained by economic difficulties. These effects could

¹⁹ Department of State Telegram; Helms to Kissinger; May 5, 1975; Iran – State Department Telegrams To SECSTATE – NODIS (2); Box 14; National Security Adviser, Presidential Country Files for the Middle East and South Asia; GFPL.

²⁰ Memorandum; Brent Scowcroft to White House; January 10, 1976; Saudi Arabia (9); Presidential Country Files for the Middle East and South Asia; Box 28; GFPL.

“contribute to a process of political radicalization in crucial areas where stability is essential to the kind of world order I believe we both seek.” Ford told the king that his commitment to preventing an OPEC price increase would be of “substantial benefit to global political stability as well as economic well-being.”²¹

Ford’s support for selling military equipment to Saudi Arabia was tied to economic concerns. Saudi Arabia provided the U.S. with 160,000,000 barrels of oil in 1974, meaning that American dollars were being sent to that country.²² Arms sales allowed a portion of those petrodollars to return to the United States at a time of high U.S. inflation.

In spite of Kissinger’s efforts at détente and support of Middle East surrogates to maintain stability, economic disruptions associated with the oil embargo hindered development of an effective energy policy. During Ford’s administration, he and Kissinger were forced to deal with the fallout over the energy crisis and the disruptions to détente. The new president wrote that he inherited the “worst inflation in the country’s peacetime history” and “the highest interest rates in a century.” In addition, he faced a “stagnant economy, with large-scale unemployment in prospect and a worsening international trade and payments position.”²³ The economic difficulties arose, in part, from energy prices that had increased four-fold following the embargo in 1973, from \$3 to \$12 per barrel. The administration acknowledged that monetary policy would have to change because an energy-shortage recession was different than an ordinary recession.

²¹ Department of State telegram; Kissinger to U.S. Embassy Jidda; October 1975; Saudi Arabia – State Department Telegrams, From SECSTATE – NODIS (6); Presidential Country Files for the Middle East and South Asia; Box 29; GFPL.

²² *The Basic Petroleum Data Book*, Section IX, Table 4.

²³ Ford, *A Time to Heal* (New York: Harper and Row, 1979), 151.

In an energy-shortage recession, the limitation on output came not from lack of demand but from an inability to produce. The function of monetary policy would be to prevent the recession from becoming more intense.²⁴

In an economic meeting with Congressional leaders, Ford spelled out the elements of his economic policy. Inflation was the major problem and the weapons of his “anti-inflationary arsenal” were aimed at solving troublesome sectors of the economy such as energy through increased productivity and efficiency, conservation, and international cooperation.²⁵ The economic difficulties experienced by America’s allies in Western Europe and Japan would certainly impact the U.S. economy. The Trilateral Task Force report indicated that the rise in the price of oil was more complex than the question of imports. The expansion of demand for imported oil could be dealt with by conservation, increased efficiency, increased domestic production, and import substitution. The rise in prices, on the other hand, “upset the economic equilibrium of the consuming countries and foreordained a massive transfer of financial assets, and thus economic power,” from the oil consumers to the oil producers. The anticipated oil bill for 1974 would be about \$40 to \$50 billion for the industrialized world and \$10 billion for the developing countries. The report suggested that the effects on the international monetary system, on currency values, rates of inflation, and on living standards were impossible to calculate but were “bound to impose strains of an unprecedented

²⁴ Research Economists Report No. 73/26; “The Oil Crisis and the U.S. Economy,” December 15, 1973; Oil, 1973; Arthur Burns Papers, 1969 – 78, Federal Reserve Board Subject File; Box B86; GFPL.

²⁵ Memorandum; Rush to Ford; August 17, 1974; FG31 – 1, 8/19/74; White House Central File, Subject File FG 31/ST to FG 31 – 1; Box 119; GFPL.

character.”²⁶ Ford developed policies to address both the domestic and international concerns of the economic crisis, trying to sell an energy program and relations with the Soviets to a Congress that was tiring of détente and desperate for a solution to the energy crisis and spiraling inflation.

Ford’s domestic policies to deal with the energy crisis revolved around his strategy to Whip Inflation Now (WIN). This program was designed as an anti-inflation, energy conservation program. It called for Americans to reduce gasoline consumption by five percent originally; that amount increased to ten percent. Ford also committed federal workers to reduce their gasoline consumption when traveling in government vehicles. More specifically, he wanted imposition of higher taxes on both imported and domestic oil to encourage conservation, a one-year moratorium on federal spending (excluding defense and energy producing measures), a five percent limit on federal pay increases, and new incentives to spur production of domestic coal, oil and alternative energy sources such as nuclear and solar power.²⁷

The WIN strategy ran into a number of roadblocks. One of the major problems was the fact that many saw the program as feeble, doing nothing to address the inflation and energy crisis that were plaguing the country. At a speech at the national convention of the Future Farmers of America, Ford declared that a “great citizens mobilization” against inflation was underway. Critics, however, claimed that Ford’s program was a “collection of cautious, uncontroversial admonitions” that included things like balancing

²⁶ Trilateral Task Force on the Political and International Implications of the Energy Crisis; Report; *Energy: The Imperative for a Trilateral Approach*; June 1974; Oil, Apr 1974; Arthur Burns Papers, Federal Reserve Board Subject File; Box B86; GFPL.

²⁷ Ford, *A Time to Heal*, 230.

the family budget, turning down the thermostat, and trying not to get sick because illness strained family budgets and cut productivity. After seeing the text of the speech, national networks did not even want to cover the event; the White House had to make a formal request for coverage.²⁸

America's allies in Western Europe were also suffering from the economic dislocation associated with the embargo. OPEC successfully increased their governments' price for exports of oil from approximately \$2 per barrel in mid-1973 to \$10 per barrel in 1975. OPEC nations reported a surplus profit of over \$60 billion in 1974. Oil price increases created serious problems for the world economy. Domestic economies were disrupted and inflation increased. Consuming nations were reluctant to borrow to finance their oil purchases because of balance of payments risks and the burdens of future interest costs and the repayment of massive debts. The Federal Reserve Chairman Arthur Burns declared that international economic relations were "distorted by the large flows of capital and uncertainties about the future."²⁹

The economic difficulties associated with the oil embargo were plaguing America's partners around the world, making it increasingly difficult for the world economy to rebound. In Japan, industrial production in June 1974 fell to one percent below the level of 1973. Employment was suffering as well. The ratio of job vacancies

²⁸ Dennis Farney, "Ford Issues Anti-Inflation Admonitions: Balance Family Budgets and Stay Healthy," *Wall Street Journal*, Oct. 16, 1974, 3, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

²⁹ Report; *International Energy Policy and Financing Arrangements*; January 31, 1975; Oil, Ditchley Conference (2); Arthur Burns Papers, 1969 – 78, Federal Reserve Board Subject File; B86; GFPL.

to unemployed fell from 1.3 in May 1974 to 1.25 in June of that same year and from 1.9 the same month of the previous year.³⁰

European governments also had to deal with economic concerns associated with the energy crisis. Great Britain had a severe balance-of-payments problem as a result of the higher oil prices. In March 1974, the deficit soared to a new record, increasing by £24 million to £371 million. The oil deficit deteriorated from a monthly average of £78 million in the third quarter of 1973 prior to the OPEC price rises, to £236 million a month in the first quarter of the following year.³¹ Germany was in a somewhat better position because of its export potential and large monetary reserves, but there was some concern that Germany might experience economic difficulties if its trading partners established policies designed to protect their own industries. In spite of these balance-of-payments difficulties, its long-term prospects were more favorable because of North Sea oil and gas.³² In France, Giscard's government was absorbed with an austerity program designed to curb an inflation rate of about sixteen percent per year and turn around a projected trade deficit of \$6.5 billion, largely oil-induced.³³ On September 4, 1975, the French president announced a \$7.5 billion economic stimulus program to offset declining production and record unemployment.³⁴ By 1977, the economic situation in France had worsened. The French government's program included emergency price

³⁰ "Still Cooling," *The Economist*, August 17, 1974, 86, *The Economist Historical Archive*, <http://find.galegroup.com>.

³¹ Frances Cairncross, "Balance of Payments in Red by Record £371M," *The Guardian*, April 20, 1974, 1, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

³² Frances Cairncross, "Balance of Payments in Red by Record £371M," *The Guardian*, April 20, 1974, 1, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

³³ Issues Paper for the Secretary's Briefing of the President; n.d.; France (1); National Security Adviser, Presidential Country Files for Europe and Canada; Box 3; GFPL.

³⁴ Memorandum; Brent Scowcroft to Gerald Ford; September 26, 1975; France (5); National Security Adviser, Presidential Country Files for Europe and Canada; Box 3; GFPL.

freezes and wage guidelines, substantial cuts in the growth of the money supply and a balanced budget for 1977, measures to stabilize the franc, and measures restricting energy imports to \$11 billion for the year.³⁵

The concept of interdependence that had shaped foreign policy during the Nixon administration continued to guide U.S. relations with its allies under Gerald Ford. The Ford administration believed in a multilateral approach to solving the economic crisis associated with the embargo. The allies attempted to work together to develop policies to both control the economic uncertainties and develop energy policies that would diminish the power of the producing countries in the Middle East. For example, the administration acknowledged that the fullest possible French cooperation was a “key objective” in the effort to develop a coordinated, multilateral approach to the problems of inflation and “oil-induced balance of payments deficits.”³⁶ Ford told Italian President Giovanni Leone that economic problems in Europe affect the United States and economic problems in the United States affect Europe. He reminded Leone that Kissinger was continuing to work to get international cooperation on energy meetings through the International Energy Agency. He also reminded the Italian that consumer cooperation was essential to working out arrangements with producers.³⁷

³⁵ Trilateral Task Force on the Political and International Implications of the Energy Crisis; Report; *Energy: The Imperative for a Trilateral Approach*; June 1974; Oil, Apr 1974; Arthur Burns Papers, Federal Reserve Board Subject File; Box B86; GFPL. Memorandum; Brent Scowcroft to Gerald Ford; January 14, 1977; France (10); National Security Adviser, Presidential Country Files for Europe and Canada; Box 3; GFPL.

³⁶ Memorandum; Henry Kissinger to Gerald Ford; September 27, 1974; France (1); National Security Adviser, Presidential Country Files for Europe and Canada; Box 3; GFPL.

³⁷ National Security Council Memorandum; A. Denis Clift to Brent Scowcroft; June 6, 1975; *Digital National Security Archive*; <http://nsarchive.chadwyck.com>.

The Ford administration proposed a number of initiatives designed to deal with the crisis, and one was the “barrels-for-bushels” program, a plan to exchange Soviet oil for American wheat. Preliminary discussions between the two nations began in September 1975. The president aimed for an agreement lasting up to five years in which the Russians would commit themselves to certain minimum grain purchases on a regular basis. The purpose of the deal was to avoid the ups and downs in American grain prices associated with irregular purchases. When their own harvest was good, they did not need American grain, while they did in years of bad harvests. This caused large fluctuations in prices of grain in the American market and made it difficult on American farmers. In return for American grain, the administration planned to trade for Soviet oil. In addition to the economic benefits to American farmers, a successful deal would be a victory for Kissinger and American – Soviet détente, which according to one historian, was “under mounting domestic criticism” and could “use some victories.”³⁸ The Senate passed a resolution favoring a grain – oil deal in the Senate on October 2.

The grain deal ultimately fell through. Buying oil from the Soviet Union was controversial in the United States. This, coupled with the idea of the U.S. government going into the oil business, was opposed by conservatives. The Soviets were reluctant to break with OPEC and give the United States a more favorable deal than they would get from the oil cartel. Sources within the administration indicated that the Soviets were even offered “various discount and kickback proposals” so they could undersell the other

³⁸ Yergin, *The Prize*, 643.

exporters without the fact becoming known.³⁹ Charles Robinson, the lead negotiator in Moscow, indicated that the Soviets were unwilling to make the deal because it would “signal to the world that they have succumbed to U.S. application of agro-power, which was a most difficult concession for them to make.”⁴⁰ Robinson was concerned that the recent negotiations with the Soviet Union had “seriously weakened the fabric of détente. There is growing bitterness generated by our effort to ‘out OPEC OPEC’. The Soviets see our pressures as an undisguised application of political power to achieve ends which are neither justified nor consistent with market economics – and which would humiliate them internally and with other countries.”⁴¹

Many Americans were tiring of détente, in part because they believed that the Soviet Union was gaining at the expense of the United States. A Gallup poll in January 1976 asked Americans if they thought American power would increase or decline. Nationwide, 42 percent felt it would increase compared to 44 percent who believed it would decline. Conversely, Americans were asked if Soviet power would increase or decline, and 63 percent felt it would increase and only 18 percent believed it would decline.⁴² If the power relationship between the Soviet Union and the U.S. was an indication of the efficacy of the policy of détente, the U.S. was not gaining. Détente was not a balanced policy, they believed, in which the compromises were equal. Americans

³⁹ Joseph Kraft, “Détente: No Horse Trade,” *Los Angeles Times*, October 17, 1975, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁴⁰ Department of State Telegram; Undersecretary Robinson to Scowcroft; October 12, 1975; France – State Department Telegrams, To SECSTATE – NODIS (6); Presidential Country Files for Europe and Canada; Box 5; GFPL.

⁴¹ Department of State Telegram; Undersecretary Robinson to Scowcroft; October 12, 1975; France – State Department Telegrams, To SECSTATE – NODIS (6); Presidential Country Files for Europe and Canada; Box 5; GFPL.

⁴² “Gallup International,” *The Gallup Opinion Index*, (Princeton, N.J., American Institute of Public Opinion, etc.), January 1976, Report No. 126, 24 – 25.

could look around the world and see that détente had not brought an end to the cold war. The arms race continued, the Soviet Union still controlled governments in Eastern Europe, there was Soviet adventurism in Africa and the Middle East, and Berlin was still a divided city. A French journalist declared that “détente is the cold war pursued by other means – and sometimes by the same.”⁴³ If the cold war was a zero-sum game in which one side won at the expense of the other, détente was giving away American power and prestige and the United States was losing. The criticism of the “barrel for bushels” program was the manifestation of that fear.

Given the precarious economic situation among the allies, there was fear about the impact of the oil situation on international monetary policy. The oil producing countries were amassing large amounts of petrodollars that would be returned to the international currency market. By 1976 Saudi Arabia had accumulated foreign exchange assets valued at over \$31 billion, \$7 billion of which were held in U.S. government instruments. Administration officials and members of Congress were concerned that these large assets could be used against America and its allies. Brent Scowcroft wrote that the Saudis were committed to improving the domestic infrastructure of the economy and to industrializing the country. For that purpose, the Saudi government allocated \$90 billion for social and economic development. Scowcroft believed that the Saudis would turn to the United States for help with that development. A positive relationship would be essential in assuring that those dollars would come back to the U.S.⁴⁴

⁴³ Marilyn Berger, “Strategy of U.S.,” *The Washington Post*, January 19, 1975, 1, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁴⁴ Memorandum; Brent Scowcroft to White House; January 10, 1976; Saudi Arabia (9); Presidential Country Files for the Middle East and South Asia, Country File: Saudi Arabia(7); Box 28; GFPL.

Members of Congress were not as certain about the large influx of petrodollars on the international economy. Congressman Henry B. Gonzalez, chairman of the Subcommittee on International Finance, voiced his fears, writing to the president that he was increasingly concerned about the lack of action by the White House and other consuming governments against the price increases imposed by OPEC. He continued that he was not certain how the international economy would hold up under the “strains of the approaching petrodollar glut” and how it could accommodate the fact of the OPEC countries owning 70 percent of total world monetary reserves by 1980. He also indicated his doubts about the viability of the various petrodollar recycling schemes that were being discussed.⁴⁵

With the growing economic difficulties in the industrialized world, the allies recognized the need to work together to overcome the propensity to make decisions in national self-interest. The energy crisis had the potential to set the allies against each other. It had already “done more to disrupt the European Community than pull it together” and energy questions “strained Europe’s and Japan’s relations with the United States.” Unless the three could establish some foundation for political cooperation as well as economic cooperation, they would never be able to deal effectively with the producing nations.⁴⁶

One political concern for the Ford administration, and their counterparts in Europe, was the growth of communist parties. The concern was that the success of

⁴⁵ Correspondence; Henry B. Gonzalez to Arthur Burns; May 29, 1974; Oil, May – Dec 1974; Arthur Burns Papers, 1969 – 1978, Federal Reserve Board Subject File, Box B86; GFPL.

⁴⁶ Trilateral Task Force on the Political and International Implications of the Energy Crisis; Report; *Energy: The Imperative for a Trilateral Approach*; June 1974; Oil, Apr 1974; Arthur Burns Papers, Federal Reserve Board Subject File; Box B86; GFPL.

Communist parties in Southern Europe would make communist parties “more palatable and attractive” to the citizens of Western Europe.⁴⁷ President Leone of Italy asked Ford if the Soviet Union supported the rising popularity of the Italian Communist Party and what that meant for détente. Ford responded that détente would not solve all problems. Ideological aggression on the part of the Soviet Union had to be dealt with by “forthright challenges by the peoples and by the governments of each country.” He also pointed out to the Italian president that the “we can’t tolerate Communist influence within NATO members,” for that would “create a serious undermining of the Alliance.”⁴⁸ Kissinger expressed his concern that, should the Communist party take control in Italy, it would have “major consequences in France and would isolate Germany.”⁴⁹

Ford and Kissinger were concerned about the loosening of ties between the United States and France and Germany. Détente between the U.S. and the Soviet Union made Europeans wonder whether troop reductions would follow in Europe and Japan. A Christian Democratic Union specialist on European security related a story from his childhood in Germany after World War II, stating that to the great relief of the people of his town, U.S. troops beat the Soviet forces into the town “in the nick of time.” The townspeople were assured by the U.S. commanding officer that U.S. troops were there to stay. Two days later the town was turned over to the Soviet army and his town had been in East Germany ever since. He dismissed the unhappy experience as part of the fortunes

⁴⁷ Raymond L. Garthoff, *Détente and Confrontation: American – Soviet Relations from Nixon to Reagan* (Washington, D.C.: The Brookings Institution, 1985), 488.

⁴⁸ National Security Council Memorandum; A. Denis Clift to Brent Scowcroft; June 6, 1975; *Digital National Security Archive*; <http://nsarchive.chadwyck.com>.

⁴⁹ Memorandum of Conversation; Off the Record Luncheon, *New York Times*; September 30, 1974; *Digital National Security Archive*; <http://nsarchive.chadwyck.com>.

of war. “Now, 30 years later,” he continued, “I am convinced they would not go to war if the Soviets decided to straighten out what they would doubtless call a ‘cold war abnormality’ and made an overnight grab for West Berlin.”⁵⁰ In a period of economic recession, asking the Europeans to commit more of their budgets to their own defense was seen by many in Europe as abandonment by the U.S. Détente was not a way to strengthen economic and political ties between East and West but a way for the United States, during difficult economic times, to disentangle itself from the burdens of providing for the security of its allies in Europe.

The Germans and the French also were concerned about the Strategic Arms Limitation Treaty (SALT) talks and Mutual and Balanced Force Reductions (MBFR) talks with the Soviet Union. Kissinger indicated to French Foreign Minister Sauvagnargues, that he understood that the allies’ fears. Kissinger claimed that the U.S. had kept the Allies “generally informed” about the status of the SALT negotiations and “have sought to reassure them that we will not jeopardize their interests.” The French were interested in the inclusion of nuclear weapons in the negotiations, fearing the creation of a “special zone of armaments limitations which would have repercussions for Allied defense options and provide a basis for Soviet intervention in Western security arrangements.”⁵¹

Europeans also had misgivings about the role of the United States in the Arab-Israeli conflict. The fear among European governments was that U.S. support of Israel

⁵⁰ Arnauld de Brochgrave; “Euro Byliner;” May 1975; Int. Orgs., NATO (1); Presidential Handwriting File; Box 25; GFPL.

⁵¹ State Department Memorandum; Scowcroft to Ford; September 26, 1975; France (5); Presidential Country Files for Europe and Canada, Country File, Canada – State Department Telegrams; Box 3; GFPL.

would cause the Arab countries to impose increasingly harsh sanctions against the United States and any government that appeared to support U.S. policies in the Middle East. In an interview in *Business Week* in 1975, Kissinger seemed to confirm Europeans' fears. When the interviewer questioned the secretary about the charge in Europe that Kissinger had "sold out Western civilization for 18 months of peace in the Middle East," Kissinger did not answer the question directly but asked, instead, what Europeans would have had them do. He continued that the difficulty in the Middle East was caused by a lack of cooperation for any sort of action that would end the embargo. He pointed out that even when the U.S. went on military alert for just one day during the embargo, the administration was accused of having done it for political reasons, as a way to deflect attention from Nixon's troubles during the Watergate scandal. He concluded that the sense of impotence Europeans feel "produces a certain peevishness which always stops just short of policy actions."⁵² America's allies had to walk a fine line between the traditional Atlantic alliance and the ongoing Arab-Israeli conflict.

One important aspect of Ford's attempts to work with America's allies on the energy crisis and the worldwide economic recession was summits. Ford first met with his European counterparts at Rambouillet in France in 1975 and the next year the heads of state convened in Puerto Rico. Prior to the conference in France, Robert Hormats of the National Security Council staff acknowledged the problems facing the group, including Japanese Diet resistance to IEA programs, French resistance to the joining the

⁵² Department of State Telegram; Kissinger to European Ambassadors; January 1975; Germany – State Department Telegrams from Secstate – EXDIS; Presidential Country Files for Europe and Canada, Box 6, GFPL.

organization, and British and Canadian sensitivity about allowing allied access to their energy sources. He suggested that the president should appeal for “greater solidarity of commitment” in solving the problem of the high cost of oil and OPEC manipulation of price and supply.⁵³ In a conversation with his counterparts, Ford did just that. He told the assembled group:

This summit is designed to deal with economic questions but in a more fundamental sense it springs from the enormous interdependence of our societies and the common values which we share. It can enable us to consolidate our unity in an important moment in our history—to convey to our people that we are working together with goodwill and common purpose, and that our countries are politically committed to our mutual well-being.

British Prime Minister Wilson responded that he was heartened by what Ford had said, but he questioned America’s commitment to dealing with the energy crisis in a collective way. He told Ford that he was struck by the latest figures on automobile production in Detroit. “All of us know,” he said, “the impact of autos on the economies of industrialized nations.”⁵⁴

Because the summit in France was the first of its kind not much was accomplished. Kissinger optimistically claimed that the conference “provided a kind of

⁵³ Memorandum; Robert Hormats to Henry Kissinger; October 24, 1975; U.S. Department of State; *Foreign Relations of the United States, 1973 – 1976*; <http://www.history.state.gov/historicaldocuments/frus1969-76v31/d112>.

⁵⁴ Memorandum of Conversation; Economic Summit Heads of State; November 15, 1975; U.S. Department of State; *Foreign Relations of the United States, 1973 – 1976*; <http://www.history.state.gov/historicaldocuments/frus1969-76v31/d122>.

political *directoire* of the industrial democracies, and that was its greatest contribution.” In a speech a few days before the summit, Kissinger “stressed that unity of the democracies (and not détente with the Soviet Union) was the centerpiece of Ford Administration foreign policy.” This was Kissinger’s way of trying to deflect criticism in the United States from Nixon’s foreign policy objectives, which had become rather unpopular in the U.S. following Nixon’s resignation. According to Kissinger, Rambouillet “launched a new era of institutionalized economic and political cooperation among the democracies.”⁵⁵

The economic and political disorder associated with the oil embargo and ensuing energy crisis had its domestic counterpart. Instability at home revolved around the growing environmental movement and its efforts to halt construction of the Alaska pipeline. There were debates about where the pipeline should be laid, the impact the hot oil would have on the delicate Alaskan ecosystem, and how the oil should get to the people that were most in need of it. Other aspects of Ford’s domestic program to deal with the energy crisis also came under attack. The people that supported the development of nuclear power as a clean and safe alternative to dependence on foreign oil were opposed by those that believed the nuclear power was too unstable and dangerous an energy source. Energy independence in the United States seemed to be a goal that American presidents could never quite achieve.

During Ford’s presidency, one of the issues associated with the development of nuclear power for civilian purposes involved questions of national security. The

⁵⁵ Kissinger, *Years of Renewal*, 693.

increased use of nuclear energy for domestic purposes around the world increased concerns about nuclear proliferation for military purposes. Government officials were concerned about the sale of breeder reactor technology to foreign countries, and a debate arose about the export of nuclear material to India. The Sierra Club, the Natural Resources Defense Council, and the Union of Concerned Scientists, all opposed this and in 1976 these groups served the Nuclear Regulatory Commission with petitions requesting that the agency intervene in the licensing process for the export of nuclear material to India. According to the FCC Commissioner, any agreement the U.S. had with India was “nullified in 1974 when they used the other nuclear stuff we sent them for peaceful purposes and went ahead and built themselves a bomb.” The commissioner pointed out that this was no time for the Ford administration to be “tagged with lax handling of fissionable materials” since it was an election year.⁵⁶

As was the case with Nixon’s efforts to complete the Alaska pipeline, Ford ran into the roadblock of the environmental movement. Before oil began flowing from the North Slope, a disagreement arose between the state of California and Washington. The original plan was for the oil to be shipped to California and then delivered by pipeline to Texas and the Midwest. California officials opposed the plan. The issue concerned the amount of oil, the so-called West Coast surplus, that could not be used by California refineries. California officials claimed that shipping and unloading up to 1.6 million barrels of oil per day by 1980 could add hydrocarbons to southern California’s already

⁵⁶ Correspondence; Samuel Chilk to George Springsteen; March 5, 1976; Nuclear Regulatory Commission (2); Philip Buchen Files, 1974 – 77; Box 35; GFPL. Correspondence; Abbott Washburn to Philip Buchen; July 22, 1976; Nuclear Regulatory Commission (2); Philip Buchen Files, 1974 – 77; Box 35; GFPL.

dirty air. The possibility of another oil spill like the one that soiled the waters and beaches of Santa Barbara also was on their minds.

California's opposition stunned Washington inasmuch as there was no hint of it in the long bitter debate that preceded Congressional approval of the pipeline. California's solution, to ship the surplus to Japan in return for Persian Gulf oil diverted from Japan, had the support of the Standard Oil Company of Ohio (Sohio), which had the largest single interest in Prudhoe Bay's proven reserves.⁵⁷ This plan had been formulated for several years, even before the completion of the pipeline. In 1973, when the pipeline bill was under consideration, there was suspicion among some in Congress that the oil companies involved in the pipeline wanted to be able to export the oil to Japan; oil company officials denied this.⁵⁸ Jack Robertson, Regional Administrator of the Federal Energy Office, claimed that "a large portion of oil transported through the Trans-Alaska pipeline will be exported, probably to Japan, during the line's early years of operation," adding that the West Coast markets that were originally earmarked to receive as many as two million barrels of the oil could not absorb that quantity until about 1985. Additionally, the logistics of transporting that amount of oil to the Midwest and the East Coast would make it too difficult since pipeline grids ran north and south rather than east and west. He concluded that because there would be "an awful lot of

⁵⁷ "California Snubs Alaska Oil," *New York Times*, September 21, 1976, 77, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁵⁸ "Industry Expected to Press Plan to Export Alaska Oil to Japan," *New York Times*, November 28, 1976, 1, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

swapping” of oil between nations, most of the Alaskan oil traded away would probably wind up back in the domestic market.⁵⁹

When Americans discovered the plan to export oil, they complained. While there was an oil shortage, claimed one American, “not one drop of oil from Alaska should be exported to Japan or any other foreign country.”⁶⁰ The debate among Americans was reflected in Congress. Senator Ted Stevenson, the Republican senator from Alaska, supported the idea of shipping the oil to Japan in return for Persian Gulf oil. The exchange, he claimed, would be advantageous because both countries would benefit from lower transportation costs. Senator Henry M. Jackson, (D-Wash), chairman of the Senate Interior Committee, said that the surplus meant that the United States “faced the specter of possible exports to Japan while most of the nation remains dependent on expensive and uncertain oil imports.”⁶¹

The pipeline was completed over ongoing concerns of the environmental movement. The federal government followed the letter of the NEPA by developing environmental impact statements. Washington officials were unwilling to go further in limiting the scope of the TAPS. For example, the conservation groups and their supporters in Congress wanted federal inspectors assigned to watch the construction. Washington officials were unwilling to do this, largely because Ford believed that government regulations hindered free enterprise. While he was willing to support

⁵⁹ Remarks; Jack Robertson to Meeting of the Radio-Television News Directors Association and the Society of Professional Journalists; April 20, 1974; Trans-Alaska Pipeline [1 of 2]; White House Central Files; Glen Schleede Subject Files; Box 5; RNPL

⁶⁰ “On Exporting Alaska Oil,” *New York Times*, December 5, 1976, 206, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁶¹ “Senators Ask U.S. for Action to Avert West Coast Oil Glut,” *New York Times*, September 22, 1976, 72, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

initiatives to promote energy independence, he was not willing to place regulations on industry in order to do it. He stated that the United States “must achieve a *balance between* our efforts to preserve the *environment and* our need for *energy*.”⁶² Government regulations and the red tape associated with it “surrounded and almost smothered us; we as a nation were about to suffocate.”⁶³

The oil companies had the resources to overcome efforts to delay construction. They had “both financial and political muscle.” With a consortium as large as the TAPS consortium, they controlled huge financial assets. According to one oil company official, from the outset the oil companies’ policy was to “design the structure and provide an operational control system that will afford maximum protection of the environment.”⁶⁴ This may have been the case, but one has to believe that concern for the environment was well and good, but if push came to shove profits would trump the environment.

Ultimately, Ford’s efforts at home and abroad to deal with economic recession and the energy crisis were unsuccessful. Much of his domestic program was shot down by Congress and his “barrels for bushels” program with the Soviet Union fell through. The Ford administration did record a major achievement with legislation in 1975 that set fuel efficiency standards for the automobile industry, legislation that also established a strategic petroleum reserve. Ford’s unsuccessful presidential campaign in 1976, of

⁶² *Energy Overview*; October 25, 1976; Accomplishments – President Ford, 1976; Glenn R. Schleede Files; Box 1; GFPL.

⁶³ “Conservationists Could Clog Giant Alaskan Oil Pipeline,” *Los Angeles Times*, October 26, 1969, J1, *Proquest Historical Newspapers*, <http://proquest.umi.com>. Ford, *A Time to Heal*, 271.

⁶⁴ “Conservationists Could Clog Giant Alaskan Oil Pipeline,” *Los Angeles Times*, October 26, 1969, J1, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

course, put an end to his efforts to develop policies that would put the United States back on the right economic track.

The decline in the relationship between the United States, their allies in Western Europe and Japan, and the Soviet Union was an outcome of the economic and political instability brought about by the energy crises. Fear that the Soviets would take advantage of the instability drove the U.S. and the Soviet Union apart, but it also drove a wedge between the United States and its allies. This chasm prevented the group from developing energy policies that would have given the allies some leverage with OPEC.

CHAPTER V

JIMMY CARTER INHERITS THE ENERGY CRISIS

On a cold January day in 1977, Jimmy Carter prepared to be sworn in as the 39th president of the United States. Following the inauguration, the new commander-in-chief walked down Pennsylvania Avenue, forgoing the traditional limousine ride in a display of the folksy charm that had gotten him elected. The former peanut farmer-turned governor had campaigned throughout 1976 as an outsider who was going to restore America's confidence after the devastating defeat in Vietnam and the demoralizing effects of the Watergate investigation.

One of the most pressing problems facing the new president was the ongoing energy crisis. Two presidents before him had tried without much success to develop international and domestic policies to deal with the crisis. Richard Nixon, president during the oil embargo of 1973, promoted policies that stressed conservation, but his shortened presidency prevented the full implementation of his policies. His successor, Gerald Ford, pushed Congress to pass legislation that would make the United States energy independent. Congress did pass two pieces of legislation that dealt with energy conservation, but the American people were skeptical about the role the government and the multinational oil companies played in the origins of the crisis. In addition to domestic policies, Ford's Secretary of State, Henry Kissinger, worked with the international community to create the International Energy Agency and develop programs designed to resist the power OPEC exerted. By 1976, however, there was no

real agreement or cooperation on energy policies in the United States or among America's allies in Europe and Japan.

The Carter administration inherited the economic and political instability that had bedeviled the Nixon and Ford administrations in the aftermath of the October 1973 war and oil embargo. While less willing to pursue détente with the Soviet Union than his predecessors, Carter's foreign policy was based on the notion that with collective action, the industrialized nations could address the concerns of both the developed and the developing world. The energy crisis once again became tied to issues of stability and the Cold War. Instability in the developing world meant that these areas were ripe for Soviet expansionism. Carter's energy program reflected his belief that stability required solving the energy crisis at the national level while at the same time cooperating with America's allies to address the issue on a global level.

When Carter took office, his objective was to pass an energy policy within his first ninety days. In order to achieve his goals, Carter believed that it was necessary to bring all of the various agencies that dealt with energy policy under the umbrella of one coordinating department. The administration's efforts resulted in the creation of a Department of Energy. The first secretary of the new Department was Secretary of Defense for Nixon and Ford, James Schlesinger, a man for whom the president had a great deal of respect. Carter wrote that he already had working with him as a senior White House assistant the "best-qualified man we could find to develop this new program and help me sell it to Congress."¹

¹ Jimmy Carter, *Keeping Faith: Memoirs of a President* (New York: Bantam Books, 1982), 100.

The most immediate problem for the new president was a natural gas shortage. The winter of 1977 was particularly harsh in the northeastern part of the country, while the region experienced a shortage of natural gas. The United States produced a sufficient amount of natural gas, but the problem was that it could not get to the parts of the country that needed it the most, which was addressed by Carter's initial energy legislation. Congress passed an emergency natural gas bill less than two weeks after Inauguration Day.

The comprehensive energy bill that the administration drafted next faced opposition from its inception. James Schlesinger asked Carter to allow him more time to come up with an effective bill, but the president was adamant that the ninety-day timeframe would be met. As a result, the legislation Schlesinger created was rather confusing. Even Carter, upon reading the bill, wrote to the secretary, "It is extremely complicated (I can't understand it). . . . A crucial element is simplicity. Even perfect equity can't be sold if Americans can't understand it. Their distrust is exacerbated by complexity."² He sent Schlesinger back to the drawing board. The secretary finally came up with a bill that was acceptable to the president.

The fight in the House and Senate for passage was a bit of a surprise to Carter. He believed that the problem was so pervasive that an energy bill that relieved the crisis would quickly pass in Congress. But that was not the case. Entrenched interests from many states opposed the bill. Oil-producing states were in conflict with states that needed oil but did not have it. The energy industry lobbies were protective of their

² Carter, *Keeping Faith*, 102.

clients' interests, and environmental lobbies and consumer groups worked to protect the interests of their constituents. Before the plan was even announced, the petroleum industry and its representatives in Congress were gearing up for a fight; they were not receptive of the proposal to remove the power to set goals and production rates on oil, gas, and coal leases from the Department of Interior. One industry insider claimed that there was little in the president's program to remind Americans that the "self-inflicted wounds of overlapping governmental jurisdictions, excessive bureaucratic, regulatory delays and incessant litigation" would be subjected to "vigorous reform."³ As soon as the president announced his plan, the special interests began to lobby their representatives in Washington. The auto industry decried the damage that would be done to their industry and the gas-guzzlers they were turning out. The oil industry called for higher prices and insisted that the world market price, presumably set by OPEC, should be paid by the American consumer.⁴

The passage of the bill was easier in the House of Representatives, where Carter had the support of the very powerful Speaker of the House, Tip O'Neill (D-Mass). The fight in the Senate was more contentious. The president had the support of Henry Jackson (D-Wash), chairman of the Energy and Natural Resources committee. Russell Long (D-La) chaired the Finance committee that would eventually decide the fate of the legislation and Long was from Louisiana, where oil interests dominated the economy. Carter's frustration with the opponents of the bill was evident in a mass letter he sent to

³ "Carter's New Energy Plan: What It Means to Marketers," *National Petroleum News*, Vol. 69, No. 4, April 1977, 33. Melvin A. Conant, "Washington Letter," *Petroleum Economist*, Vol. 44, No. 5, May 1977, 171.

⁴ Melvin A. Conant, "Washington Letter," *Petroleum Economist*, Vol. 44, No. 5, May 1977, 171.

all 100 senators. He wrote that the natural gas conference report his administration sent out was of “overriding national importance. . . . Senate opponents argue that producers are not given enough incentives, while others maintain that the legislation excessively benefits producers to the detriment of the consumers. However, opponents of the bill cannot agree on an alternative which would improve the existing system.” They were “united only in their opposition.”⁵

An important aspect of the administration’s proposed energy policy was conservation. In a major address on energy just three months after taking office, Carter laid out the fundamental principles guiding his energy policy. The “cornerstone of our policy is to reduce demand through conservation” continuing that conservation was the “quickest, cheapest, most practical source of energy.”⁶ The President believed that the major obstacle to conservation was the belief among the American people that there was no energy crisis. *New York Times* columnist Tom Wicker agreed, writing that the energy crisis was not going to go away, was not the product of an “oil company conspiracy,” and that the first and most basic step for President Carter was convincing the American people that “there *is* an unavoidable energy crisis that is going to require change, sacrifice and hard choices from all of them.” A Gallup poll taken in 1976 supported the

⁵ Correspondence; Carter to all 100 Senators; August 31, 1978; NR 6 8/1/78 – 9/15/78; White House Central File Subject File, Natural Resources; Box NR-10; JCPL.

⁶ Jimmy Carter, “Address to the Nation on Energy,” April 18, 1977, *The American Presidency Project*, <http://www.presidency.ucsb.edu>.

idea that many Americans believed that the worst of the international energy crisis, sparked by the Arab boycott of 1973 – 74, had passed.⁷

The administration also introduced legislation that would reduce dependence on foreign oil by encouraging domestic production. In order to do this it was necessary to raise the price of domestic petroleum because low oil prices discourage the search for new oil. Carter could not control the price OPEC was charging for a barrel of imported petroleum, but he did have some control over the price of a barrel of oil produced in the United States. The legislation was designed to eliminate price controls and entitlement programs. In 1971, with inflation running at almost five percent, Richard Nixon imposed price controls on the entire economy. Most of the controls were allowed to expire in 1974, but those on oil continued. It would have been politically difficult for Nixon or any president after him to decontrol the price of oil. Entitlements and allocations for the oil industry and low prices for the consumer became sacred cows. Carter and Schlesinger were convinced that their number one priority had to be finding a way to let domestic oil prices rise to world market prices. It was a politically sensitive issue. “Duty demanded that I act,” Carter said, “but political expediency cried out against it.”⁸

Carter was committed to preventing the oil companies from capturing windfall profits associated with elimination of price controls. He believed that the revenues producers collected should be returned to the American consumer, but he also understood that the oil companies would fight to retain a large portion of the profits. He

⁷ Tom Wicker, “Carter’s Oil Problem,” *The New York Times*, March 4, 1977, 16, *Proquest Historical Newspapers*, <http://proquest.umi.com>. “Concern for National Security Rising in U.S., Poll Indicates,” *The New York Times*, September 4, 1976, 6, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁸ Yergin, *The Prize*, 663. Carter, *Keeping Faith*, 116.

did not accept the argument of the oil and gas companies that they should be given incentives for wells drilled in 1971 or 1972 or earlier when oil prices were lower. The companies should not be able to capture windfall profits for efforts producers already made and for oil that was already discovered.⁹

The president was surprised at the amount of opposition to his policies. He believed his program was a measured, thoughtful response to a crisis. The American people would rally around the president in his efforts to break the grip of OPEC, but people did not believe that there was a crisis. Many Americans believed that the price rises and shortages were attempts by big oil to get more money from them. They trumped up a crisis and the administration was in cahoots with them. When asked about how serious the energy situation in the U.S. was, 82 percent of Americans responded that it was fairly serious or very serious. Two reasons were given by respondents to explain the seriousness of the situation. The first was that Americans did not see any evidence of an energy shortage. The second reason was that it was a phony crisis, manufactured by the oil industry to raise prices and profits.¹⁰ If Carter could not convince the American people that there was an energy crisis, it would be more than his energy program that would suffer. Gerald Rafshoon, Assistant to the President for Communications, wrote that the administration “must show the world that the United States can deal with a complex issue, debate it fully and agree on reasonable actions. We

⁹ Jimmy Carter, “The President’s News Conference,” September 29, 1977, *The American Presidency Project*, <http://www.presidency.ucsb.edu/lib>.

¹⁰ Energy Situation, June 23, *The Gallup Poll: Public Opinion 1972 – 1977*, Vol. 2, 1976 – 1977, 1119.

must demonstrate to our allies that we have the strength of will as a nation to make hard decisions.”¹¹

Carter’s efforts to develop an effective energy policy met with opposition from almost every corner. Congressional opposition undermined the administration’s advertising program to support conservation. Charles Duncan succeeded James Schlesinger, who resigned in July 1979. The new secretary wrote that there was strong feeling in Congress that the legislation to promote conservation was related to Carter’s reelection campaign.¹² Oil company interests, consumer advocates, environmentalists, along with many other groups, also opposed various aspects of Carter’s energy program. In his diary he wrote that the “influence of the special interest lobbies is almost unbelievable, particularly from the automobile and oil industries.”¹³

Carter’s position on nuclear power came into conflict with environmentalists. In 1974, the Federal Energy Administration (FEA) counted 209 plants on the drawing boards. That figure had dropped to 170 in mid-1976 due to safety, environmental, and financial concerns. At that time, 58 nuclear power plants were in operation and FEA expected more cancellations of plans to construct nuclear plants.¹⁴ While Ford had promoted the development of nuclear power, and America’s allies built nuclear power stations, candidate Jimmy Carter hesitated to promote those power plants.

¹¹ Memorandum; Jerry Rafshoon to White House Staff; September 1, 1978; NR 6, 8/1/78 – 9/15/78; White House Central File Subject File; Box NR-10; JCPL.

¹² Memorandum; Charles W. Duncan, Jr. to Carter; February 7, 1980; FG 25, 1/20/77 – 1/20/81; White House Central File, Subject File, Federal Government – Organizations; Box FG – 142; JCPL.

¹³ Carter, *Keeping Faith*, 104.

¹⁴ Grover Heiman, “Business: A Look Ahead,” *Nation’s Business*, January 1977, 68, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

Carter's administration recognized the resistance to nuclear power. Opponents became known as NIMBYs, which stood for Not In My Backyard. In 1976, nearly 45 percent of Americans said they would object to having a nuclear power plant built within five miles of their homes.¹⁵ In May 1977, over 2,000 people staged a sit-in on land owned by the New Hampshire Public Service Company, to protest the building of a nuclear plant in Seabrook, New Hampshire. The demonstration was organized by a group known as the Clamshell Alliance. They refused to leave when officials ordered them to do so, and about 1400 were arrested. The director of the Governor's Commission on Crime and Delinquency in Concord called the crowd "a well-organized, tightly controlled, disciplined, trained group who were determined to impose mob control of a portion of the state."¹⁶

Journalists began to make comparisons between the anti-nuclear movement and the anti-war movement of Vietnam and in May 1978, a columnist for *The Boston Globe* claimed that nuclear power could be "Carter's Vietnam."¹⁷ In July, protesters staged a rally for disarmament in New York. The rally was sponsored by Leaders of the Mobilization for Survival, an umbrella of local groups, and one of their stated goals was the banning of nuclear power plants. The organizers called the gathering "the biggest peace demonstration since the Vietnam war." David Dellinger, one of the Chicago Seven who was indicted for inciting violence in the streets of Chicago at the 1968 Democratic

¹⁵ "Environment," *The Gallup Opinion Index*, September 1976, 13.

¹⁶ Telegram; R.J. Crowley, Jr. to Thomas McIntyre; May 18, 1977; AT 1/20/77 – 3/31/77; White House Central File, Subject File, Atomic/Nuclear Energy; Box AT – 1; JCPL. John Kifner, "2,000 Occupy Nuclear Plant Site in New Hampshire, Vow to Stay," *The New York Times*, May 1, 1977, 26, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

¹⁷ Mary McGrory, "Let the People Vote on Nuclear Power," *The Boston Globe*, July 17, 1977, A7, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

National Convention, was part of the group, as was Pete Seeger, leading the crowd in the singing of anti-war songs like “If I Had a Hammer” and “We Shall Overcome.”¹⁸

As a presidential candidate Carter had indicated his reservations about nuclear power, calling the energy source a “last resort.”¹⁹ Carter explained his energy position to the Edison Electric Institute, stating, “U.S. dependence on nuclear power should be kept to the minimum necessary to meet our needs. We should apply strict safety standards as we regulate use, and we must be honest with our people about its problems and dangers.”²⁰ Following the election, the Council on Environmental Quality told the president that environmental leaders, the media, and representatives of the energy industry were becoming more vocal about the fact that they believed that administration policy on domestic nuclear power was moving in a direction “substantially different” from that which Carter adopted during the campaign.²¹

While the environmental movement was urging Carter to slow development of nuclear power, several other groups urged developing that power. The National Academy of Sciences, the Joint Committee on Nuclear Energy, and the American Nuclear Energy Council, all argued that nuclear power was a safe and reliable source that would reduce American dependence on OPEC oil. A panel sponsored by the Ford Foundation and made up of scientists, economists, resource specialists, biologists, and

¹⁸ Mitchell Grayson and Robert Shogan, “Nuclear Protest in N.Y. Echoes Vietnam Era,” *Los Angeles Times*, May 28, 1978, A1, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

¹⁹ Mary McGrory, “Let the People Vote on Nuclear Power,” *The Boston Globe*, July 17, 1977, A7, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

²⁰ Grover Heiman, “Business: A Look Ahead,” *Nation’s Business*, January 1977, 68, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

²¹ Memorandum; Charles Warren, Gus Speth, and Marion Edey to Carter; October 31, 1977; AT 1/20/77 – 12/31/78; White House Central File, Subject File, Atomic/Nuclear Energy; Box AT – 1; JCPL.

political scientists wrote a report, “Nuclear Power – Issues and Choices.” The panel urged the president to speed development of nuclear power, and the AFL – CIO endorsed the development of nuclear energy; in 1977 the leadership passed a resolution endorsing the development and use of nuclear power. Their support was based on jobs, the ability of the U.S. to be competitive in world trade, and the continuing assurance of strong defense capabilities.²²

State and local officials were often at odds with the federal government over issues involving nuclear facilities, especially the dumping of hazardous waste. In Arizona, the Department of Health Services, in an effort to have some control of waste dumps in that state, were anxious to establish a waste dump on a remote site in northern Yuma County. County officials sent a telegram to Washington in an effort to forestall the action. They were “convinced the residue from their proposed site will, through both percolation and ground flow, find its way to the Colorado River thereby contaminating water used by thousands of Arizonans for drinking and farming.”²³

Many of those fears were realized in 1979 when the nuclear facility at Three Mile Island in Pennsylvania experienced a meltdown. At about 4 a.m. on March 28, a failure occurred in the secondary, non-nuclear section of the plant. The main feedwater pumps stopped working, caused either by an electrical or mechanical failure, which prevented the steam generators from removing heat. The reactor shut down, increasing

²² Memorandum; Frank Press to Carter; March 1, 1977; AT 1/20/77 – 3/31/77; White House Central File, Subject File, Atomic/Nuclear Energy; Box AT – 1; JCPL. Telegram; URW International president Peter Bommarito to Carter; March 31, 1977; AT 1/20/77 – 3/31/77; White House Central File, Subject File, Atomic/Nuclear Energy; Box AT – 1; JCPL.

²³ Telegram; Robert W. Kennerly, Yuma County Board of Supervisors to Carter; October 6, 1979; HE 7-2, 4/1/78 – 1/20/81; White House Central Files, Subject File, Health; Box HE-17; JCPL.

pressure in the nuclear portion of the plant. In order to prevent the pressure from becoming excessive, an operator opened a relief valve. The valve should have closed when the pressure decreased, but it did not. Signals failed to indicate that the valve was still open, and cooling water poured out of the stuck-open valve, causing the core of the reactor to overheat. Because adequate cooling was not available, the nuclear fuel overheated to the point where long metal tubes containing nuclear fuel pellets ruptured and the pellets began to melt. In spite of the severe core meltdown, the nuclear fuel did not breach the walls of the containment building, which would have released massive quantities of radiation into the environment. Carter rushed to the scene, and with the plant in the background, he assured the American people that there was no danger. Everyone knew, however, that the accident was the “most serious in U.S. commercial nuclear power plant operating history,” even though it led to no deaths or injuries to plant workers or members of the surrounding community.²⁴

The Three Mile Island accident proved for many that the development of more nuclear plants was not feasible and it heightened the public’s concern. A Harris poll in 1978 showed that Americans favored the development of nuclear power by a margin of 2 to 1, but after the incident at Three Mile Island, opinion was about evenly divided. A majority believed that a similar accident was possible at another nuclear power plant, and about one-third feared that a “Hiroshima-type explosion could result.”²⁵

²⁴ “Backgrounder on the Three Mile Island Accident,” United States Nuclear Regulatory Commission, <http://www.nrc.org>.

²⁵ Department of State Briefing Memorandum; William J. Dyess to Cooper, Katz, and Bennet; May 25, 1979; PR 15, 1/1/79 – 12/31/79; White House Central File, Subject File – Public Relations; Box PR-75; JCPL.

Meanwhile, as the Carter administration was working to reduce U.S. dependence on foreign oil, it also put pressure on countries in OPEC that it considered allies, which again meant Iran and Saudi Arabia. Beginning in 1977, the State Department and the National Security Council were urging these two allies to resist calls among other OPEC countries for price increases. The Saudis and the Iranians agreed to honor their commitment to at least a limited price freeze at an OPEC meeting in Caracas in December of 1977. National Security Adviser Zbigniew Brzezinski warned the president, however, that the Saudis might be unwilling to use their production leverage if there was no consensus at Caracas. He also warned that both the Saudis and the Iranians were well aware of the American position and too much pressure could “undercut the solid achievements” the U.S. had made thus far.²⁶

Carter also urged America’s allies to find ways to conserve energy. The president felt that if the United States and its allies were “susceptible to potential political blackmail from the oil-producing nations, our international policy might no longer be free from foreign forces. Some of the other consumer nations who had little or no energy of their own were especially vulnerable to this threat, and were inclined to modify their foreign policies accordingly.”²⁷ Anything less than collective action put the cohesion of the partnership at risk, and was not in America’s national interests. The U.S. was the largest consumer of imported oil. Dependence on foreign sources had increased from 49 percent before the Arab embargo to 60 percent in 1976. According to a White House

²⁶ Memorandum; Brzezinski to Carter; November 29, 1977, TA 4 – 10, 1/20/77 – 1/20/81; White House Central File, Subject File, Trade, Box TA – 26; JCPL.

²⁷ Carter, *Keeping Faith*, 97.

report, the world was “watching to see if we can come to grips with our energy problem. . . . We cannot afford to fail.”²⁸

A strong relationship between the Carter administration and allied leaders was essential to the success of his Carter’s energy policy. At the outset of Carter’s administration, the Japanese press indicated that they perceived “U.S. willingness to engage in consultations with other nations on foreign policy and were generally favorable to the President’s emphasis on moral principles in U.S. relations with other countries.” In his congratulatory message to the new American president, West German Chancellor Helmut Schmidt “stressed the great importance of strengthening the North Atlantic alliance” and continuing close consultations on matters important to all, but another commentator in Germany claimed that it was now up to Carter to demonstrate that his speeches about the alliance were not just campaign rhetoric.²⁹

The administration spoke of the necessity of working with U.S. allies in formulating energy policy. David Aaron, Deputy Assistant to the President for National Security Affairs, wrote that the OECD countries must work together “more effectively to conserve energy, increase production, and intensify the search for alternative energy

²⁸ William D. Smith, “OPEC Causing Rough Era of Adjustment,” *New York Times*, January 4, 1976, NES24, *Proquest Historical Newspapers*, <http://proquest.umi.com>. General Talking Points in Support of the Natural Gas Compromise; September 1, 1978; White House Central Files Subject File, Natural Resources, NR 6 8/1/78 – 9/15/78; Box NR – 10; JCPL.

²⁹ Special Memorandum; Foreign Media Reaction to Presidential Inauguration; January 25, 1977; Media Reaction to Carter Administration and Polls: 1/77 – 2/79, Foreign Broadcast Information Service; National Security Affairs, Brzezinski Material, Subject File, Box 33, JCPL.

sources,” adding that the “Western Europeans and the Japanese must also make a major effort toward these ends if we are to reduce the West’s dependence on OPEC oil.”³⁰

Some in the Carter administration did not feel that America’s allies were doing enough to pressure OPEC. Brzezinski wrote the president prior to the OPEC meeting in Caracas in 1977 that the administration’s diplomatic moves in pressuring Iran and Saudi Arabia to agree to a price freeze and to honor that commitment in Caracas were generally received in the industrialized countries with total agreement; however, there was little evidence that any of those states were willing to jeopardize their relations with the oil producers by taking strong positions against OPEC. Instead, Brzezinski said, they seemed to be “content to let the United States do the talking, while they applaud quietly from the sidelines.”³¹

The IEA remained the primary agency charged with developing international energy policy. The allies believed that national energy policies would only be effective within the framework of a collective international policy designed to protect them in the event of further OPEC supply disruptions or price increases. Carter wrote to French president Giscard d’Estaing that “no one country – or even a group of countries such as those belonging to the European Community – can by itself bring about the major change in the world energy situation needed to safeguard our shared, long-term economic interests.” He continued that the United States would “explore new cooperative measures with our friends abroad, to reinforce national energy efforts

³⁰ Correspondence; David Aaron to Timothy W. Stanley; July 5, 1977; TA 4 – 11, 1/20/77 – 12/31/77; White House Central File, Subject File, Trade, Box TA – 26; JCPL.

³¹ Memorandum; Brzezinski to Carter; November 29, 1977; TA 4 – 10, 1/20/77 – 1/20/81; White House Central File, Subject File, Trade, Box TA – 26; JCPL.

through developing alternative fuel supplies and expanding cooperation on energy research.”³²

In spite of its goals, IEA policies during the Carter administration were ineffective in addressing supply disruptions. All of the member countries agreed on an oil sharing program by which each country would contribute to a fuel allocation system, and all would share in its use in case of an embargo. This program, however, would only go so far in alleviating the impact of an OPEC boycott. The agency members recognized this fact and adopted a separate objective of reducing the group’s projected dependence on imported oil to no more than 26 million barrels a day by 1985. This compared to almost 29 million barrels per day in the first quarter of 1977 alone.³³

Carter believed that it was imperative that America’s partners around the world continue to develop effective national policies that would bolster international efforts to solve the energy crisis, which had begun under Presidents Nixon and Ford. The Europeans and Japanese had to take steps to implement collective programs, but each country had different objectives and problems. In 1978 a U.S. government survey found that the overriding question facing European governments was unemployment, while inflation was the problem that most concerned the Japanese government. By comparison, the International Communication Agency Office of Research found that energy was

³² Correspondence; Carter to Giscard d’Estaing; March 2, 1977; TA 4-10 1/20/77 – 1/20/81; White House Central Files Subject File, Trade, Box TA-26; JCPL.

³³ Martin Beudell, “Threat of Energy Sources,” *Petroleum Economist*, Vol. 44, No. 11, November 1977, 429. Correspondence; Richard Cooper to Robert H. Mundheim; April 3, 1978; TA 4 – 10, 1/20/77 – 1/20/81; White House Central File, Subject File, Trade, Box TA – 26; JCPL.

“very much a secondary concern in all four countries.”³⁴ As a result, Carter’s efforts to encourage the development of national energy policies among the allies met with mixed results.

By 1977, Japan relied almost completely on oil imported from foreign sources. The Japanese had no domestic sources of energy. Oil from foreign sources accounted for 73% and imported coal accounted for 13% of the nation’s energy needs. Some estimates indicated that the Japanese would have to spend \$340 billion by 1985 on developing alternative energy sources and effective conservation measures.³⁵ Because of this, the Japanese were more sensitive to the fluctuations in oil prices than any other industrialized country. The drive, therefore, to develop strategies to deal with the energy crisis was strong.

Japan was the third largest producer of nuclear power after the United States and Great Britain. According to a Japanese defense scholar, Japan’s “nuclear allergy” had largely disappeared by the 1970s, although polls consistently revealed that 70 – 75 percent of Japanese harbored suspicions about the safety of Japan’s nuclear program.³⁶ As of 1977, Japan had built 12 nuclear power stations. Eleven more power plants were under construction and the Japanese had plans to build five more. Because Japan had no major source of uranium, however, the Japanese were developing breeder reactors which

³⁴ Economic Summit I, Opinion Survey on Economic Issues for the Bonn Conference; June 30, 1978; President, Germany, 7/13 – 17/78; National Security Affairs, Brzezinski Material, Box 13; JCPL.

³⁵ Junosake Ofuse, “Japan: Will the Meters Run on Nuclei?” *New York Times*, January 30, 1977, F17, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

³⁶ Richard Halloran, “Japan is Losing Aversion to Nuclear Arms,” *New York Times*, December 26, 1971, 1, *Proquest Historical Newspapers*, <http://proquest.umi.com>. Jeffrey Kingston, *Japan in Transformation, 1952 – 2000* (New York: Longman, 2001), 114.

not only produced power, but also produced their own fuel.³⁷ The Japanese exported their spent radioactive fuel to Great Britain and France for reprocessing which blunted resistance to the development of nuclear power from environmental groups.

Others expressed opposition to Japan's plans to build breeder reactors inside the country's borders, negating the necessity of exporting the spent fuel. Carter's attempt to ban the spread of weapons-grade plutonium, thus hindering reactor projects, heightened the differences in energy approaches between the United States and Japan. His efforts at arms reduction came into open conflict with countries like Japan which relied on nuclear reprocessing plants for enriched uranium bought from the United States.³⁸

Unlike Japan, Great Britain did not have to rely on nuclear power. In January 1976, Great Britain solved a large portion of its energy crisis with confirmation that a significant oil field had been discovered in the North Sea. Although the supplies would not reach the British market until 1978 at the earliest, the promise of a domestic oil supply allowed the British to believe that the petroleum exporting countries would not hold them hostage as they had in 1973. Officials claimed that hopes of returning prosperity and ending the chronic balance-of-payments deficit lay in North Sea oil. They expected a million barrels of oil to be pumped daily from the British sector of the North Sea and would allow the British a "seat at the price-fixing table" of OPEC. The fact that the find was nationalized as the British National Oil Corporation meant that it could "do

³⁷ Junosake Ofuse, "Japan: Will the Meters Run on Nuclei?" *New York Times*, January 30, 1977, F17, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

³⁸ Richard Halloran, "Fukuda Presses Case for A-Plant," *New York Times*, March 23, 1977, 3, Junosake Ofuse, "Japan: Will the Meters Run on Nuclei?" *New York Times*, January 30, 1977, F17, *Proquest Historical Newspapers*, <http://proquest.umi.com>. C.L. Sulzberger, "Carter's First Big Crunch," *New York Times*, April 20, 1977, 21, Junosake Ofuse, "Japan: Will the Meters Run on Nuclei?" *New York Times*, January 30, 1977, F17, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

all those things a large international oil company can do – explore, exploit, refine, market, and even operate in other countries.”³⁹

In spite of the optimism, however, some Britons believed that this was a slim hope. The oil was buried deep in the stormy North Sea, so a huge investment was necessary to bring it to the surface; that would mean that the oil would be expensive, whether sold domestically or abroad. By contrast, the relatively shallow Saudi Arabian oil would always be inexpensive to produce. North Sea oil, therefore, was a “slow reed to cling to.”⁴⁰

Fears about energy shortages following the 1973 – 74 oil embargo caused the British government to subsidize the British energy industry. By 1976, as a result, Britain was in what one energy expert called a “short-term energy glut which will last as far ahead as one can see.” This glut hit the coal industry particularly hard. After raising its price 2½ times in under two years, by 1976 the industry was faced with “mountains of unsalable stocks.” It also hit the electricity industry. By 1976, demand was 23 percent below what forecasters had predicted in 1970. As a result, 47 power stations were closed or partly closed. This energy glut was only expected to increase with the supply of oil from the North Sea. This caused a problem for politicians who were anxious to get the votes of vested interests in the energy industry by continuing to provide subsidies. The solution the British government hit upon was to commission a report that claimed that the glut itself could cause investment in the industry to be low, causing a “grave energy

³⁹ Peter Kilborn, “The Sheik of Britain’s Oil,” *New York Times*, February 29, 1976, 103, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁴⁰ Joseph Collins, “Britons Hopeful as Belt Tightens,” *New York Times*, January 25, 1976, 132, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

gap in the 1990s when some conservationists think that North Sea oil and gas will run down” unless the government continued to subsidize the industry.⁴¹

In France, political problems, brought about in part by the economic difficulties associated with energy crisis, beset the government during the last half of the 1970s. Unemployment was a major concern. From March 1977 through June 1978, just prior to an economic summit in Bonn, the unemployment rate in France hovered around 5.0%. The difficulty for Giscard was that any economic measures designed to reduce unemployment would likely accelerate inflation. He faced opposition from the Gaullist party on the right as well an alliance of the Socialists and Communists on the left. He made this clear in 1976, when he made a State visit to Washington following Carter’s election, telling Brzezinski that he was “heading what amounted to a minority government.” He hoped to convince his opponents to follow him by focusing on the economic issues that France was facing⁴²

In addition, he faced opposition from a growing environmental movement which opposed his nuclear power program. Unlike Britain, which had reserves of coal in addition to the discovery of North Sea oil and gas, or West Germany, which had coal reserves, France had to depend on imported oil for most of its energy supply. Alternative energy sources were only expected to supply three to seven percent of the total energy needed by the year 2000. Hydroelectric power represented six percent of France’s energy requirements while oil and gas would provide the largest percentage with 68

⁴¹ “Energy through pressure,” *The Economist*, June 26, 1976, 62, *The Economist Historical Archive*, <http://find.galegroup.com>.

⁴² “Public Opinion in Major Participating Countries on Issues Relevant to the Bonn Economic Summit,” France; June 30, 1978; President, Germany, 7/13 – 17/78: Economic Summit I; National Security Affairs, Brzezinski Material; Box 13; JCPL.

percent.⁴³ Not only were oil and gas projected to be scarcer, they would also subsequently increase in price. For these reasons, Giscard d'Estaing committed France to the development of nuclear energy. The government preferred the breeder reactors because they produced more power than they consumed. In August 1976, the president said that he would “press ahead with nuclear plants in order to help make France independent of oil imports and to maintain its independent nuclear military force.”⁴⁴

In particular, French environmentalists opposed the building of two breeder reactors, the Phénix and the Superphénix, both on the Rhone River because of the large-scale production of plutonium, which was highly toxic. In August of 1977, the environmentalists staged a protest at the site of the Superphénix reactor, which turned violent when about 100 young people armed with iron clubs and black anarchist flags broke away from the protesters and initiated the violence. One man was killed as people fled the area following volleys of tear gas which the police fired to break up the crowds. A police officer lost an arm in the riot. Significantly, the protesters were joined by several thousand young people from neighboring countries; the antinuclear movement was growing throughout Western Europe.⁴⁵

In response, the French government commissioned a study to address the concerns of 400 petitioners. The commission was composed of 37 representatives of industry, government, trade unions, and academics, but the subsequent report did not

⁴³ Walter Sullivan, “France Leading in Shift to Nuclear Power,” *New York Times*, July 8, 1976, 36, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁴⁴ Jonathan Kandell, “One Killed in France at Nuclear Protest,” *New York Times*, August 1, 1977, 45, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁴⁵ Jonathan Kandell, “One Killed in France at Nuclear Protest,” *New York Times*, August 1, 1977, 45, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

recommend the dismantling of the plants or slowing the development of nuclear power. It advocated conservation measures along with the development of nuclear energy, such things as room-by-room heat control, the installation of district-wide heating systems using the waste heat from nuclear plants, and the development of solar energy.⁴⁶

In Germany, a weak economy hampered efforts at developing alternative energy policies. Real growth in Germany in 1977 was 2.4%, down from 5.7% in 1976. Industrial production was up only 0.6% in the first quarter of 1978 over the last quarter of 1977 and total real GNP rose only about 0.1%. Throughout 1977, strikes in the auto production industry and more severe than normal weather also hampered economic growth.⁴⁷

Helmut Schmidt committed West Germany to the development of a nuclear power program after the oil embargo of 1973. The German government poured billions of dollars in research and investment funds into the development of nuclear power but by the late 1970s, the government was facing opposition from an increasingly vocal and growing antinuclear movement at home and some allies abroad. Berlin's sale of nuclear technology to Brazil put the Chancellor at odds with the American president, who promoted nuclear nonproliferation. Carter's belief was that exporting nuclear technology to countries whose loyalty to Western Europe, the United States, or Japan was in question threatened national security. In 1977, Carter told the United Nations that, "it is absolutely essential to halt the sale of such plants." Some German officials believed,

⁴⁶ Walter Sullivan, "France Leading in Shift to Nuclear Power," *New York Times*, July 8, 1976, 36, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁴⁷ "Public Opinion in Major Participating Countries on Issues Relevant to the Bonn Economic Summit," Germany; June 30, 1978; President, Germany, 7/13 – 17/78: Economic Summit I; National Security Affairs, Brzezinski Material, Box 13; JCPL.

however, that the U.S. position was arbitrary and sent the wrong message to the third world. They claimed that underdeveloped countries would get the “impression that the industrialized countries don’t want to share their technology.”⁴⁸

American opposition to the sale of nuclear technology helped accelerate the growing antinuclear movement in West Germany. In spite of official assurances that the plants were safe, German citizens began to question whether the sale of nuclear technology to the third world was the wisest course even if that power was the answer to the energy crisis. The resistance was composed of intellectuals as well as students and the middle class. In 1977, environmentalists staged a demonstration at the site of a nuclear power plant in the northern German town of Grohnde. The government seemed unsure how to handle the rally. According to one protester, the police started throwing stones, but officials understood that if they opposed the demonstrations, it would only radicalize the movement. The citizens’ resistance coupled with economic recession caused the government to reexamine its nuclear policy. The government’s original goal was to have fifty nuclear power plants in operation by 1985. In 1975, ten had been built and thirteen were under construction. The plan was revised over the winter of 1976, and the next year German officials announced that only 29 nuclear plants would be built, generating only 30,000 megawatts.⁴⁹

Not all Germans opposed the building of nuclear sites. Labor unions, anxious to halt the unemployment problems that were creeping across Europe, saw nuclear power

⁴⁸ Craig R. Whitney, “Ecologists Stall Bonn’s Atom Power Plans,” *New York Times*, Mar. 30, 1977, 8, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁴⁹ Craig R. Whitney, “Ecologists Stall Bonn’s Atom Power Plans,” *The New York Times*, Mar. 30, 1977, 8, *Proquest Historical Newspapers*, <http://proquest.umi.com>. Betsey Cornwoman and Rand Kehler, “Nuclear Opposition in Europe,” *Workshop in Nonviolence*, 1975, Vol. 11, Issue 31, 11.

as an answer to this problem. Labor opposed the demonstrations and supported the government's efforts to build the maximum number of power plants. According to the chairman of the German Labor Union Federation, German workers needed atomic power to insure jobs.⁵⁰

In order to address the economic difficulties facing America and its allies in Western Europe and Japan, the Carter administration developed the locomotive strategy. This involved connecting economic growth in Japan, Germany, and the United States, the industrialized world's three largest economies, and developing collective policies designed to pull the rest of the industrialized economies along behind that locomotive. By the time Carter took office, the advanced countries had a composite economic growth of less than 3 percent annually. Joseph Kraft of the *Washington Post* wrote that while there was "widespread recognition of the need for concerted action, the Carter administration is too burdened by problems of energy and inflation to play the leadership role customary for the United States. No other country is in position to get out front except, just possibly, West Germany."⁵¹

Carter informed Helmut Schmidt that the United States was doing all it could to foster economic growth, claiming that actions by the U.S. alone would not be enough. Faster growth abroad was necessary for world economic stability.⁵² Japanese Prime Minister Takeo Fukuda told Carter of his cautious willingness to "accept the

⁵⁰ Craig R. Whitney, "Ecologists Stall Bonn's Atom Power Plans," *The New York Times*, Mar. 30, 1977, 8, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁵¹ Joseph Kraft, "It's 'Up to Germany,'" *Washington Post*, July 13, 1978, A15, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁵² Correspondence; Carter to Schimidt; February 9, 1978; *Declassified Documents Reference System*; <http://galenet.galegroup.com>.

responsibilities appropriate to the world's third – largest economic power, America's leading Pacific ally and its No. 1 trading partner." The United States, however, was in an exceptionally poor position to help bring the other industrialized countries out of recession and was "vulnerable to the charge that it is importing inflation and weakening the dollar by failure to control energy imports."⁵³ Barely a year after the policy of the "locomotive strategy" was announced, it was discarded.⁵⁴

As was the case with previous administrations, Carter believed that the Soviet Union would take advantage of the economic instability in Europe to make political inroads. The Soviets, administration officials claimed, were trying to create the impression that they are "in complete unity with European communist parties on larger foreign policy matters involving détente and disarmament."⁵⁵ The administration's perception was that the Soviets were playing on European concerns about political and economic upheaval in an effort to entice them to give up the pursuit of détente with the West and look to the Soviet Union for stability. Intelligence indicated that the Soviets were operating in Europe, particularly in France and Italy where communist parties were strong. They were using the issue of youth unemployment to demonstrate that capitalist societies are incapable of assuring secure employment. While the CIA acknowledged that the propaganda was aimed in part at the Soviet domestic audience, the agency

⁵³ "Confident Visitor: Well-Briefed Japanese Leader Ready to Discuss Economic Issues with Carter," March 21, 1977, *Washington Post*, A14, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁵⁴ Joseph Kraft, "It's 'Up to Germany,'" *Washington Post*, July 13, 1978, A15, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁵⁵ Memorandum; Central Intelligence Agency National Foreign Assessment Center; April 15, 1980; USSR: 4/80; National Security Affairs, Brzezinski Material, Country File, USSR; Box 83; JCPL.

indicated that the Russians were targeting the youth in an economically and politically unstable Europe.⁵⁶

At the end of Carter's first year in office, the allies' attempts to develop energy policies to pressure OPEC, both on a national and international level, were unsuccessful. Collective action relied on programs the International Energy Agency developed, primarily involving the creation of reserves that could be tapped in the event of another embargo. Political and economic concerns hampered national efforts. Each of the allied countries faced internal problems and concerns that they had to deal with in concert with the development of these policies. In Europe, high unemployment and the specter of inflation took the time and attention of the leadership. Political concerns also took attention away from energy questions. The rising popularity of Communist parties in France and Germany posed problems for Giscard d'Estaing and Schmidt. In spite of this, both countries were able to develop nuclear programs that began to reduce reliance on imported oil. These programs were not without their problems, however, for anti-nuclear groups in the countries protested the development of this form of energy. In the United States, the Carter administration opposed the sale of technologies to countries that might develop a nuclear arsenal.

Japan also faced internal difficulties that prevented the leadership from developing effective energy policies that could serve as a counterweight to the power of the oil exporters. High inflation was a constant problem for the Japanese throughout the

⁵⁶ Central Intelligence Agency Memorandum; November 9, 1977; *Declassified Documents Reference System*; <http://galenet.galegroup.com>.

late 1970s. In spite of this, they did develop a nuclear power program that decreased their dependence on imported oil.

In spite of some successes, the specter of another supply interruption haunted the allies. Memories of the embargo in 1973 and the fears that major industrial engines would grind to a halt were never far from the minds of the Japanese, the Europeans, or the Americans. At an International Energy Agency conference in 1977, Ulf Lantzke, the secretary general, warned that as the “1973 -74 energy crisis recedes from memory, there is a tendency to believe that the energy crisis is behind us. Nothing could be further from the truth.”⁵⁷ With this warning in mind, the allies continued to talk about the necessity of a collective energy policy as well as the development of effective national policies, and during the Carter years, the allies held a series of economic summits addressing the question of energy policy.

⁵⁷ Laurent Maous, “For the West, Energy Warnings,” *New York Times*, January 30, 1977, IES10, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

CHAPTER VI
THE MORAL EQUIVALENT OF WAR:
THE SUMMITS

Franklin Roosevelt told the American people in 1943 that “this country faces a serious crisis. We are engaged in a war on the successful outcome of which will depend the whole future of our country.”¹ In that same year, three world leaders, Roosevelt, Joseph Stalin, and Winston Churchill gathered in Tehran. How would they deal with the mounting crisis? This was a showdown between good and evil. The decisions these men made would determine the course of history. If they could not come together to make important decisions, Adolf Hitler would win.

The so-called Big Three gathered at two summits during the war. The first was in 1943 at Tehran; the second was at Yalta in 1945. At these conferences, they met to lay out war aims and strategies to defeat the Germans and the Japanese and to determine the structure of the postwar world. They did not always see eye-to-eye on every issue. At Yalta, agreement on some important issues eluded the three. Stalin demanded at least \$20 billion in war reparations, with Russia getting half. Stalin also refused to remove Soviet troops from areas they controlled in Eastern Europe. They disagreed over Germany. Roosevelt and Churchill wanted a unified Germany, which they considered essential for postwar reconstruction. Stalin was concerned that a unified Germany would allow for the resurgence of another Hitler-like threat. They agreed to table decision on

¹ Franklin D. Roosevelt, Fireside Chat, May 2, 1943, *The American Presidency Project*, <http://www.presidency.ucsb.edu.lib>.

these issues for a later conference. In the midst of this crisis, the three understood that cooperation, not confrontation, was the only way to achieve their objectives.

In April 1977, Jimmy Carter issued a similarly dire warning to the American people. “Our decisions about energy,” the President said, “will test the character of the American people and the ability of the President and the Congress to govern. This difficult effort will be the ‘moral equivalent of war’ – except that we will be uniting our efforts to build and not to destroy. If we fail to act soon,” he continued, “we will face an economic, social and political crisis that will threaten our free institutions.”² Columnist James Reston wrote that Carter feared that “we could loiter down, as we run out of fossil fuels, into a spectacular energy crisis which could threaten our economy, our influence in the world and even our national security. And he sees this not only as a problem but as a ‘historic opportunity’ to find a ‘moral equivalent’ for the martial virtues.”³

While this warning was intended to spur Americans to action, America’s allies around the world also were listening because this speech was delivered just two weeks before the president was scheduled to leave for an economic summit in London. The address was intended to make clear to America’s allies the “steadfastness of purpose of a new Administration.”⁴ Whereas the World War II summits succeeded in accomplishing the objectives enunciated by the world leaders, the summits of the 1970s failed because the collective interests of the group came into conflict with national interests.

² “The President’s Proposed Energy Policy,” April 18, 1977, *The American Experience: Jimmy Carter*, Primary Sources, <http://www.pbs.org/wgbh/americanexperience/features/primary-resources/carter-energy>.

³ James Reston, “Moral Equivalent of War,” *New York Times*, April 20, 1977, 21, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁴ Memorandum; Brzezinski to Carter; April 23, 1977; *Declassified Documents Reference System*; <http://galenet.galegroup.com>.

The President believed that more than pragmatism drove the search for an international energy policy. His conviction that the crisis had a moral dimension partly was shaped by his association with Admiral Hyman Rickover. Carter first came under Rickover's guidance when he was a naval officer, chosen to work on the development of the first atomic submarines. He worked for the admiral until 1953, and Carter wrote that Rickover demanded "total dedication from his subordinates. We feared and respected him and strove to please him."⁵ The admiral had "a greater influence over Carter than anyone except his father" and was the one who suggested to the president that the energy crisis represented the moral equivalent of war.⁶ This perspective caused some allied leaders concern. A Foreign Broadcast Information Service memorandum indicated that some European media reaction focused on the moralistic and idealistic tone of the President's inaugural address. Some journalists found the tone refreshing and saw it as a reassurance to the American people. Others feared that it might be carried too far.⁷

Carter's concept of cooperation with America's allies on issues of common concern grew out of his work on the Trilateral Commission, a "private body dedicated to the view that U.S. relations with Western Europe and Japan provide the strategic hard

⁵ Jimmy Carter, *Why Not the Best? Jimmy Carter, the First Fifty Years* (Fayetteville: University of Arkansas Press, 1996), 55.

⁶ Shirley Scheibla, "Burst of Legal Salvos: The U.S. Navy and Shipbuilders Alike May be Casualties," *Barron's National Business and Financial Weekly*, July 26, 1976, 3, *Proquest Historical Newspapers*, <http://http://proquest.umi.com>. Carter, *Keeping Faith*, 96.

⁷ Special Memorandum; Foreign Media Reaction to Presidential Inauguration; January 25, 1977; Media Reaction to Carter Administration and Polls: 1/77 – 2/79, Foreign Broadcast Information Service; National Security Affairs, Brzezinski Material, Subject File; Box 33; JCPL.

core for both global stability and progress.”⁸ By 1978, conflicts about shared economic interests hampered the effectiveness of the Trilateral Commission. A Carter administration official advised the president “Trilateralism at this point is not well founded in perceptions of shared economic interests. In general, both the West Europeans and the Japanese tend to see their basic economic interests in agreement with those of the U.S., while perceiving a clash of Japanese-European economic interests.”⁹

Paralleling the work of the Trilateral Commission was the summit process which grew out of French President Giscard d’Estaing’s experience as part of the Library Group of finance ministers. They first met in the library of the White House in 1973 and began with four members – France, Great Britain, Germany, and the United States – and eventually – Japan. The participants valued the group as a means of steering monetary negotiations, but “they prized it even more as an opportunity for frank, unfettered discussion of their major problems and preoccupations,” and as an opportunity to “build up strong mutual trust.”¹⁰

The process became institutionalized in 1975, when Giscard brought together representatives from the five major industrial powers at Rambouillet. The French president believed that the format should be extended to the heads of state of the industrialized countries, and the five gathered the next year in Puerto Rico. The initial summits, rather than accomplishing anything of a significant nature, laid the foundation

⁸ Zbigniew Brzezinski, *Power and Principle: Memoirs of the National Security Adviser, 1977 – 1981* (New York: Farrar, Straus, Giroux, 1983), 289.

⁹ Summary; Opinion Survey on Economic Issues for the Bonn Summit; June 30, 1978; President Germany 7/13 – 17/78: Economic Summit, I; National Security Affairs, Brzezinski Material, Trip File; Box 13; JCPL.

¹⁰ Robert D. Putnam and Nicholas Bayne, *Hanging Together: Cooperation and Conflict in the Seven-Power Summits* (Cambridge: Harvard University Press, 1987), 29.

for the summit process that followed. At subsequent meetings, the group discussed economic issues of concern to all, especially energy policy.

Carter attended his first summit during May 1977, and expectations among the American contingent were low. White House press secretary Jody Powell claimed that the aim of the meeting was to allow the leaders of the industrialized nations the opportunity to discuss in depth the problems facing both the developed and the developing nations.¹¹ Brzezinski told the President that the “summit meetings will not produce spectacular new initiatives or proposals for new institutions.” Instead, it would create a framework of industrial state concerns leading to coordinated action.”¹²

These expectations were reflected in news reports of the event. The *Wall Street Journal* indicated that not much was expected to come out of the meeting, claiming that the leaders faced some serious problems but that the conference promised to produce more talk than action. Treasury Secretary Michael Blumenthal warned against high expectations for the conference; it was not expected to produce any “fundamental, surprise decisions.” Despite preparatory meetings prior to the summit, the “seven governments are far from agreement on what to do about the world’s worst recession, inflation and unemployment since World War II. Their leaders are unlikely to reach agreement in two days of discussion.”¹³

¹¹ “Carter to Meet with Six Heads of State in May,” *Los Angeles Times*, March 9, 1977, A4, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

¹² Memorandum; Brzezinski to Carter; April 23, 1977; *Declassified Documents Reference System*; <http://galenet.galegroup.com>.

¹³ Richard J. Levine, Richard F. Janssen, Mike Tharp, “Jimmy What? Focus to be on Carter at 7-Nation Summit in London Next Week,” *The Wall Street Journal*, April 29, 1977, 1, *Proquest Historical Newspapers*, <http://proquest.umi.com>. “This Summit Counts,” *The New York Times*, May 6, 1977, 20, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

The energy crisis occupied much of the allies' attention in 1977. Journalist Hobart Rowen wrote that the "perplexing and interrelated problems that bring seven presidents and prime ministers together for an economic summit have a single root – the oil cartel's massive price increases after the 1973 Arab-Israeli war. But the leaders will tiptoe all around it." The Carter administration was fairly open in identifying OPEC as the main culprit, but the talk about OPEC at the summit would be muted because Western Europe and Japan were almost totally dependent on oil imports for their energy needs and Saudi Arabia was being "implored to lend money" to the International Monetary Fund to finance the deficits they helped create.¹⁴

A significant issue for the group was the development of nuclear energy for civilian purposes and the sale of that technology to less developed countries. All of the members understood the problem: the development of alternative energy, particularly for energy-poor countries in Europe and Japan, versus nuclear proliferation, particularly among countries that should not have the technology at their fingertips to build nuclear weapons. "American Gathering for Summit Talks See Carter's Drive Against Nuclear Spread as Most Volatile Issue," declared the *New York Times*. The newspaper added that Chancellor Schmidt was "openly defying Mr. Carter's appeals," and has called the president's initiative "a disaster," while other European spokesmen have privately

¹⁴ Hobart Rowen, "OPEC Power a Problem Facing London Summit," *Washington Post*, May 8, 1977, 136, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

contended that the new American administration may be “trying to reinforce European dependence on American supplies of nuclear fuel.”¹⁵

Schmidt’s position was that the necessity of developing nuclear technology was more important than the possibility of some undesirable countries developing bombs, for at this time Bonn was fulfilling a contract with Brazil for selling them nuclear technology. The treaty was signed in 1975 and involved the sale of uranium enrichment and reprocessing plants that had the potential for making plutonium for atomic bombs. The contract represented the biggest export agreement in Germany’s history. In the ten to fifteen years after 1977, the sale could provide the German nuclear industry with as much as \$5 billion in contracts for up to eight Brazilian nuclear power plants.¹⁶

Carter opposed the sale. To the president, nuclear nonproliferation was a guiding principle that would be trampled if the sale continued, and Brazil had been unwilling to sign the nonproliferation treaty. Brzezinski, however, indicated that relations with Germany should be paramount, writing that the “deal with Brazil is not disrupting relations with Germany.”¹⁷ Previously, Schmidt had sent his Foreign Minister to Washington for a “round of urgent consultations” on the sale, and then Secretary of State

¹⁵ Hedrick Smith, “Americans Gathering for Summit Talks See Carter’s Drive Against Nuclear Spread as Most Volatile Issue,” *The New York Times*, May 6, 1977, 11, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

¹⁶ Craig R. Whitney, “Germany’s Sales of Nuclear Reactors Sparking Discord,” *The New York Times*, January 30, 1977, IES10, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

¹⁷ Memorandum; Brzezinski to Carter; April 23, 1977; *Declassified Documents Reference System*; <http://galenet.galegroup.com>.

Cyrus Vance visited Bonn. Both visits accomplished little, and Germany went ahead with its negotiations with Brazil.¹⁸

Schmidt and other European observers saw the Carter position as the United States subordinating European countries by preventing them from developing the technology necessary to reduce their dependence on oil imported from the Middle East. Alouis Mertes, a conservative Christian Democrat, claimed that fulfilling international obligations was a “moral foundation” of German foreign policy while the liberal weekly *Die Ziet* intimated that the United States “wanted to have the deal canceled only to get the nuclear power plant contracts for its own industry.”¹⁹

The London meeting, as expected, produced few results. Prime Minister Fukuda of Japan expressed his satisfaction at the cooperation among the industrialized nations to solve common problems but expressed “mild disappointment at the lack of concrete results.”²⁰ The predictions journalist Hobart Rowen made at the outset of the summit came true; there was no mention of OPEC in the final communiqué.²¹

The allies held their second summit meeting during July 1978 in Bonn. Prior to the summit, the heads of state agreed that the energy situation remained unsatisfactory and that much more needed to be done. Carter’s personal representative to the summit felt the attendees would probably be willing to agree to expanded research on energy

¹⁸ Craig R. Whitney, “Bonn to Send Brazil Nuclear Equipment, Though U.S. Objects,” *New York Times*, April 9, 1977, 1, *Proquest Historical Newspapers*, <http://galenet.galegroup.com>.

¹⁹ Craig R. Whitney, “Bonn to Send Brazil Nuclear Equipment, Though U.S. Objects,” *New York Times*, April 9, 1977, 26, *Proquest Historical Newspapers*, <http://galenet.galegroup.com>.

²⁰ Memorandum; Brzezinski to Carter; May 13, 1977; *Declassified Documents Reference System*; <http://galenet.galegroup.com>.

²¹ Appendix to Downing Street Summit Declaration; Energy; May 8, 1977; <http://www.g8.utoronto.ca/summit/1977london/communique.html>.

development in the industrialized world and energy development in the developing countries. Those were the issues upon which the American delegation should focus.

The expectations of the summit attendees reflected the domestic and international problems and concerns each of the leaders was facing. From Washington's perspective, Schmidt was concerned with success, in part because of his position as host of the summit, but also because of his domestic political difficulties. His political base, a coalition of Free Democrats and his Social Democratic Party, was eroding, while he was being pressed by opposition from conservatives in the Bundestag as well as a growing Communist party. Schmidt was willing to pay for that success with some German economic expansion. In return, Schmidt expected the U.S. to limit its oil imports. He believed that continued American oil imports would hurt German economic growth. Bonn viewed a U.S. commitment to reduce oil imports as an essential condition for a German commitment to take further stimulatory measures.²²

In France, Valéry Giscard d'Estaing, who had been facing domestic concerns during the London summit, had solidified his position and so was less concerned with his political position. Opposition on the left, both the Socialists and the Communists, were disunited as a result of their loss in the 1978 elections, and so could not mount an effective campaign against Giscard. Jacques Chirac, his chief opponent on the Gaullist side, had to deal with the president's efforts to undermine his position and gain adherents in that party. Giscard's position, however, relied on success on the economic front. Labor unrest, brought about by rising unemployment and inflation, posed a threat to his

²² Memorandum; Henry Owen to Carter; July 3, 1978; President Germany 7/13 – 17/78: Economic Summit, I; National Security Affairs, Brzezinski Material, Trip File; Box 13; JCPL.

leadership. Washington officials were concerned that these developments could “impair the discipline and timing of the government’s economic program and would give both the Gaullists and the parties of the left some ammunition to use against Giscard.” The Carter administration felt, however, that political concerns presented few immediate constraints on the Frenchman’s summit position. Giscard believed that his country had made good progress in dealing with the energy crisis by developing alternative energy sources and promoting conservation. Although France was still unwilling to join the IEA, government officials claimed that they would work closely with allies on matters of energy conservation and research and development.²³

Prime Minister James Callaghan of Great Britain was in a somewhat precarious position on the eve of the summit. His political strength was at a low ebb in 1977, and a decisive Labor defeat, according to one journalist, “seemed as inevitable as the London fog.” His political fortunes were rising in 1978 based in part on the decline in the value of the dollar and the beginning of North Sea oil production; however, the prime minister was still vulnerable to attacks from the opposition on a weak economy, which would help the conservative opposition, led by Margaret Thatcher.²⁴

Carter administration officials believed that British and U.S. views on summit aims on energy questions were very similar. Although both the Labor and Conservative parties were protective of their North Sea oil, Callaghan and other British government officials believed that emphasis should be on conservation and additional investment in

²³ Economic Summit Book, Opinion Survey on Economic Issues for the Bonn Summit; June 30, 1978; President, Germany 7/13 – 17/78: Economic Summit; National Security Affairs, Brzezinski Material, Trip File; Box 13; JCPL.

²⁴ R.W. Apple, Jr., “Britain’s Callaghan, Sure Loser in ’77, Now a Hero,” *New York Times*, January 29, 1978, 1, *Proquest Historical Newspapers*, <http://galenet.galegroup.com>.

both oil and non-oil resources. Carter's advisers also believed that Callaghan would, in all probability, support drawing up new policy proposals by the IEA and working with the World Bank to develop energy resources for the developing world. The question was whether or not the prime minister would be willing to make financial commitments to those issues.²⁵

Prime Minister Takeo Fukuda of Japan was in a fairly solid political position when the summit opened. His party, the Liberal Democratic Party, had been in power for much of the postwar period and was not in danger of losing power to any opposition party. The only threat to his rule came from within his own party. His main challenger within the LDP was the Secretary General, Masayoshi Ohira. Fukuda saw the Bonn conference as an opportunity to solidify his leadership position. His handling of Japan's economic recovery was reflected in his approach to many of the issues the summiteers would discuss, including energy. The Carter administration believed that the nuclear issue would not be as contentious for Tokyo at the Bonn summit in 1978 as it was in London in 1977. Washington officials believed, however, that Fukuda would want to discuss further nuclear cooperation between his country, the European Community, and the United States. In terms of oil imports, if Fukuda was going to press the United States to reduce oil imports, Carter should exact a promise from Tokyo for faster economic growth.²⁶

²⁵ Economic Summit Book, Opinion Survey on Economic Issues for the Bonn Summit; June 30, 1978; President, Germany 7/13 – 17/78: Economic Summit,; National Security Affairs, Brzezinski Material, Trip File; Box 13; JCPL.

²⁶ Position on Summit Issues: Energy; June 30, 1978; President, Germany, 7/13 – 17/178: Economic Summit I National Security Affairs, Brzezinski Material, Trip File; Box 13; JCPL. Memorandum for the

At the 1978 Bonn conference, energy was one of Carter's priorities. In general, the allied leaders wanted what the United States wanted – action on the part of the Carter administration.²⁷ If the President could not make a firm commitment to reduce oil imports, the whole package would come unraveled. The measure of the Bonn conference would be whether Carter's energy program prospered and whether the industrialized countries would meet their obligations to increase energy research and development and investment to developing countries. The administration believed that the stakes at Bonn were high. A National Security Council official wrote that if the summit should fail, the "consequences would be unfortunate for the dollar, the trade negotiations, and national security." In order to assure the other heads of state that Carter was committed to reducing imports, the NSC suggested that Carter use the authority he had to gradually decontrol domestic prices to world levels.²⁸

As the allies arrived in Bonn, they perceived that U.S. commitment to reducing oil imports was weak. Schmidt claimed that the U.S. was neglecting its leadership role in world economics, and rebuked American congressional and business leaders for permitting an irresponsible oil import policy.²⁹ The French felt that the United States had not done enough to remedy the energy dilemma. On the eve of the summit, the Paris newspaper *Figaro* asked, "How can (President Carter) get concessions from his partners

President, Subject: Energy and the Summit, July 7, 1978, *Declassified Documents Reference System*; <http://galenet.galegroup.com>.

²⁷ Memorandum; Henry Owen to Carter; July 3, 1978; President, Germany 7/13 – 17/78: Economic Summit, I; National Security Affairs, Brzezinski Material, Trip File; Box 13; JCPL.

²⁸ National Security Council Memorandum; John Renner to Zbigniew Brzezinski and Henry Owen; July 6, 1978; TA 4 – 11, 1/1/78 – 11/30/78; White House Central File, Subject File, Trade; Box TA – 26; JCPL.

²⁹ Bill Pall, "Less-Bashful Giant: Forceful German Role is Planned by Schmidt at Western Summit," *Wall Street Journal*, July 14, 1978, 1, *Proquest Historical Newspapers*, <http://galenet.galegroup.com>.

if he does not want to give them real assurances on legislation or administrative action to cut U.S. oil imports?" An Oslo newspaper reported "uneasiness . . . in Western Europe regarding the long-range consequences of the American President not being strong enough – and not exhibiting the leadership" to get "necessary energy legislation approved by Congress." Japanese Prime Minister Fukuda told Carter that all the world's economic troubles are traceable to the lack of U.S. action to cut its imports and the instability of the dollar. He urged the United States to "put its house in order." Even British Prime Minister Callaghan, generally supportive of U.S. policy, questioned Carter's ability to pass energy legislation in a timely manner, believing that a U.S. energy policy was essential to the health of the dollar.³⁰

The Carter administration understood the importance of an effective energy policy. Dependence on imported oil created doubts among America's allies about the ability of the United States to maintain treaty obligations, particularly those that related to mutual security. Giscard said that a reduction in American oil imports was the necessary precondition for improvement in the world economy that, in his view, this was the "most important single source of upheaval in the worldwide network of trade and payments."³¹ It led to questions about America's "ability to sustain prolonged conflicts and assist our allies in an optimum way." In the view of the State Department, this dependence on imported oil impaired its ability to achieve its foreign policy objectives,

³⁰ Hobart Rowen, "Accord in Bonn: Carter Praises Broad Pact, Agrees to U.S. Price Rise," *Washington Post*, July 18, 1978, A1, *Proquest Historical Newspapers*, <http://galenet.galegroup.com>. International Communication Agency Report, "West European Media Perceptions of Presidential Leadership," 7/13 – 17/78; President, Germany 7/13 – 17/78: Economic Summit; National Security Affairs, Brzezinski Material, Trip File; Box 13; JCPL.

³¹ Richard L. Strout, "Nations Eye Carter Limits," *Christian Science Monitor*, July 18, 1978, 3, *Proquest Historical Newspapers*, <http://galenet.galegroup.com>.

both economic and political. The belief in the administration was that unless Congress acted soon to pass energy legislation, the “world will remain convinced of our unwillingness to face the energy problem.” Washington officials believed that allied leaders would attribute a substantial part of the decline of the dollar to America’s failure to adopt a national energy plan.³²

Before the close of the summit, the heads of state agreed on a comprehensive strategy to deal with a number of interrelated economic issues, including energy. The declaration committed the nations to reduce their dependence on imported oil, although no specific amount was given. It also stated that the United States had a “particular responsibility in the energy field,” and committed the nation to having in place by the end of the year a comprehensive policy framework within which that effort could be “urgently carried forward.” In order to achieve the target energy savings, the declaration committed the United States to establish a strategic petroleum reserve of 1 billion barrels, to increase coal production by two-thirds, and to restrain the growth in energy demand. Carter also committed the United States to cut U.S. oil consumption by 2.5 million barrels per day and to raise the price it paid for oil to world levels, which at the time stood at about \$14 a barrel, by the end of the decade.³³

Critics felt that the United States was unwilling to go far enough in committing to reducing oil imports at the expense of the other governments. A journalist from *The*

³² “Summary of the Major Provisions in the Natural Gas Conference Report;” September 1, 1978; NR 6, 8/1/78 – 9/15/78; White House Central File, Subject File Natural Resources, Box NR-10; JCPL.

³³ Grover Heiman, “Energy: Searching for Substitutes,” *Nation’s Business*, Industry Special Report, September 1978, 78, *Proquest Historical Newspapers*, <http://galenet.galegroup.com>. Economic Summit II; Draft Declaration; July 17, 1978; President, Panama 6/16 – 17/78 through President, Germany 7/13 – 17/78; National Security Affairs, Brzezinski Material, Trip File; Box 13; JCPL.

Economist wrote somewhat tongue-in-cheek that at Bonn, a “real trade was done: low-inflation West Germany and Japan agreed to step up economic expansion in return for half-hearted and half-baked American energy measures supposed to steady the dollar.” The Toronto *Globe and Mail* said that the summit fell far short of the undertakings needed to put the world back on a stable path of non-inflationary growth.³⁴

The third summit was supposed to be held in Tokyo on June 28-29, 1979, but before the allies could meet, OPEC triggered the second energy crisis. It played a major role in the Tokyo negotiations, so central that many began referring to it as the “first energy summit.”³⁵ As will be examined in the next chapter, the Iranian revolution lent an urgency to this summit that was not present in the previous ones. In October 1978, the Iranian oil fields were shut down due to strikes associated with the unrest. The effects were felt immediately. Iran was the second-largest oil exporter after Saudi Arabia. Exports totaled about 4.5 million barrels per day. By early November, exports had been reduced to less than a million barrels per day. By December 25, Iranian petroleum exports had ceased altogether.³⁶ Panic buying set in, and the oil shortage became a full-blown crisis. The situation in Iran underscored the danger to national security of excessive consumption of oil and dependence upon imported petroleum.³⁷ One journalist asserted that the Tokyo summit was the “most important of the annual conferences since

³⁴ “The Slippery Summit,” *The Economist*, June 2, 1979, 13, *The Economist Historical Archive*, <http://find.galegroup.com>. Ronald Anderson, “The Summit,” *Globe and Mail*, July 19, 1978, B.2, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

³⁵ Hobart Rowen and Edward Walsh, “Tokyo Summit Adopts Joint Oil Import Curbs,” *Washington Post*, June 30, 1979, A1, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

³⁶ Yergin, *The Prize*, 681.

³⁷ Correspondence; Deputy Secretary of Energy to Secretary of the Treasury; March 9, 1979; TA 4-11; White House Central File, Subject File Trade, Box TA-26; JCPL.

they began at the Chateau of Rambouillet in 1975.” Another claimed that the upcoming conference was a “crucial test of whether the major industrial democracies can work together to deal with the energy problem, which is threatening the growth and stability of the world economy.”³⁸

The summit also followed by just two days a meeting of the thirteen OPEC countries who met in Geneva and once again raised the price of oil. These issues changed the focus of the summit from one which focused on trade issues to one which focused on the energy crisis – the “biggest world energy crisis since 1973-74.” An American official claimed that there was “no way that our leaders can leave Tokyo without taking concrete decisions on what to do about energy, especially oil.”³⁹

These events placed foreign policy decisions at the forefront of the conference. Japanese Prime Minister Ohira voiced the concerns that many at the summit must have been feeling about the turmoil in the Middle East. “What if the troubles in the Middle East spread,” he said, “and the Saudis too have difficulties? The Americans have to rebuild their bridges to the Saudis after the debacle in Iran. They alone can prop up the Saudis as only the Americans have real power among us and can meet the Russians face on if necessary.”⁴⁰ The Japanese now voiced support for the Arab states in the Middle East. Japan tried for twenty years to diversify its source of energy imports but by 1979 it was importing 75 percent of its supplies from the Arab world. The disruption in Iran

³⁸ Henry Scott-Stokes, “Tokyo: 7 Who Buy Oil,” *New York Times*, June 17, 1979, 9, *Proquest Historical Newspapers*, <http://proquest.umi.com>. Leonard Silk, “Tokyo Meeting: Test on Energy,” *New York Times*, June 22, 1979, D2, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

³⁹ Henry Scott-Stokes, “Tokyo: 7 Who Buy Oil,” *New York Times*, June 17, 1979, 9, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁴⁰ Henry Scott-Stokes, “Tokyo: 7 Who Buy Oil,” *New York Times*, June 17, 1979, 9, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

brought home to the Japanese that they had no security of oil supply.⁴¹ Ohira offered a proposal for a joint declaration on the Middle East calling for recognition and respect for the rights of the Palestinians. Carter, arriving in Japan a few days before the summit, approved the plan, and Secretary of State Vance began work on a draft proposal with Japanese Foreign Ministry officials. The proposal had the support of the British, Germans, and Canadians, but Giscard objected to making this kind of political statement at an economic meeting. Apparently the French objected because the Japanese government praised the Egyptian – Israeli agreement as a good step toward a comprehensive peace plan. The plan had to be abandoned, but it did not have to succeed to be a benefit for the Japanese for it was enough for Japan to be able to “present to the Arabs a plan proposed by Japan but torpedoed by the West.”⁴²

The nations gathered in Tokyo continued to place national interests above the collective interests of the allies. Prior to convening the Japan summit, the members of the European Community met in Strasbourg, and reached an agreement on oil policy. In the short term, the EC would restrict oil imports in 1979 and 1980 on a country-by-country basis, and in the long-term the amount of oil imported by each country from 1980 to 1985 would be less than the amount imported in 1978 by each nation.⁴³ The Germans were concerned about the impact shortages would have on their industry and

⁴¹ Henry Scott-Stokes, “Japanese Gasoline Stations Urged to Close Sundays,” *New York Times*, May 20, 1979, 29, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁴² Suzuki Sunao, “After the Banquet,” *Japan Quarterly*, 26:4 (1979:Oct./Dec.), p. 455.

⁴³ Miyoshi Shuichi, “Mutual Dependence in the Castle Built on Oil,” *Japan Quarterly*, 26:4 (1979:Oct./Dec.), p. 469.

that diminished oil supply might affect speed limits on their autobahns.⁴⁴ France claimed to support concerted action. Although the Japanese had a larger economy than West Germany, they were totally dependent on imported oil and they promoted the creation of an international energy board – a “consumers’ cartel to match the OPEC cartel.” The British, now led by conservative Prime Minister Margaret Thatcher, were less concerned with OPEC because they would soon be self-sufficient because of the platforms in the North Sea.⁴⁵

The Tokyo summit highlighted the ineffectiveness of the IEA’s efforts to develop a plan to combat oil supply interruption and the accompanying high prices. After all, the agency was formed in 1973 following the first energy crisis but had been largely ineffective in preventing another one. One reason was that France had been unwilling to join the agency. The lack of cohesion was clear to outsiders like OPEC. Additionally, while the agency could develop strategies to deal with oil shortfalls, they remained only suggestions. Although all members acknowledged the collective nature of energy policy, national priorities often took precedence over collective action. No punitive measures were in place to coerce member nations to follow the strategies laid out by the agency. The U.S. ambassador to Japan, Mike Mansfield, advocated that the IEA should be “largely superseded” by new national energy boards in each of the countries and an international board that would be charged with developing alternative sources of supply.

⁴⁴ Leonard Silk, “Tokyo Meeting: Test on Energy,” *New York Times*, June 22, 1979, D2, *Proquest Historical Newspapers*, <http://proquest.umi.com>. John Vinocur, “Germans Insist on Speed,” *New York Times*, Jul. 1, 1979, 1, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁴⁵ Henry Scott-Stokes, “Tokyo: 7 Who Buy Oil,” *New York Times*, June 17, 1979, F1, Leonard Silk, “Tokyo Meeting: Test on Energy,” *New York Times*, June 22, 1979, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

He also promoted the creation of a consumers' cartel to match OPEC as a producers' cartel. Mansfield declared that the "time to wring our hands is past" and that the "energy problem stands out so glaringly that it just can't be avoided."⁴⁶

The overall strategy of the U.S. and America's allies for dealing with a supply interruption was the emergency oil sharing system created by the IEA. The belief was that reserves made available from member countries' oil supply would prevent competition among allies and would prevent oil producers from trying to use oil as a political weapon against IEA nations. The agency, however, was still trying to develop a collective policy by 1979 that would "bring the oil market into balance without relying solely on upward pressure on prices" in case of supply interruption. In addition to the reserve, the IEA adopted a separate objective of reducing the group's projected dependence on imported oil by 1985. According to Secretary of State Vance, as of 1979, "owing in large part to projections of oil imports by the United States on the basis of current policies, achievement of that objective is endangered." Nor was Congress keen on extending the legislation that would exempt oil companies from antitrust laws and allow them to collaborate internationally in sharing data and oil.⁴⁷

Before the summit, officials in Washington claimed that success at the summit could be measured by the specific conclusions coming out of the conference that would move society in the direction of more intense conservation efforts and more intense

⁴⁶ Henry Scott Stokes, "Mansfield for Concerted Effort on Energy," *New York Times*, June 18, 1979, A3, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁴⁷ Correspondence; Department of State to Department of Treasury; April 3, 1978; TA 4-11, 3/1/79 – 4/15/79; White House Central File, Subject File Trade, Box TA -26; JCPL. Leonard Silk, "Tokyo Meeting: Test on Energy," *New York Times*, June 22, 1979, D2, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

efforts to increase supply. In those terms, some Washington officials felt that the summit was a success. Observers in Tokyo claimed, however, that nothing that was decided there would have any real short-term impact on the supply of oil or on the political problems associated with gasoline shortages and gas lines. Each of the leaders would have to go home facing the certainty that “our economies and our societies as a whole will have to undergo far-reaching changes.”⁴⁸

Moreover, the Tokyo summit was more acrimonious than those held previously. The news that OPEC had met in Geneva the day before the summit opened and raised official prices from \$14.55 to \$18 a barrel, a 25 percent increase, was a “bitter blow.” The heads of state were deeply divided over oil import targets with each country facing the “prisoner’s dilemma” in attempting to provide a margin for itself in the hope that others would bear the greater sacrifice.⁴⁹ Giscard exhibited his discontent with progress on the energy issue. Asked in a *Newsweek* interview whether the United States had done enough to conserve energy, Giscard replied, “They haven’t started.”⁵⁰

Jimmy Carter was very discouraged about the course of the meeting. “This is the first day of the economic summit,” he wrote, “and one of the worst days of my diplomatic life.” He continued that the group had “specific goals to reach for the conference to be significant” and because the Europeans had “locked together” in their EC meeting at Strasbourg, they were “adamantly against any sort of individual national

⁴⁸ Hobart Rowen and Edward Walsh, “Tokyo Summit Adopts Joint Oil Import Curbs,” *Washington Post*, June 30, 1979, A1, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁴⁹ Ray Vicker and James Tanner, “OPEC’s Boost Will Add \$6 Billion a Year to U.S. Bill for Oil Imports as Benchmark Is Placed at \$18 a Barrel,” *Wall Street Journal*, June 29, 1979, 3, *Proquest Historical Newspapers*, <http://proquest.umi.com>. Putnam and Bayne, *Hanging Together*, 118.

⁵⁰ “Tokyo Tempests,” *The Wall Street Journal*, June 29, 1979, 12, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

commitment.” To Carter, the price increases and uncertain supply were the greatest dangers the allies faced, and it was obvious to the president that the Europeans had decided in advance that “in setting their import goals, they should be considered as a group by the United States, Canada, and Japan, and not as individual nations.” Carter believed that the purpose was obvious. The Europeans wanted the production of North Sea oil but did not want it to be counted in their own countries as imports from a foreign government. The atmosphere carried over to a private luncheon that same day. Carter wrote:

We then had a luncheon that was very bitter and unpleasant. [German Chancellor] Schmidt got personally abusive toward me when I pushed the individual target position. For instance, he alleged that American interference in the Middle East trying to work for a peace treaty was what had caused the problems with oil all over the world. We stayed a long time, but [Japanese Prime Minister] Ohira eventually proposed a compromise which I thought everyone accepted – that the European Community later this year would assign individual quotas to each nation and would then monitor it. It seemed quite clear to me. But later Schmidt, [British Prime Minister] Thatcher, Jenkins and [Italian Prime Minister Giulio] Andreotti tried to wriggle out of it. Valéry [Giscard d’Estaing] helped hold it together, pointing out that we had reached a superb agreement based on complete misunderstanding.

The president concluded that, though much of the tension dissipated in the meetings on the following day, the initial gathering was “acrimonious” with an “exchange of some uncharacteristically harsh words.”⁵¹

At the close of the conference, the leaders of the industrial nations issued another joint declaration that reflected their focus on energy questions. The communiqué committed each of the members to lower oil imports to specific targets. Carter pledged the United States to freeze oil imports to 1977 levels for the remainder of 1979 and 1980. He also agreed to the goal of limiting oil imports to that level through 1985. The European members agreed to hold imports at 1978 levels through 1985, and Japan agreed to hold imports to levels it agreed upon in the IEA and to hold imports in 1980 at a level not higher than those of the previous year.⁵² The group committed themselves to specific national ceilings to hold down future imports. Margaret Thatcher boasted, the “message to the oil cartel is that we are determined to cut demand, and not to be so reliant on that source of energy.”⁵³

Few believed her, and critics went on the attack. A journalist in *The Economist* labeled the summit process the “myth of world economic management.”⁵⁴ One Japanese journalist wrote of the breakfast on the first day of the summit. The meal was topped off by servings of melons. At some of the better shops in Tokyo those melons would cost the equivalent of \$50 U.S., and just to produce those melons in a hothouse it was

⁵¹ Carter, *Keeping Faith*, 118.

⁵² “Summary of Decisions,” *The Washington Post*, June 30, 1979, A6, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁵³ Hobart Rowen and Edward Walsh, “Tokyo Summit Adopts Joint Oil Import Curbs,” *The Washington Post*, June 30, 1979, A1, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁵⁴ “The Slippery Summit,” *The Economist*, June 2, 1979, 14, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

necessary to burn upwards of eight liters of heating oil. One explanation of the summit was that “it was a meeting to decide how the people in the industrially advanced nations can afford to continue eating melons.”⁵⁵

The allies gathered in Venice in June 1980 for the final summit of Carter’s tenure in office. Because of the volatility in Iran and the Soviet occupation of Afghanistan, discussed in the following chapter, the administration placed more emphasis on the security implications of the energy crisis than on the economics of it. The heads of state acknowledged the interrelated nature of political and economic questions, and that the dependence of the industrialized nations on oil imported from the Middle East affected every aspect of the world economy. Brzezinski pointed out that foreign and domestic policies were more interrelated than at any other time in recent history.⁵⁶ The mood in Venice, however, was cautious. Carter, Schmidt, and Giscard were all looking toward re-election and all three were “bent on skirting any controversial topics which could risk a split among the seven allied leaders.” In Germany and France, there was some public concern that the U.S. had already gone too far in punishing the Russians for their misdeeds in Afghanistan and that a new arms race was inevitable. The caution produced a declaration that was “long on rhetoric and short on action.”⁵⁷

Carter, however, declared the Venice conference a success and the communiqué “substantive.” The president claimed that the heads of state committed themselves to reduce the amount of energy used for a given amount of economic growth by making

⁵⁵ Suzuki Sunao, “After the Banquet,” *Japan Quarterly*, 26:4 (1979: Oct/Dec), p. 455.

⁵⁶ Memorandum; Brzezinski to Carter; April 23, 1977; *Declassified Documents Reference System*, <http://galenet.galegroup.com>

⁵⁷ Michael Coakley, “Carter Finds Accord in Venice, Discord at Home,” *Chicago Tribune*, June 29, 1980, A1, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

conservation efforts more stringent. The leaders also adopted “an ambitious agenda for trying in every possible way to break the OPEC stranglehold on the world economy. This program included many of the same decisions that had come out of previous summits, things such as developing nuclear power and increasing coal production.”⁵⁸ In spite of the president’s optimistic view, the energy crisis continued.

One reason for the lack of success of any of the summits during Carter’s administration was the perception that the president was unable to lead his own country or the allied countries in developing an energy program. The international community looked to the United States as the largest consumer and largest importer of oil to lead the way in solving the energy crisis. Reduction of energy consumption in the U.S. was seen by America’s allies as the key to confronting OPEC. Europeans were looking to Carter to begin to solve the energy crisis. In an interview with the president, David Dimpleby of the British Broadcasting System brought up the administration’s energy program. “You talked about the energy program being the moral equivalent of war,” he said, “but to some people it has given the impression of being rather strong on rhetoric and preaching and rather light when it actually comes to the measures.” He continued that an “American humorist actually took the four letters m – e – o – w and said the policy amounted to ‘meow,’ that in other words it’s all talk and there isn’t very much there compared with what happens in Europe on controlling energy.”⁵⁹

⁵⁸ Carter, *Keeping Faith*, 548. Jimmy Carter, “Venice Economic Summit Conference Declaration Issued at the Conclusion of the Conference,” June 23, 1980, *American Presidency Project*, <http://www.presidency.ucsb.edu>.

⁵⁹ “President Carter Interviewed by European Broadcast Journalists,” May 30, 1977, *Department of State Bulletin*, Volume LXXVI, No. 1979, 541.

The outcome of the summits could not have reassured America's allies that the United States was committed to leading by example in solving the energy crisis. The perception among the international community was that the United States was experiencing a crisis in leadership.⁶⁰ The war in Vietnam and the Watergate affair imposed limits on the maneuverability of the American president. America's allies also understood that his sometimes acrimonious relationship with the U.S. Congress hindered his ability to pass effective energy legislation. The Japanese press wrote that the "tragedy of the United States is that neither its people nor its leaders can reach a consensus either on the nature of the energy crisis or on a suitable policy to deal with it."⁶¹

In spite of the centrality of the energy question to the summit agendas, the agreements did not provide any real solutions to the problems the group were facing. The fact that OPEC raised prices the day before the last summit opened spoke volumes about the power of the industrialized nations to confront the oil producers. *The Economist* indicated dissatisfaction with the way in which the allies were dealing with the OPEC threat, claiming that "governments – in particular, America's – are morbidly afraid to counter OPEC tactics by the oldest device in the book: price."⁶² Even in Tokyo, in the midst of the worst energy crisis since the first one in 1973 – 74, little was said specifically about OPEC. There was no strong language that indicated that the heads of government intended to break OPEC's chokehold on the international oil supply. Most

⁶⁰ Sunao, "After the Banquet," *Japan Quarterly*, 26:4 (1979: Oct./Dec.), 461.

⁶¹ Miyoshi Shuichi, "Mutual Dependence in the Castle Built on Oil," *Japan Quarterly*, 26:4 (1979: Oct./Dec.), 470.

⁶² "The Slippery Summit," *The Economist*, June 2, 1979, 14, *The Economist Historical Archive*, <http://find.galegroup.com>.

of the commitments were vague and left much open to interpretation. For the Tokyo summit, the “first energy summit,” to be so concerned with the energy crisis, few specific targets came out of it.

Cooperation among the allies also seemed to declining from 1976 to 1979. In spite of indications that they might be more willing to cooperate on energy questions at the international level, the French continued to operate outside the International Energy Agency. In addition, it appeared that the French and the German views on economic issues, including the energy crisis, were converging at the expense of the United States. Journalist James O. Goldsborough observed that under Carter, the “traditional United States leadership role has begun to shift.” During the leadership of Valery Giscard d’Estaing and Helmut Schmidt, “it has become increasingly clear that certain fundamental European and American interests are diverging.”⁶³

The real test for those attending the summit would be how to promote the agreed upon objectives at home. In this respect, Carter was faced with a daunting task. Both Congress and the American people had proved unwilling to accept Carter’s energy package. Energy Secretary James Schlesinger believed that the only way to solve the energy dilemma was decontrol, but Carter was unwilling to remove price controls that would quickly raise the price of domestic oil to world levels.⁶⁴ This logjam at home convinced both the French and the Germans that the United States was unwilling to live up to its commitments in increasing conservation measures and lowering oil imports.

⁶³ James O. Goldsborough, “The New Entente Cordiale,” *The New York Times*, Aug. 26, 1979, 190, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁶⁴ “Tokyo Tempests,” *The Wall Street Journal*, June 29, 1979, 12, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

In the last years of Carter's presidency, international events overtook the efforts of the allies to develop collective energy policies. In 1978, the discontent that had been simmering in Iran boiled over and the shah was forced to flee his country. The next year radical Islamic fundamentalists turned their anger on Americans, and stormed their embassy in Tehran. Only one month later, the Soviet Union shocked the world by ordering the Red Army south into Afghanistan. The allies' dependence on oil imported from the Middle East represented an increasing threat to national security.

CHAPTER VII

TROUBLE IN THE ARC OF CRISIS

In the early morning hours of November 4, 1979, President Carter received a phone call that was to sound the death knell of his presidency. On the other end of the line was Zbigniew Brzezinski. He was calling to tell the president that the embassy in Tehran had been overrun by militants. The National Security Adviser told Carter that fifty or sixty Americans had been taken hostage. Reports were sketchy at first, so it was difficult to obtain details. Carter wrote that he was “deeply disturbed, but reasonably confident that the Iranians would soon remove the attackers from the embassy compound and release our people.”¹

The taking of the hostages was the culmination of a series of events that had begun with the outbreak of revolution in 1978. By November of that year, there was a growing concern in Washington that the shah’s government was “in danger of losing its grip on Iran, vital for its oil and strategic location abutting the Soviet Union and alongside the Persian Gulf.” The United States imported 900,000 barrels of Iranian oil per day, about 10 percent of total U.S. imports of 8.5 million barrels.² As events in Iran in 1978 and 1979 worsened, Iranian oil production was periodically interrupted by strikes in that country’s oil fields. Representative John Dingell (D-Mich), chairman of the House power and energy subcommittee, said in an interview that “harsh government

¹ Carter, *Keeping Faith*, 466.

² Edward Cody, “The Shah of Iran Given Assurance of U.S. Support,” *Washington Post*, November 1, 1978, A23, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

action – including gasoline rationing – may be needed” if Iranian production was not restored.³

Just one month after the hostages were taken, another crisis set off shock waves in Washington. Soviet expansionism, always a concern during the cold war, appeared to become a reality when Soviet tanks rolled into neighboring Afghanistan. Afghanistan was a part of what National Security Adviser Zbigniew Brzezinski called the “arc of crisis” from Southern Africa via the Horn to the Middle East. The invasions set off another wave of speculation about the security of the oil supply flowing out of the Persian Gulf. Carter felt that Soviet control of Afghanistan would give the Russians a “deep penetration between Iran and Pakistan, and pose a threat to the rich oil fields of the Persian Gulf area and to the crucial waterways through which so much of the world’s energy supplies had to pass.”⁴ The invasion of Afghanistan, coupled with the perception that the Soviets had a hand in the Iranian revolution, were clear signs that the stability the administration sought was quickly slipping away. These events highlighted the failure of the Carter administration and its allies to develop long-term, viable energy alternatives.

Congressman Dingell’s concern was echoed by America’s allies around the world. The British Secretary of State for Energy, Anthony Wedgewood Benn, attempted to allay British fears that the revolution in Iran would lead to oil shortages. He stated that existing stocks of crude and refined petroleum were sufficient to meet present

³ “Schlesinger Sees No Iran Oil Soon” in *Los Angeles Times*, February 13, 1979, A2, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁴ Carter, *Keeping Faith*, 481.

consumption levels for 72 days. This statement was necessary because British Petroleum and Shell, two of the members of the consortium that handled Iran's output, warned that if disruption continued due to the revolution, cutbacks would be necessary. In Japan, the government began calling for a voluntary 30 mph speed limit and lower heating levels. France announced an increased nuclear power program.⁵

The revolution in Iran and the Soviet invasion of Afghanistan were not the only issues the Carter administration was forced to confront. A number of sticky issues demanded the attention of the U.S. president. Some he had made campaign issues, others developed after he entered the White House.

One of the first issues the new president addressed was human rights abuses in countries around the world. Secretary of State Cyrus Vance said that the administration's human rights policies, which he believed were "well conceived and managed, provide the philosophical core of our approach to the world."⁶ Just after becoming president, Carter addressed an audience at the University of Notre Dame where he was speaking on American foreign policy. In this speech, he indicated the priorities of his administration. He said that Americans lived in a new world in which they could no longer separate war and peace from the "new global questions of justice, equity, and human rights." He went on to say that Americans should not fear this new world but should help to shape it. It

⁵ Nicholas Hirst, John Huxley, and Michael Baily, "Mr. Benn Allays Fears Over Iran Oil," *London Times*, November 7, 1978, 17, *The Times Digital Archive*, <http://infotrac.galegroup.com>. Charles Cook, "The West on the Energy Rack," *The Guardian*, February 9, 1979, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁶ Memorandum; Vance to Carter; n.d.; State Department, Evening Reports, 1/79; Plains File, Subject File; Box 39; JCPL.

was a “new world that called for a new American foreign policy – a policy based on constant decency in its values and on optimism in our historical vision.”⁷

Early in his presidency, Carter turned his attention to human rights abuses in the Soviet Union. The cold war relationship between the United States and the Russians underwent a transformation during the Carter administration. According to one scholar, the détente of the Nixon and Ford administrations was replaced by a “policy that zigzagged” between cooperation and confrontation.⁸ Early in his administration, Carter said he believed in détente, but that he hoped to persuade the Soviet Union that “one country cannot impose its system of society upon another.”⁹ The Russian system led to abuses of basic human liberties, and Carter was vocal in denouncing those abuses.

The president based his support of human rights in part on the 1975 Helsinki Declaration signed by the United States and the Soviet Union following the conclusion of the Conference on Security and Cooperation in Europe. This declaration recognized fundamental human rights. Carter claimed that in the years since the signing of the Final Act, the world “has witnessed conscientious efforts on the part of many signatory states to fulfill, fully and completely,” their obligations. Progress had been made in the “freer flow of people and ideas. Flagrant abuses of human rights no longer go unnoticed and unchallenged.” He warned, however, that there was work still to do in preventing human

⁷ Jimmy Carter, “Address at Commencement Exercises at the University of Notre Dame,” May 22, 1977, *The American Presidency Project*, <http://www.presidency.ucsb.edu>.

⁸ Garthoff, *Détente and Confrontation*, 563.

⁹ Jimmy Carter, “The President’s Address at Commencement Exercises at the University of Notre Dame,” May 22, 1977, *The American Presidency Project*, <http://www.presidency.ucsb.edu.lib>.

rights abuses. He pointed to the Soviet Union in which organizations established to monitor compliance with the Final Act were harassed and even jailed.¹⁰

Eastern Europeans agreed that the declaration had raised hopes behind the Iron Curtain for reform. Dissident ferment in Eastern Europe “clearly was the result of the Helsinki Declaration.” Without Helsinki, none of the agitation for increased rights would have happened.¹¹ Carter claimed that, based on news articles and direct communications from the American people in the first months of his presidency, human rights had become the “central theme of our foreign policy in the minds of the press and the public.” Carter claimed that the administration faced criticism over the application of human rights policy when it seemed to be lax in one region and strict in another. Once again, Carter heeded the words of his mentor, Admiral Rickover. The admiral told the president that if he would stick to his principles on human rights, Carter would “come out all right,” though he might not be reelected.¹²

Carter confronted the Soviets over the issue of the imprisonment of dissidents. Vladimir Bukovskiy, who saw himself as an “envoy of the human rights movement in the Soviet Union,” told Vice President Walter Mondale that the administration had made an “excellent start” on human rights but that only a “persistent and consistent policy on human rights can lead to concrete results in the long run. While pressure on the Soviet Union by the West might initially lead to a worsening of East – West relations, such

¹⁰ Jimmy Carter, “Conference on Security and Cooperation in Europe Statement on the Fourth Anniversary of the Signing of the Final Act in Helsinki,” August 1, 1979, *American Presidency Project*, <http://www.presidency.ucsb.edu>.

¹¹ Department of State Telegram; Davies to Vance; March 1977; *Declassified Documents Reference System*; <http://galenet.galegroup.com>.

¹² Carter, *Keeping Faith*, 150.

pressure in the long run is the only way to produce improvements in the Soviet Union.” He was concerned that lack of progress on human rights in the Soviet Union could lead the U.S. to retreat from its policy.¹³

The administration also became involved in the ongoing case of exiled physicist Andrei Sakharov. Gerald Ford attempted to secure the release of the scientist but without success. Just after Carter’s inauguration in 1977, four Soviet dissidents sent a letter to the president, the Pope, and other world leaders, pleading that they defend the scientist. They claimed he was in “mortal danger” from Soviet authorities and if he was silenced there would be a “real danger to world peace.”¹⁴

The focus on human rights scuttled hopes for improved arms reduction talks. The Strategic Arms Limitation Talks with the Soviet Union began during the Nixon administration when Richard Nixon and Leonid Brezhnev agreed on arms limitations in 1974 at Vladivostock. The SALT I Interim Agreement signed by the two leaders expired in 1977, and Carter hoped to continue the cooperation on arms reduction through the passage of SALT II. Vance felt that the Soviets were concerned about Carter’s commitment to reductions in nuclear weapons and uncertain about his position on détente, along with his “outspoken defense of Soviet dissidents.”¹⁵ In spite of Russian concerns, the two sides came to an agreement on arms reductions but the Senate never ratified the treaty. The appearance of a brigade of Soviet troops in Cuba and, more

¹³ Memorandum; Mondale to Carter; March 2, 1977; *Declassified Documents Reference System*; <http://galenet.galegroup.com>.

¹⁴ “Carter’s Aid Sought in Defending Sakharov,” *Hartford Courant*, January 29, 1977, 16, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

¹⁵ Cyrus Vance, *Hard Choices: Critical Years in America’s Foreign Policy*, (New York: Simon and Schuster, 1983), 46.

significantly, the Soviet invasion of Afghanistan in 1979 gave the opposition, including the Republican presidential candidate Ronald Reagan, enough ammunition to shoot down the treaty.

Carter's human rights crusade also ran into trouble in his relations with Iran. In a New Year's Eve toast to the shah, the president declared Iran an "island of stability in one of the more troubled areas of the world."¹⁶ This was in spite of the fact that most people knew that SAVAK, the shah's secret police, often acted as thugs, silencing dissent by brutal means. A columnist for the *Boston Globe* criticized Carter's claims that the shah was a wise leader whose friendship was "irreplaceable." It was important to get oil, but Carter was paying too high a price, "sweet-talking the head of a police state."¹⁷

Like his predecessors, Carter also had to deal with the Arab-Israeli conflict. Following Kissinger's shuttle diplomacy and the Sinai Accords, little progress had been made in that region. Questions remained about Palestinian refugees and Israeli-occupied territory on the West Bank and Gaza, as well as full Arab recognition of Israel. The situation began to change in 1977 when Egyptian President Anwar Sadat made an historic trip to Israel to explore peace negotiations with Israeli Prime Minister Menachem Begin. When the two could not come to agreement on any of the outstanding issues and the talks broke down, Carter invited the two leaders to Camp David. For two weeks, the three world leaders met and hammered out the Camp David Accords. Sadat agreed that Egypt would recognize the state of Israel and Begin agreed to the return of

¹⁶ Carter, *Keeping Faith*, 445,

¹⁷ Mary McGrory, "Carter's International Trip a Bummer," *Boston Globe*, January 8, 1978, A7, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

territory in the West Bank and the Gaza Strip. Although critics claimed that some very important issues had not been resolved, the historic nature of the agreement marked one of the few foreign policy victories of the Carter administration.

Yet an international energy policy proved even more difficult than an Egypt-Israeli agreement. In September 1979, two Democratic senators, Henry Jackson and Bill Bradley, drafted a letter to Brzezinski. They were apprehensive about the interruption of supply and what the administration intended to do should this situation occur. Searching for answers, they presented the administration with a list of questions and issues they felt needed to be addressed. The first involved the administration's plans for dealing with a "sudden, major foreign oil production cutback."¹⁸ Others dealt with specific responses to the risks associated with a supply interruption. In addition, the senators wanted to know what administration plans assumed about cooperation with America's allies, in particular the Europeans and Japanese, to further collective energy security. Had there been consideration of reinforcing and giving more thought to recognition and visibility to our mutual interest in enhancing our energy security? Would the United States be able to satisfy its obligations under the International Energy Agency oil allocation program?¹⁹

Peter Tarnoff, Executive Secretary of the State Department, replied with a long letter to the Senators, laying out the contingency plans the administration had developed. Tarnoff wanted to assure the senators that the strategic petroleum reserves in Elk Hills, California and on Alaska's North Slope were an important part of U.S. energy policy

¹⁸ Correspondence; Senators Bradley and Jackson to Brzezinski; September 26, 1979; NR 6, 11/1/79 – 3/1/80; White House Central File, Subject File, Natural Resources; Box NR-11; JCPL.

¹⁹ Correspondence; Senators Bradley and Jackson to Brzezinski; September 26, 1979; NR 6, 11/1/79 – 3/1/80; White House Central File, Subject File, Natural Resources; Box NR-11; JCPL.

and that purchases of oil to fill the reserve had been suspended only temporarily due to tight market conditions and that purchases would continue as soon as market conditions permitted. He tried to reassure the senators that the administration's energy policy, both national and international, was still on track, and that the department also was examining the preparedness of the America's allies to deal with supply interruption.²⁰

The senators' concerns were prompted by the ongoing revolution in Iran. Carter continued supporting the shah. The administration saw the leader as an important ally to contain both Soviet expansionism and the growing pan-Arab sentiment in the Middle East as the president worked to develop an agreement between Egypt and Israel. In 1978, in spite of increasingly strident demonstrations and protests against the shah's government, the Carter administration expressed its support, assuring the shah's son that the U.S. friendship and alliance with Iran was "one of our important bases on which our entire foreign policy depends."²¹

Some American officials were less positive about the shah. William Sullivan, the U.S. ambassador to Iran, had begun voicing his concerns about the growing resentment towards the repressive tactics of SAVAK, the shah's secret police. Their harsh tactics designed to silence opposition stood in stark contrast to the Carter administration's declarations of human rights. In November 1978, following months of protest, Sullivan sent Vance a message entitled "Thinking the Unthinkable" in which he urged the

²⁰ Correspondence; Peter Tarnoff to Senator Bill Bradley; November 2, 1979; NR 6, 11/1/79 – 3/1/80; White House Central Files, Subject File, Natural Resources; Box NR-11; JCPL.

²¹ Edward Cody, "The Shah of Iran Given Assurance of U.S. Support," *Washington Post*, November 1, 1978, A1, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

administration to consider what it should do if the regime collapsed.²² There was disagreement in the administration about what the response should be. There was a “brooding fear” in the White House that any action the U.S. took that implied that the shah was incapable of ruling would stimulate the opposition to greater violence. On November 22, Vance cabled Sullivan that the U.S. must offer the shah “frank advice in helping him try to put together a new civilian government” but make “crystal clear” to the opposition that the U.S. continued to fully support him.²³ In spite of Sullivan’s concern, however, Carter continued to voice his support for the shah’s reforms, which he labeled a move toward democracy. To Carter, the shah headed a “progressive administration” which was “very valuable, I think, to the entire Western world.”²⁴

As 1978 came to a close, the situation in Iran deteriorated. In November, David Mark, a State Department official, concluded that “only drastic measures by the Shah hold any promise for staving off a descent into chaos.”²⁵ Waves of demonstrations broke out across Iran one month later. On January 2, the shah informed Sullivan that he had decided to appoint Shapour Bakhtiar as prime minister. Two weeks later, pressured by protests and sporadic fighting in the streets and by moderates and military generals who questioned the ability of the shah to maintain a viable government, the shah left Iran for Egypt.

²² Vance, *Hard Choices*, 329.

²³ Vance, *Hard Choices*, 329.

²⁴ Edward Cody, “The Shah of Iran Given Assurance of U.S. Support,” *Washington Post*, November 1, 1978, A23, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

²⁵ Briefing Memorandum; David Mark to Vance; November 2, 1978; *Digital National Security Archive*; <http://nsarchive.chadwyck.com>.

Ayatollah Khomeini returned to a hero's welcome in Tehran and assumed the position of head of the Revolutionary Council. He replaced Bakhtiar with Mehdi Bazargan as prime minister. Before the end of the month, Washington announced that the United States would maintain normal diplomatic relations with the new regime. Vance wrote that the administration believed that over time Iranian and U.S. interests in a "strong, stable, non-Communist Iran" would permit a "cooperative, if far less intimate, relationship to emerge."²⁶ Upon his return, Khomeini warned that the new Islamic regime would not allow the shah to return Iran to a monarchy. "We will not let the United States bring the shah back," the religious leader declared. "This is what the shah wants. Wake up. Watch out. They want the country to go back to what it was previously."²⁷ In early 1979, Khomeini began demanding that the shah be returned to Iran to be tried for crimes against the people.

The events in Iran caused many to voice their concern about the security of oil supply to the industrialized world, memories of the Arab oil embargo of 1973, and the gas lines that plagued many American cities. In May 1979, *The Christian Science Monitor* reported that spot shortages and Sunday closings of service stations, already familiar in parts of the U.S., could spread as prices spiraled upward.²⁸

Allied support for the shah was cool. Carter wrote in his diary that in discussions about world affairs at the Guadeloupe meeting, he found little support for the shah.

Neither was there support among the world leaders for Khomeini or the revolutionaries.

²⁶ Vance, *Hard Choices*, 343.

²⁷ William Claiborne, "May Jail Bakhtiar: Moslem Leader Lashes Out at Premier, U.S., Shah," *Washington Post*, February 2, 1979, A1, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

²⁸ Harry B. Ellis, "The Energy Dilemma: Oil vs. Gasoline," *Christian Science Monitor*, May 1, 1979, 1, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

They were unanimous, however, in their agreement that a civilian government should be established and that the shah should leave as soon as possible. They agreed with Carter, though, in maintaining a strong military.²⁹

In October, Jimmy Carter made a fateful decision. The shah was suffering from cancer and the president allowed him to enter the United States for medical treatment. Friends in the United States, among them John D. Rockefeller and Henry Kissinger, put pressure on the president to allow the shah to receive treatment in New York. Brzezinski supported this, believing that it was important to continue the U.S. partnership with the ailing shah. In his memoirs, Brzezinski wrote that the president noted that “Kissinger, Rockefeller, and McCloy had been waging a constant campaign on the subject and that ‘Zbig bugged me on it every day,’ the president stated. ‘No, sir,’ I interrupted, and Carter relented, ‘Well, not every day but very often.’”³⁰

Carter’s decision had a dramatic result – militants overran the American embassy in Tehran taking fifty Americans hostage. The militants demanded that Carter return the shah so that he could stand trial for crimes against his fellow Iranians. Hamilton Jordan, Carter’s Chief of Staff, recalled that the same series of events had occurred in February 1979 when the American embassy was temporarily seized by leftist guerrillas that opposed the revolutionary government. Their aim was to “provoke just the kind of trouble at the embassy which Ayatollah Khomeini does not want.”³¹ Prime Minister Bazargan’s government stepped in and evicted the subversives. Jordan was confident

²⁹ Carter, *Keeping Faith*, 454.

³⁰ Brzezinski, *Power and Principle*, 474.

³¹ Geoffrey Godsell, “Iran’s Challenge from the Left,” *Christian Science Monitor*, February 15, 1979, 1, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

that, as before, the Iranian government would step in and the hostages would be released quickly.³²

This situation was quite different. Carter declared that the U.S. “would never yield to blackmail.”³³ The government would not give in to the demands of the hostage-takers, and the president was going to have to make some difficult choices. In countries like Iraq, the shah, armed with modern and effective weaponry supplied by the U.S., kept Soviet expansionism under control and, by doing so, maintained Iranian access to the oil-strategic Shatt-al-Arab region.³⁴ With the shah out of the country and an anti-Western religious fundamentalist leading the country, American interests in the region were not guaranteed. Khomeini’s Iran “threatened to be subversive of existing rule – be it monarchies or republics, autocracies or democracies – in many countries in the Middle East.”³⁵

The administration feared that the Soviets would take advantage of the instability, and America’s perceived weakness in stopping it. Carter claimed that America’s “overwhelming and excessive dependence” on foreign oil made the nation vulnerable to those kinds of tactics.³⁶ State Department officials laid out several actions the administration should consider. One option was to ask U.S. allies to follow

³² Hamilton Jordan, *Crisis: the Last Year of the Carter Presidency*, (New York: G.P. Putnam’s Sons, 1982), 19.

³³ “Carter Warns Iran of ‘Grave Consequences,’” *Atlanta Daily World*, November 30, 1979, 1, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

³⁴ Confidential Report; Iranian Embassy Political and Military Section Reports on the Situation in Iran; February 28, 1977; *Digital National Security Archive*; <http://nsarchive.chadwyck.com>.

³⁵ Garthoff, *Détente and Confrontation*, 662.

³⁶ Tom Wicker, “The Highest Priority,” *New York Times*, November 30, 1979, A31, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

America's lead in taking economic measures against Iran. This included embargoes on goods to Iran such as military equipment and spare parts and pumps and drilling rigs.³⁷

Carter's response was intended to send a strong signal to both the revolutionary government in Iran and the Soviets. America would not hesitate to take decisive action. The president expelled Iranian students in the U.S. who did not have legal visas, forbade Iranian demonstrations on federal property, and ordered the end of oil purchases from Iran. He also appealed to the international community. He went to the United Nations and to the World Court where he urged the international community to pressure the Iranian government to release the hostages. The Iranians were calling for a U.N. Security Council meeting to establish a commission to investigate the shah's crimes and return his assets to Iran. The American ambassador to the U.N., Donald McHenry, was directed to "attempt to turn off the request" because a formal debate was "undesirable." If a debate was unavoidable, the U.S. would take the position that there would be no discussion of returning the shah until the hostages were released.³⁸ He also went directly to the heads of state of allied governments for support. He requested that they take part in an embargo of Iranian oil.

In the midst of the ongoing hostage crisis in Iran, the Soviet Union stunned the world by invading Afghanistan. A coup in 1978 removed Mohammed Daoud from power. Daoud's modernization program, involving the development of agriculture and communications as well as a centralized state, had alienated some Afghans. He was

³⁷ Memorandum; Vance to Carter; November 20, 1979; Iran: 11/17-20/79; National Security Affairs, Brzezinski Material, Country File; Box 30; JCPL.

³⁸ Minutes; Special Coordination Committee Meeting; November 13, 1979; Iran; Vertical File, Intelligence Services through Joint Task Force Report; Box 67; JCPL.

criticized by some in his own government for not moving fast enough and by local power holders, including the clergy, for failing to honor religious and ethnic customs.³⁹ While the administration recognized that the Soviet Union was not directly involved in ousting Daoud, the leaders did have leftist tendencies and members of the Afghan Communist Party were associated with the coup leaders.⁴⁰

In last month of 1979, the situation deteriorated in Afghanistan. On December 21, Brzezinski shared his views with the president that growing Soviet involvement in Afghani affairs was leading to a wider regional crisis.⁴¹ His fears were realized the day after Christmas when Soviet troops crossed into Afghanistan and installed a Communist government. The president, Hafizullah Amin, who, the Soviets claimed, had asked them to take control, was removed from his position and immediately lost his life. In his place, the Soviets installed an Afghani Communist of their own choosing, Babrak Karmal.

The Soviet invasion of Afghanistan posed strategic and security concerns for America and its allies in Western Europe and Japan. The invasion would jeopardize the West's access to oil supplies since Afghanistan's geographic location put the Soviets one step closer to the oil fields of the Iran. Carter wrote that the "threat of this Soviet invasion to the rest of the region was very clear – and had grim consequences." The invasion of Afghanistan gave the Soviets a "deep penetration between Iran and Pakistan,

³⁹ Odd Arne Westad, *The Global Cold War: Third World Interventions and the Making of Our Times* (New York: Cambridge University Press, 2007), 299.

⁴⁰ Department of State memorandum; Peter Tarnoff to Brzezinski; April 29, 1978; Afghanistan: 1/77 – 3/79; National Security Affairs, Brzezinski Material, Country File; Box 1, JCPL.

⁴¹ Brzezinski, *Power and Principle*, 426.

and pose a threat to the rich oil fields of the Persian Gulf area and to the crucial waterways through which so much of the world's energy supplies had to pass.”⁴²

The Carter administration wondered about the motivation behind the invasion. The administration's perception was that the Soviets were looking for the opportunity to expand, and Afghanistan provided it. As early as 1976, Afghanistan's Foreign Minister Mohammad Naim voiced his concern over Soviet covert activities in the region, stressing that the security of Pakistan, Afghanistan, and Iran were interlinked and developments in Afghanistan would “affect its neighbors, regional stability, and U.S. interests.” Also that year, the U.S. Ambassador to the Soviet Union Walter J. Stoessel wrote:

the Soviet Union, as a result of an amalgam of historic and ideological impulses, is impelled toward expansionism, a constant effort to enhance its influence wherever it can, and a compulsion to counter the US and China at every turn. It is opportunistic in the pursuit of advantage and will push into situations where it feels openings exist and the risk of serious confrontation with the US is low.⁴³

Brzezinski agreed, raising the issue of the Soviets' “creeping intervention in Afghanistan.” He also told the president that the Soviets historically had been interested in the south and reminded Carter of Molotov's proposal to Hitler in late 1940 that the

⁴² Carter, *Keeping Faith*, 481.

⁴³ Department of State Telegram; Under Secretary of State Robinson to American Embassy Tehran and Islamabad; July 3, 1976; Iran – State Department Telegrams From SECSTATE – NODIS (4); Presidential Country Files for the Middle East and South Asia; Box 14; GFPL. *Ambassador Stoessel's Final Report, Cabled from Moscow on September 9, 1976, on the State of the USSR and US-Soviet Relations*; September 9, 1976; Germany (14); National Security Adviser, Presidential Country Files for Europe and Canada; Box 6; GFPL.

Nazis recognize Soviet preeminence in the region south of Batum and Baku.⁴⁴ Although the two situations were not remotely similar, it was convenient for the purposes of making the case that the Soviets would move to protect themselves in a region that was crucial. The specter of Hitler suggested appeasement, and allowing Russian expansion into Afghanistan was tantamount to appeasement. Where, then, would they stop? Russian and Soviet desires for a warm-water port had dominated that nation's foreign affairs. Brzezinski pointed out that the administration was now facing a "regional crisis." If the Soviets were successful in Afghanistan, the "age-long dream of Moscow to have direct access to the Indian Ocean will have been fulfilled."⁴⁵

Whichever explanation was correct, the fact remained that the administration feared that the Soviets would exploit the instability in Iran and take advantage of what they perceived to be American weakness to expand first into Afghanistan and then into Iran, establishing their control of the area. Carter declared in his State of the Union speech in January 1980 that the region threatened by Soviet troops contained more than two-thirds of the world's exportable oil. Soviet troops were only 300 miles from the Persian Gulf. The "crises in Iran and Afghanistan have dramatized a very important lesson: Our excessive dependence on foreign oil is a clear and present danger to our Nation's security. The need has never been more urgent," he claimed. "At long last, we must have a clear, comprehensive energy policy for the United States."⁴⁶

⁴⁴ Brzezinski, *Power and Principle*, 426.

⁴⁵ Memorandum; Brzezinski to Carter, December 26, 1979; Afghanistan 4 – 12/79; National Security Affairs, Brzezinski Material, Country File; Box 1; JCPL.

⁴⁶ Jimmy Carter, "State of the Union Address Delivered Before a Joint Session of Congress," January 23, 1980, *American Presidency Project*, <http://www.presidency.ucsb.edu>.

The administration had another concern: the fear that the Soviet invasion of Afghanistan would prove to be a rallying point that would ignite smoldering Arab nationalism and anti-Western sentiment in the Middle East. In some ways, the conflict in the region was a proxy for the two sides in the ongoing cold war. Both the United States and the Soviet Union saw opportunities to encourage supporters in the region. Countries like Egypt and Iran under the shah supported U.S. efforts to bring stability to the region through an Arab-Israeli peace agreement. Those Arab countries that opposed peace negotiations between the Israelis and the Arabs, or who opposed Western influence in the Middle East, supported the Soviets' efforts to counter Western influence in the region.

After the invasion, Carter fired off a message to the Soviet premier, Leonid Brezhnev. To the president, Soviet actions represented an “unsettling, dangerous and new stage” in the use of the Red Army. Carter indicated that Soviet actions were a violation of the Basic Principles on Relations, signed by the Soviet Union in 1972 and a “legitimate matter of concern to the international community.” He demanded the removal of Soviet troops and the end of “interference in Afghanistan’s internal affairs.”⁴⁷

Effective measures against Afghanistan and Iran would require the cooperation of America’s allies, but leaders in Western Europe and Japan were hesitant to support America’s efforts to end these crises. The chairman of the House Armed Services Committee wrote that it had become clear that the Soviets were attempting to exploit America’s dependence on foreign energy supplies and to “impair the continuing viability

⁴⁷ Correspondence; Carter to Brezhnev; December 29, 1979; U.S.S.R. – Carter/Brezhnev Correspondence [9/79 – 2/80]; Office of Staff Secretary Handwriting File; Box 161; JCPL.

of such sources.” Assisting the Soviets to “accelerate the development of their own new supplies of petroleum cannot be counted on to induce a turnabout in their present policy of gaining control of vital free world energy supplies in the Persian Gulf and other areas.”⁴⁸ When Soviet tanks rolled into Afghanistan, those supplies were at risk.

National Security Council officials advised the president that the Soviet invasion required a “firm, measured and forceful response.” Carter “must take the initiative and show leadership in coordinating a response with our allies and the non-aligned.”⁴⁹ Advisers developed a number of measures the president should consider to “teach Moscow that aggression does not pay.” They included significant increases in arms sales to Pakistan, covert arms supplies to the Afghan insurgents, encouraging third party countries to take the issue to the United Nations, encouraging France to sell military equipment to the People’s Republic of China, quietly encouraging dock workers to disrupt the loading of grain on ships going to Russia, and toughening export controls to the Soviet Union. The State Department also took a hard line, and Secretary Vance urged the president to consider a deep cut in grain sales to the U.S.S.R. along with registration for the draft.⁵⁰

In a televised address on January 4, Carter announced the measures the administration would take in dealing with the Soviet Union. He declared a ban on the transfer of advanced technology to the Soviet Union along with a grain embargo. The

⁴⁸ Correspondence; Melvin Price to Carter; October 4, 1978; NR 6, 8/1/78 – 9/15/78; White House Central Files, Subject File, Natural Resources; Box NR-10; JCPL.

⁴⁹ Memorandum; Stephen Larrabee to Brzezinski; December 31, 1979; Afghanistan 4 – 12/79; National Security Affairs, Brzezinski Material, Country File; Box 1; JCPL.

⁵⁰ Memorandum; Michel Oksenberg to Brzezinski; December 28, 1979; Afghanistan 4 – 12/79; National Security Affairs, Brzezinski Material, Country File; Box 1; JCPL. Brzezinski, *Power and Principle*, 431.

president declared this was the only sanction that would “significantly affect the Soviet economy.” Additionally, Soviet fishing privileges in American waters were to be severely curtailed, and the U.S. ambassador to the Soviet Union was recalled. In an effort to stabilize the region, the U.S. would provide military and economic assistance to Pakistan.⁵¹ In an interview on the television news show “Meet the Press” on January 20, 1980, Carter announced the administration’s decision about a boycott of the Olympic Games. Unless the Soviets removed their troops from Afghanistan within a month, the president would not support the sending of an American team to Moscow. Further, he would request that the International Olympic Committee move the games from Moscow to an alternate site or be cancelled altogether. Carter wrote that the boycott was the decision that would cause him the most trouble both at home and abroad, but it was also the action that would put the most pressure on the Soviets.⁵²

Carter also announced the doctrine that outlined the U.S. effort to shape a regional security framework for the Persian Gulf region. The Carter Doctrine, as it came to be called, stated that any attempt by “any outside force to gain control of the Persian Gulf region will be regarded as an assault on the vital interests of the United States of America and such an assault will be repelled by any means necessary, including military force.”⁵³ At home, the response to this policy was that it was a significant change in the direction of U.S. foreign policy but that the “essential political underpinnings of a

⁵¹ Carter, *Keeping Faith*, 483; Brzezinski, *Power and Principle*, 432.

⁵² Jimmy Carter, “Meet the Press Interview with Bill Monroe, Carl T. Rowan, David Broder, and Judy Woodruff,” January 20, 1980, *American Presidency Project*, <http://www.presidency.ucsb.edu>. Carter, *Keeping Faith*, 484.

⁵³ Jimmy Carter, “The State of the Union Address Delivered Before a Joint Session of Congress,” January 23, 1980, *American Presidency Project*, <http://www.presidency.ucsb.edu>.

reassertion of American influence have not been prepared, either at home or abroad.”⁵⁴

In Europe, it was also perceived as somewhat premature but necessary. A columnist for *The Economist* wrote that the negotiations that would be such a necessary component of this doctrine had not taken place. Not all the “necessary advice had been gathered in or the analyses and projections made, still less the appropriate consultations gone through with presumptive allies.” The conclusion was, however, that something had to be said.⁵⁵

Carter undertook a campaign to convince leaders in Western Europe and Japan of the gravity of the situation. He contacted the heads of state to impress upon them that the invasion had profound strategic consequences for the entire region and that they, as a group, must make the invasion costly for the Soviet Union. To that end, the U.S. approached a number of governments, particularly non-aligned and Muslim nations, encouraging them to speak out. Administration officials also believed the North Atlantic Council should “meet immediately to assess the matter and to coordinate allied strategy.”⁵⁶

The Soviet action met with condemnation in Western Europe. The German government spoke of its “momentous and grave” view of the events. The French told the Russians that their actions were likely to start “legitimate worries about peace and stability in the region,” which was their “velvet-wrapped equivalent of a punch in the

⁵⁴ Don Oberdorfer, “The Evolution of a Decision,” *Washington Post*, January 24, 1980, A1, *Proquest Historical Archive*, <http://proquest.umi.com>

⁵⁵ “The Carter Doctrine,” *The Economist*, January 26, 1980, 33, *The Economist Historical Archive*, <http://find.galegroup.com>.

⁵⁶ Memorandum; Robert Blackwill to David Aaron and Brzezinski; December 28, 1979; Afghanistan 4 – 12/79; National Security Affairs, Brzezinski Material, Country File; Box 1; JCPL.

face.” British Prime Minister Margaret Thatcher told Brezhnev that she was “profoundly disturbed.”⁵⁷

The allies were hesitant to offer full support of U.S. security goals in the Middle East in response to both the Iran hostage crisis and the Soviet invasion of Afghanistan. In December, Carter sent Secretary of State Vance to Europe to convince the allies to assist U.S. efforts. Vance found a great deal of sympathy for the hostages, but commitments were slow in coming. “Europeans were anxious about going out on a limb,” he concluded, as both West Germany and France imported ten percent of its oil from Iran. The Germans and French could be “corralled into concerted action,” he believed, even though no European leader gave approval to go ahead with a trade embargo. The Japanese appeared even less willing to commit to sanctions, and in fact they neglected U.S. sanctions and continued to buy Iranian oil. The United States also accused Japanese banks of helping Iran to circumvent the freeze on their American-held assets. The Japanese prime minister maintained that his government would do whatever it needed to do to ensure access to the oil imports.⁵⁸

Nor was there much allied support for actions against the Soviets. Giscard told the administration that he would not undercut punitive actions by the United States against the Soviet Union but that France would continue its bilateral relations with Moscow in order to keep the channels of communication open to the East. German Chancellor Schmidt claimed that he was willing to go along with sanctions, but he did

⁵⁷ “Reverberations,” *The Economist*, January 5, 1980, *The Economist Historical Archive*, <http://find.galegroup.com>.

⁵⁸ “Vance Sets Out to Rally the Faint-Hearted,” *The Economist*, December 15, 1979, 29, *The Economist Historical Archive*, <http://find.galegroup.com>.

not want it to be just a German – U.S. affair, and advocated a united stand that would include the EC and Japan. Carter penned a handwritten note to Brzezinski and Vance that indicated his disappointment with allied support; overall, he saw nothing encouraging. The FRG “opposes any sanctions against Iran or Soviets, are continuing business as usual with SU, refuse to commit publicly to Olympic boycott, & privately & in press are very critical of us. However, we need each other.”⁵⁹

The Carter administration clearly believed that the Western Europeans and Japanese had as much at stake in the Persian Gulf region as did the United States. Access to the oil that was the lifeblood of industry around the world was being threatened. Moscow seemed to be on the move. These were grave threats to world peace and yet America’s partners around the world only offered mild support for U.S. actions. Carter wrote that by February 1980, the French had taken at least five different public positions on the Soviet invasion. In a meeting with Chancellor Schmidt one month later, Carter asked what the Germans had done to help the U.S. with Afghanistan, and what they had actually done to pressure the Soviets and then answered his own question: “Nothing.”⁶⁰

⁵⁹ Memorandum; Vance to Carter; February 25, 1980; Alpha Channel; Brzezinski Collection, Subject File; Box 20; JCPL.

⁶⁰ Carter, *Keeping Faith*, 510.

CHAPTER VIII

CONCLUSION

Jimmy Carter was tense as he sat at his desk in the Oval Office. The date was January 20, 1981, the Inauguration Day of his successor in the White House. As Ronald Reagan was preparing to be sworn in as the 40th President of the United States, Carter was waiting on word that the hostages in Tehran had been released and were out of Iran. The clock inched slowly and painfully toward noon, the hour of Reagan's swearing in. Shortly after Reagan took the oath, Carter received word that the hostages were on their way home, freed not during his presidency, but during the presidency of his Republican rival. Carter's presidency ended in much the same way it had progressed during his four years in the White House, filled with crises that he seemed unable to overcome.

Ronald Reagan, the one-time actor turned politician, campaigned on a platform that focused on two main issues. One was the perceived threat from an expansionist Soviet Union. Communist activities in the Middle East, particularly the invasion of Afghanistan in 1980, made the Soviet Union a target of anti-Communist rhetoric during the campaign. Reagan wanted to confront the "evil empire" and return the United States to its position of prestige, lost, he claimed, during Carter's four years in office. The second was restoring America's economic power. His main focus was getting an intrusive government out of the lives of the American people. Government is not the solution to our problem," he claimed, "government is the problem." With these two

ideals squarely in front of the American people, he wanted to make the United States a “shining city on a hill.”⁴²⁶

One issue conspicuously absent from the campaign of 1980 was the energy crisis. The same crisis that Nixon declared was “the most acute shortage of energy since the Second World War,” of which Ford said that America’s “vulnerability is getting worse every day to foreign sources of oil,” and Carter called the “moral equivalent of war” was hardly mentioned during the campaign.⁴²⁷ The energy crisis, it seemed, was put on the back burner. How was it possible that the crisis which had loomed so large in the 1970s was forgotten in 1980?

The events of 1979 brought an end to discussions of energy consumption and helped to reignite the Cold War. The early foreign policy objectives of the Carter administration that placed emphasis on cooperation among the allies to address global concerns were supplanted by objectives that placed the Soviet Union at the center of policymaking decisions. A recession in 1981 and declining oil prices worldwide also placed on hold the question of energy and OPEC. The price of a barrel of oil had dropped from \$36 to \$12 per barrel in just a few years, so low that people were no longer concerned about shortages or supply disruptions. Americans returned to the wasteful

⁴²⁶ Ronald Reagan, “Remarks at the Annual Convention of the National Religious Broadcasters,” January 31, 1983, The Ronald Reagan Presidential Foundation and Library Website, <http://www.reaganfoundation.org/reagan-quotes.aspx>Ronald Reagan.

⁴²⁷ Richard Nixon, “Special Message to the Congress Proposing Emergency Energy Legislation,” November 8, 1973, *The American Presidency Project*, <http://www.presidency.ucsb.edu>. Gerald R. Ford, “Remarks at the White House Conference on Domestic and Economic Affairs in Atlanta, Georgia, February 3, 1975, *The American Presidency Project*, <http://www.presidency.ucsb.edu>. Jimmy Carter, “Address to the Nation on Energy,” April 18, 1977, *The American Presidency Project*, <http://www.presidency.ucsb.edu>.

ways that had characterized the decades before the energy crisis, trading in their Toyotas for new Minivans, the vehicle of the 1980s.

The election of Ronald Reagan brought an end to the tumultuous decade of the 1970s. It had been a decade of conflict and crisis that seemed to shake the foundations of American democracy and power to the core. The civil rights movement of the 1960s spawned other movements that expanded the power of people that previously had little voice in the democratic process. Women, gays, Native Americans and other groups fought for equality through protests, demonstrations, and sit-ins. As a result of America's involvement in Vietnam and the Watergate affair, American prestige at home and abroad suffered. America's allies in Western Europe and Japan seemed intent on forging their own political, economic, and diplomatic road, separate from the United States. The Japanese were beginning to work out their own relationship with neighboring China and their "economic miracle" carried them from the ashes of World War II to a position as the second leading economy in the world. The nascent European Community was less willing than they had been in the immediate postwar decades to allow the United States to take the lead in making decisions that affected Europeans directly; the internal politics of the group, however, inhibited cooperation on many issues.

While America's allies were intent on following their own paths in many areas, they continued to look to the United States for leadership on several critical issues. One of these was the energy crisis sparked by the oil embargo of 1973. Henry Kissinger's call for interdependence seemed to fall on fertile ground. America and its allies originally understood the need to work together to solve this issue. As American policies

in the Middle East and the Soviet Union came into conflict with the policies of America's allies, however, the initial cooperation began to unravel. The Gaullist attitude adopted by the French was in part a reflection of their concerns for their own national interests. They believed that the appropriate forum for determining energy policy was the European Community and often stubbornly refused to follow America's lead. Other Western Europeans were caught in the middle, "anxious not to antagonize" the United States, but also "anxious to avoid an open breach inside the already-strained unity of the Common Market."⁴²⁸

Kissinger's Middle East policies put America's allies in a position in which they had to choose to follow the U.S. lead and endanger their own interests or go it alone and protect their oil interests but tear the alliance apart. The Secretary failed to acknowledge the economic dimensions of the oil embargo. For him, foreign affairs were determined by political and geopolitical interests. Economics fell outside the parameters of the foreign policy framework. His aides admitted that "Kissinger still doesn't feel that economics is the proper, much less prime, concern of foreign policy." The problem with that attitude is that it "ignores the new realities of foreign affairs. More and more countries tend to define their national interests in economic as much as in political or military power."⁴²⁹

Détente was also an issue that pulled at the threads of the alliance fabric.

Kissinger claimed that the threat of nuclear war and the nuclear arms race that was a

⁴²⁸ Murrey Marder and Ronald Koven, "Compromise is Sought: U.S. and France Clash on World Energy Plan," *Washington Post*, February 12, 1974, A1, *Proquest Historical Archive*, <http://proquest.umi.com>

⁴²⁹ "An Ominous Mood for Oilmen," *Business Week*, January 1974, 21, issue 2314, *Proquest Historical Archive*, <http://proquest.umi.com>.

central part of it was so great that the only way to avoid it was to work with the Soviets to bring stability. That did not necessarily preclude economic competition among the two superpowers. The economic competition continued, but the stability that Kissinger pursued through his policy of *détente* with the Soviet Union was nullified by the oil embargo. Financial instability caused by inflation and uncertainty in the oil market led to political instability. Fears about the increased popularity of Communist parties across Europe and Japan haunted the democratically elected governments in those areas. There also were fears in the United States about the possibility that the Soviet Union would take advantage of America's preoccupation with the economic uncertainty associated with the oil embargo and attempt to expand into areas that would give them a geopolitical advantage.

Non-state actors in industrialized countries played an important role in shaping public opinion about national and international energy policy in the 1970s by creating an environment in which public concerns about social and economic issues came up against and often took precedence over political and geopolitical considerations. Conflict over energy policy was brewing between the multinational oil companies and the environmental movement. The multinationals were forced out of the Middle East as the oil kingdoms took more control over production and marketing of their most important commodity. As those corporations' role in the Middle East diminished, they turned to the petroleum potential at home, eager to move into areas that had previously been off-limits to drilling. The environmental movement was determined to protect the pristine wilderness from what they considered to be the oil companies' rapacious appetite for

profits. The two sides met in a showdown over the Alaska pipeline; the pipeline, a central part of Nixon's energy program, was stalled time and time again. The oil industry and the environmental movement clashed over every aspect of construction. Both the Nixon and Ford administrations were unable to impose their will. Oil did not begin flowing from Alaska until Jimmy Carter was in office, and the pipeline did not solve the oil problem, only supplying the lower 48 with about 400,000 barrels in 2005.⁴³⁰ If the U.S. could not come together on solving the energy crisis at home, American allies asked, how could they lead the industrialized world?

Carter's efforts to work with America's allies met with increasing resistance, particularly among the leadership of the Western Europeans. The summit process, begun during Ford's presidency, was formalized during Carter's presidency, but many of the summit meetings were contentious, particularly over the issue of energy policy, and little was done to resolve the ongoing crisis.

Throughout the decade of the 1970s, the United States and its allies failed to come to any consensus about how to bring an end to the energy crisis. All of the opportunities seemed to be part of another agenda that focused on Cold War concerns. Both sides by this time were searching for cooperation rather than confrontation. The political and economic instability associated with the oil embargo in 1973 overlay the developments that were transforming the decade of the 1970s. The collapse of the Bretton Woods system, the emergence of petrodollars on world currency markets, and the emergence of the environmental movement all threatened the stability that

⁴³⁰ Mark Davis, "The Alaska Pipeline," *The American Experience* (Boston: WGBH Educational Foundation, 2006), http://www.pbs.org/wgbh/amex/pipeline/peoplevents/e_consumption.html.

presidential administrations were searching for. Rather than focusing solely on the energy crises as unique problems, Washington officials throughout the decade tied the crises to other issues which they viewed as more important. Whether it was Kissinger in the Middle East, détente, or the environmental movement, the energy crisis never seemed to get its own dedicated focus. Nixon officials indicated their concern that the foreign policy goals pursued by Kissinger with regard to the Middle East not be endangered by U.S. response to the oil embargo. “If we threaten to delay our peace efforts unless the embargo is lifted,” one official claimed, “we put our own highest priority foreign policy concern at hostage.”⁴³¹ Even the Carter administration viewed the crisis in the late 1970s within the framework of the hostage crisis in Iran and Soviet misdeeds in Afghanistan.

The dilemma about energy policy posed almost forty years ago continues to bedevil world leaders. During George W. Bush’s tenure in the White House, oil soared from \$10 per barrel in 1998 to \$100 per barrel by 2009. The price of gasoline increased to almost \$4 a gallon in some areas, a price that was unthinkable in the 1970s. As the price of oil and gas soared, Bush’s approval ratings slumped. To provide some relief for Americans, Bush approached a traditionally moderate voice in OPEC, Saudi Arabia. The administration’s unwillingness to force Israeli leader Ariel Sharon to pull his country’s forces out of the West Bank in 2002 caused a rift between the two traditional allies. While Saudi Crown Prince Abdullah denied reports that his country was willing to disrupt oil supplies if the administration refused to shift its policy towards Israel,

⁴³¹ National Security Council Memorandum; Charles A. Cooper to Henry Kissinger; November 3, 1973; Energy Crisis [Nov. 73 – Feb. 74]; NSC Files, Subject Files; Box 321; RNPL.

tensions clearly existed between the two.⁴³² The two leaders issued a communiqué pledging to continue their cooperation so that the “oil supply from Saudi Arabia will be available and secure.”⁴³³ In spite of this apparent cooperation, oil prices continued to fluctuate wildly.

On March 30, 2011, President Barack Obama addressed Americans in a speech that called for making America energy independent by reducing dependence on imported oil and developing alternative sources of energy. “We have been down this road before,” the president said, claiming that the United States would “keep on being a victim to shifts in the oil market until we finally get serious about a long-term policy for a secure and affordable energy future.”⁴³⁴ The words were hauntingly similar to the speeches made by Nixon in 1973.

Obama’s speech came at a time of uncertainty in the energy market. In 2010, an explosion on an offshore oil platform owned by British Petroleum caused a massive spill in the Gulf of Mexico. The damage prompted Obama to declare a moratorium on offshore drilling. In early 2011, protests rocked the Middle East. The discontent involved not the typically unstable areas in the region, Israel and Palestine, but the relatively stable country of Egypt. The president, Hosni Mubarak, was forced out of office; the unrest spread to Libya, an oil exporter. U.S. troops, as part of a United Nations force, went into the country to aid rebels attempting to overthrow the Libyan leader, Moammar

⁴³² Richard Wolffe, “Saudis Press Bush Over Sharon Stance,” *Financial Times*, April 26, 2002, 7, *Proquest Historical Newspapers*, <http://proquest.umi.com>.

⁴³³ “Rethinking the Axis of Oil,” *The Economist*, April 30, 2005, 43, *The Economist Historical Archive*, <http://find.galegroup.com>.

⁴³⁴ Barack Obama, “Remarks at Georgetown University,” March 30, 2011, *The American Presidency Project*, <http://www.presidency.ucsb.edu>.

Qaddafi. This came at a time when the price of oil was over the \$4.00 mark in Hawaii, Alaska, and California. The instability at home and abroad was once again causing uncertainty in America's oil supply and that was being reflected in the marketplace.

Obama's speech also came at a time of crisis in Japan. In March 2011, an earthquake and tsunami destroyed cities and killed thousands and damaged several of that country's nuclear reactors. This disaster reignited discussions about the safety of nuclear power plants in Japan and the possibility of increased development of nuclear energy for use in the United States. The nuclear crisis that followed the earthquake and tsunami forced the Japanese government to review a plan to build fourteen more nuclear reactors; the nation already had eighteen plants.⁴³⁵ In spite of the nuclear crisis in Japan, the United States continues to talk about expanding nuclear plant construction and viewed nuclear power as a key aspect of efforts to develop clean energy. The nuclear industry had largely stalled in the U.S. since 1979 when the Three Mile Island accident convinced many Americans that nuclear power was unsafe. President Obama vowed that he would "further improve the safety of U.S. atomic facilities."⁴³⁶

Answers about secure energy sources continue to evade world leaders. While America and its allies have made attempts over the last four decades to replace oil with other energy sources and to work together to develop policies that give them some leverage in the energy marketplace, they continue to be dependent on oil for much of their energy supply. The oil weapon that OPEC employed so successfully in 1973 could

⁴³⁵ "More Local Governments Demand Safety Agreements with Nuclear Plant Operators," *Asahi Shimbun*, June 25, 2011, *NewsBank Access World News*, <http://infoweb.newsbank.com>.

⁴³⁶ "Nuclear Crisis Forces Japan to Review Energy Policy", *Jiji*, March 22, 2011, *NewsBank Access World News*, <http://infoweb.newsbank.com>. "US Still Wants to Expand Nuclear Energy: Chu," *Agence France-Presse*, March 16, 2011, *NewsBank Access World News*, <http://infoweb.newsbank.com>.

be turned on America and its allies at any time. Uncertainty around the world in places that supply the industrialized world with a commodity upon which it is so dependent makes countries vulnerable to the vicissitudes of small, otherwise weak countries that sit on large supplies of oil. As long as Americans and others around the world remain dependent on such a valuable commodity, they will continue to be held hostage by OPEC.

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