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*The United States and Revolutionary Libya, 1968-1973:  
Evidence from newly Declassified Records\**

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**Abstract:** *American recently declassified records give evidence that Qaddafi did not meet any significant opposition from the Nixon Administration during his first years in power. Washington had realised that producers had acquired control of their natural resources, and only pursued continued access to Middle Eastern energy sources. Moreover, all Western capitals hoped that the young dictator would turn into a stronghold against Russian influence in the area at issue. After all, US companies had not been expelled from Libya, whose market was growing more and more towards Western Europe. In a few words, each time policy makers suggested a course of action rather hostile to Tripoli, this option was always excluded as non profitable to American interests. All this shows that the Nixon Administration was trying to “contain” the Libyan regime, at the same time building a dam against the Soviets, who were the real target of Nixon’s Twin Pillars Policy.*

**Keywords:** Qaddafi; Nixon; Energy sources; Twin Pillars Policy; Soviet Union; Containment; Oil; Libyan revolution.

*Introduction*

In the late 1950s, huge oil fields had been discovered in Libya, which thus had become one of the major world exporters. Such a performance was due to geographical, chemical, and juridical factors. In short, the geographical location of the North African country implied an extreme simplicity to transport the black gold, especially after the closure of the Suez Canal, due to the 1967 war in the Middle East. Moreover, Libya’s proximity to European shores allowed to market the raw material in a few days. Apart from that, Libyan oil had a very low level of sulphur, which permitted a quicker and less polluting refining process.<sup>1</sup> Finally, Libyan concessions were completely different from traditional ones. First of all, the 1955 legislation provided high incentives to companies speeding up drilling and extractions. Then, the national territory had been divided into

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\* This work is based on NARA records RG59 A1 5677, declassified through the Freedom of Information Act.

<sup>1</sup> See J.M. BLAIR, *The Control of Oil*, New York, Vintage Books, 1978, p. 211.

four zones: two of them in the North and along the coast, and two more in the South and in the desert. Royalties amounted to twelve per cent and profits were equally divided between companies and the government. Nevertheless, though the concessionaries enjoyed the highest freedom of action on industrial policies, the law specified that within five years they would give back a quarter of the area previously assigned. Such a complex structure had been projected in order to prevent any subject from assuming a monopoly position and to give the Government a wide room to manoeuvre and always be able to assign areas to those bidding more.<sup>2</sup> The outcome of such a policy was that oil in Libya was managed not so much by the majors, but rather by independent companies. Therefore, it was impossible for the majors not to see with suspicion the policy of price reduction and the growing inflow into the market of a kind of first class and easy to transport oil. The independents, most of which did not have any other concession around the world, owned more than fifty percent of the national production and their competition had become so strong, that the majors' estimates showed a certain concern about the future, since they predicted that almost eighty per cent of the output increase would be due to independent companies.<sup>3</sup>

Most Libyan production was controlled by American companies and it is not surprising that the African country played quite an important role in Washington's Mediterranean and Middle East policy. After all, the Americans interpreted their presence in Libya as a natural consequence of the military, economic and political relations established after the second global conflict. Both the United States and the United Kingdom had always supported Idris Sanusi's leadership by providing him financial assistance and technical and administrative aid and know how. In exchange of that, the British had kept their military presence in el-Aden and Tobruk and the Americans had built an air force base in Wheelus Field. However, London had been soon obliged to limit its foreign commitments due to the post-war financial crisis, thus leaving Washington practically alone in assisting the Libyan monarchy. At the time of the 1969 *coup*, American oil interests in Libya were estimated in over five billion

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<sup>2</sup> See M. CRICCO, *Il petrolio dei Senussi: Stati Uniti e Gran Bretagna in Libia dall'indipendenza a Gheddafi (1949-1973)*, Firenze, Edizioni Polistampa, 2002, pp. 84-85.

<sup>3</sup> See BLAIR, *The Control of Oil*, pp. 216-218.

dollars, with a positive repercussion on the balance of payments amounting to six hundred million annually.<sup>4</sup> Almost to testify the relevant importance of this country during the first years of the Qaddafi regime, not all records have been declassified yet. During a period of research at the National Archives in 2011, the undersigned applied for a whole box of first hand documents through a complex Freedom of Information Act procedure lasting more than two years. Finally, in early 2014 it was possible to ship the afore mentioned set of records to the undersigned's address. The present work does not aim at reconstructing events of that span of time, which has been already done in several other occasions, but only at completing what already written and interpreted, by filling some evidence gaps, previously inevitable, through the new documentation acquired.

### 1. *The End of the Sanusi Regime*

On April 22, 1965, a US National Intelligence Estimate asserted that the conservative regime of King Idris of Libya would be probably carry on being relatively stable and pro-Western oriented. However, in case of domestic pressures fomented by Arab nationalism the monarchy itself might not long survive. The country had become a major oil producer and the massive inflow of revenues was creating serious problems, especially as regarded the gap between the rich and the poor. Nevertheless, the CIA was quite optimistic by affirming that nationalisation of the oil industry would be unlikely under any regime.<sup>5</sup> However, according to Ronald Bruce St John the King was never so pro-West as many observers believed. Rather, the King's approach was based on the belief that Europeans and Americans were in the best position to guarantee Libyan security. In light of this, Western political values and structures were not absorbed, while the non aligned position was emphasised. Ironically, oil exploitation freed Libya from a kind of dependence from the West, but developed another one. In fact, in order to take advantage of this natural resource, the country needed to attract the necessary

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<sup>4</sup> See L. TONDO, *La politica dell'amministrazione Nixon verso la Libia di Gheddafi (1969-1972)*, in «Clio», XLIV, 4, ottobre-dicembre 2008, pp. 610-611.

<sup>5</sup> See *National Intelligence Estimate: Libya*, April 22, 1965, NIE 36.5-65, Secret, Controlled Dissem, in D.S. PATTERSON (gen. ed.) - N.D. HOWLAND (ed.), *Foreign Relations of the United States 1964-1968* (thereafter FRUS), vol. XXIV, *Africa*, Washington, D.C., United States Government Printing Office, 1995, pp. 107-108.

technicians and technology, and this could be only done under the umbrella of foreign oil companies.<sup>6</sup> Despite all this, the newly declassified records give further evidence that Libya was the only African country applying the Arab boycott against the Jewish State well before the Six Days' War, which also affected US interests, by including for example Ford and its subsidiaries' products.<sup>7</sup> A document like this can do nothing but show that the Middle Eastern powder keg undermined American interests in traditionally Western-oriented conservative regimes as well. In order to better realise how promising the Libyan market was for the West, we had better have a look at the Export Market Guide of the US Department of Commerce, stating that in 1965 Libya had been the third largest customer for American goods in the whole African continent and the need for goods and services of all types was growing proportionally with the ever-increasing oil revenues.<sup>8</sup>

At the outbreak of the June War, an energy crisis was not part of the main Western powers' political agenda, since Western Europe still had good strategic reserves and the Americans had augmented production. Moreover, despite the obstruction of the Suez Canal obviously limited oil inflow from the Persian Gulf, the tanker fleet was perfectly able to carry the raw material by circumnavigating Africa, while another major producer like Venezuela had increased output as well.<sup>9</sup> Free market laws were still favourable to consumers and this bore a general atmosphere of optimism, on grounds also of intra-Arab rivalries. In those days, American interests in Libya were thus summarised by the State Department: a) Wheelus base militarily important and not to be abandoned, in order not to jeopardise other US interests in that country and elsewhere in Arab world; b) close cooperation with Tripoli to reduce vulnerability of the base to the minimum; c) necessity to avoid any action which might further arouse Arab passions against the US

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<sup>6</sup> See R.B. ST JOHN, *Libya: From Colony to Revolution*, Oxford, Oneworld Publications, 2012, pp. 120-121.

<sup>7</sup> See *John F. Root to Mr. Dobyms: Arab Boycott – Effect on Importation of Personal Effects into Libya*, March 14, 1967, in NATIONAL ARCHIVES AND RECORDS ADMINISTRATION (thereafter NARA), Record Group (thereafter RG) 59, A1 5677, *Records Relating to Libya, 1966-1973*, box 6, Ft 11, Quantitative Restrictions and Controls, 1967 Libya, Limited Official Use.

<sup>8</sup> See *Help Build New Libya*, in «Export Market Guide», US Department of Commerce/Bureau of International Commerce, Tripoli International Trade Fair, February 28 - March 20, 1967.

<sup>9</sup> See F. VENN, *The Oil Crisis*, Edinburgh, Pearson Education Limited, 2002, p. 75.

and prejudice American oil interests.<sup>10</sup> From newly declassified records we can well understand how double-edged independent oil companies were for the American stake. In fact, it was exactly through them that the Libyan Government tried to “blackmail” Washington. As an example of that, we know that representatives of the Oasis Oil Company, one of the major producers in the country, had been approached by government officials stating that their position would be jeopardised if they did not pressure the White House to take a position satisfactory to Libya in the United Nations General Assembly. To this the State Department replied that the Libyan request of withdrawal from Wheelus Base was in diplomatic channels, but no assumption had to be delivered as regarded manner and timing. In any case, the Administration did not exclude the option to withdraw and oil executives on the spot had to be informed about that.<sup>11</sup> Despite British and European energy vulnerability and the opinion that it would be profitable to improve diplomatic relations with oil producers and Arab States in general, Arab nationalism had by then conquered hearts and minds of the younger generations. The Libyan monarchy, they accused, was isolated from the rest of the Arab world, but they were also building a national identity contrary to any foreign hegemony on Libyan economic resources, though they always appreciated trading partnerships.<sup>12</sup> After all, despite the undoubtedly positive position the Soviet Union was acquiring in the Middle East, the American Administration believed the threat of Nasserisation in Libya could be kept remote, while no dramatic change on Wheelus base was expected. Finally, the Department of State stressed the importance to obtain Congressional approval to the resumption of arms sales to friendly Arab countries, among which Libya was of paramount importance, since it could afford to purchase everything in cash.<sup>13</sup> In return of that, King Idris wanted to know exactly what America would do to defend his

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<sup>10</sup> See *Telegram 210639 from the Department of State to the Embassy in Libya*, June 13, 1967, in NARA, RG 59, Central Files, DEF 15 LIBYA-US, Secret, Immediate, Limdis.

<sup>11</sup> See *Briefing Memorandum from Joseph Palmer to Mr. Rostow: Your Appointment with Mr. J.D. Anderson, Oasis Oil Company, 3 p.m., June 19*, June 19, 1967, in NARA, RG 59, A1 5677, box 6, PET 6 Companies, 1967 Libya, Limited Official Use.

<sup>12</sup> See CRICCO, *Il petrolio dei Senussi*, pp. 141-142.

<sup>13</sup> See *Information Memorandum from Albert Post to Mr. Palmer: Meeting with Oil Company Representatives, August 24, 1967*, August 25, 1967, in NARA, RG 59, A1 5677, box 6, PET 6 Companies, 1967 Libya, Confidential.

country in case of foreign attack, but Washington was not certainly eager to undertake any entangling commitment, as the Ambassador merely reminded the sovereign that the Administration would consult with Tripoli and other friendly governments, which primarily meant Britain, in case Libyan security was threatened. To this purpose, the existence of military facilities in the Mediterranean country would help achieve this goal. However, for the Americans an outright military attack was less likely than internal subversion and because of that the government had to strengthen its ability to collect and assess information on domestic security.<sup>14</sup>

By analysing oil companies' records, we can easily realise how pivotal Libyan oil was for the Americans. First of all, it was very cheap to produce, not much more than Kuwaiti oil, which cost between five and ten cents a barrel. Compared with American crude, whose production price was fixed at 1.70 dollars, everybody understands why that country was getting more and more important. Costs were kept at a minimum for several factors: structures were very deep and each well had a large production. Up to then, there had been very few dry holes, exploration and development periods had been very short,<sup>15</sup> and the crude was very competitive on the European market, due to a very low sulphur content and a very high gravity.<sup>16</sup> As an outcome of that, on completion of the Occidental's pipeline, in Spring 1968 Libyan oil production had overcome that of Kuwait, and was also expected to pass the Iranian and Saudi ones by the end of the same year, thus making the North African country the second largest exporter in the world. As concerned this, the United States Government expected some trouble with the two allies, especially with Iran, as the Shah was being exigent in his demands for

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<sup>14</sup> See *Memorandum of Conversation*, August 30, 1967, in NARA, RG 59, Central Files, POL Libya-US, Secret.

<sup>15</sup> By 1961, ten valuable fields had already been found and four years later Libya controlled about ten per cent of global exports. See F. BRENCHLEY, *Britain and the Middle East: An Economic History 1945-87*, London, Lester Crook Academic Publishing, 1989, pp. 160.

<sup>16</sup> See *Occidental Developments*, December 20, 1967, in NARA, RG 59, A1 5677, box 6, PET 6 Companies, Occidental Petroleum, Confidential.

greater oil production.<sup>17</sup> The second producer in Libya was the Oasis Group, which managed to export 700,000 barrels a day and hoped to complete another pipeline.<sup>18</sup>

It is evident that Libya had become a special market for independent companies. The majors did not rely on the Mediterranean country's production, but by then too many smaller enterprises with an exclusive stake there were involved in the US balance of payments. Though conscious that in case of another war against the Jewish State the Arabs would again implement an oil embargo, the Americans relied that the main exporters had such strong ties with the West, that they would not harm a safe source of revenue for themselves. As regarded Libya, the Americans knew that the monarchy was not so stable, being the King rather old and with an heir to the throne considered as totally unfit to rule. However, they were confident that the country's finances depended so much on oil, that no change of government would ever imply a stop to oil flow towards the United States.<sup>19</sup> Ironically, Qaddafi's first public proclamation after the September 1 coup had the effect to calm down the Nixon Administration and the Wilson Government in the United Kingdom. In fact, the day after the military's seizure of power Henry Kissinger received a memorandum stating that the new leader's words had been quite moderate, compared with Arab standards, especially because he had not mentioned any solidarity to the Palestinian cause. As a consequence, for the moment it did not seem that the American stake in Libya was in jeopardy.<sup>20</sup> Since the very beginning, Qaddafi's version of Arab nationalism was based on a glorification of Arab history and culture viewing the Arab speaking world as one nation where Libya was the

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<sup>17</sup> See *Memorandum from John F. Root to Mr. Palmer: Presidential Message to GOL on Completion of Occidental's Petroleum's Pipeline*, April 23, 1968, in NARA, RG 59, A1 5677, box 6, PET 6 Companies, Occidental Petroleum, Limited Official Use.

<sup>18</sup> See *Memorandum of Conversation: Continental Activities in Libya*, October 31, 1968, in NARA, RG 59, A1 5677, box 6, Libya, Petroleum/General, Limited Official Use.

<sup>19</sup> See *Memorandum Prepared in the Central Intelligence Agency: Prospects for US Access to World Oil over the Next 15 Years or so*, August 28, 1969, Secret, in E.C. KEEFER (gen. ed.) – L. QAIMMAQAMI (ed.), FRUS 1969-1976, vol. XXXVI, *Energy Crisis, 1969-1974*, Washington, D.C., United States Government Printing Office, 2011, doc. 8, pp. 25-35.

<sup>20</sup> See *Memorandum from Harold Saunders of the National Security Council Staff to the Special Assistant to the President's Assistant for National Security Affairs (Lake) for the President's Assistant for National Security Affairs (Kissinger)*, September 2, 1969, Secret, in E.C. KEEFER (gen. ed.) - M.L. BELMONTE (ed.), FRUS 1969-1976, vol. E-5, *Documents on North Africa, 1969-1972*, part 2, US Department of State, 2007, doc. 37, in [www.state.gov](http://www.state.gov).

custodian of all values, and therefore the vanguard. The young leader laid the blame for the existing situation on four centuries of Ottoman stagnation, the exploitation of colonialism and then of modern imperialism and the corruption of monarchical rule. According to him, for all these reasons Arab people had been reduced to almost complete lack of affiliation to the twentieth century world. Hence, at the core of his approach to Arab nationalism there was the belief that Arab people had the right and were perfectly able to manage their own natural resources. Moreover, for him freedom embodied three different and linked to one another concepts: a) emancipation of the individual from poverty, ignorance, and injustice; b) liberation of the Homeland from imperialism and reactionary forces; c) economic, political, and social emancipation of the whole Arab world.<sup>21</sup>

Kissinger himself writes that he did not see any immediate threat to Washington's oil interests, though this was possible in case of renewed hostilities in the Middle East. However, the former National Security Advisor reminds us that in that moment the American strategy aimed at establishing working relations with the new regime, as the balance of payments and the safety of oil investments were regarded as national primary interests.<sup>22</sup> As concerned the Europeans, Kissinger also highlights that, while in 1950 Europe's energy needs mostly relied on coal, twenty years later the Old World's dependence on oil amounted to sixty per cent of all energy consumption. On grounds of that, as long as the new radical republics did not jeopardise the West's access to hydrocarbon resources, industrial democracies had no intention to defend decadent friendly monarchies.<sup>23</sup> On what concerned the military's attitude towards oil companies, American policy makers knew they would be rather strict. A CIA memorandum of September 16 warned that Tripoli might follow the same path as two other radical States, such as Iraq and Algeria. The latter had reacted to the 1967 conflict by putting the companies working there under government control. In a few words, the situation

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<sup>21</sup> See R.B. ST JOHN, *Libya and the United States: Two Centuries of Strife*, Philadelphia, University of Pennsylvania Press, 2002, pp. 89-90.

<sup>22</sup> See H.A. KISSINGER, *Years of Upheaval*, Boston, MA, Toronto, Little, Brown and Company, 1982, p. 860.

<sup>23</sup> See *ibid.*, pp. 860-861.



was such that it was not possible to exclude that Libya might become the champion of Arab unity.<sup>24</sup> This was also due to Libya's particularly positive posture in the world oil market. At the time of the revolution, in fact, the North African country had become the largest producer in the black continent, with an average production of approximately three million barrels a day, exported to more than twenty countries. Most competitors in Libya had established their own distribution system and personnel. Therefore, some companies as well believed that the new rulers had no reason not to honour the commitments previously undertaken.<sup>25</sup>

However, after a few weeks it was clear to American authorities that the Libyan Arab Republic would at least put pressure on companies to gain higher profits, thus influencing OPEC as well. Washington had understood that the Revolutionary Command Council was perfectly able to implement the nationalisation of the oil industry. In case of joint action by Libya and Iraq leading to an embargo,<sup>26</sup> the Department of State warned that not even the whole Persian Gulf output would be able to compensate such a loss. Despite everything, what was already technically possible was not regarded as politically likely, since American analysts thought that Tripoli would be simply satisfied by gaining higher revenues.<sup>27</sup> Washington could not ignore that the recent events had modified the main powers' oil relations and this inevitably involved the Atlantic superpower more and more in international disputes. Since Europe heavily relied on the resources of a country which had jumped into the radical field, the United States was obliged to prevent Libya from being oriented towards the Soviet Union. This situation had the risk to exacerbate the situation not only with the majors, but also with conservative Middle Eastern monarchies, thus swinging energy relations from

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<sup>24</sup> See *Intelligence Memorandum – Implications of the Libyan Coup: Some Initial Thoughts*, September 16, 1969, Secret, in FRUS 1969-1976, vol. E-5, part 2, doc. 39, in [www.state.gov](http://www.state.gov).

<sup>25</sup> See *Chappaqua Oil Corporation: Preliminary Prospectus*, October 2, 1969, in NARA, RG 59, A1 5677, box 6, PET 15-2, Nationalizations, Libya, Chappaqua Oil Corp.

<sup>26</sup> Despite sympathy to the positions of Iraq, Qaddafi's Islamic orientation did not allow the Libyan regime to share Baghdad's proclivity for cultivating friendly relations with Moscow and tolerating local communists. See G. LENCZOWSKI, *The Oil-Producing Countries*, in «Daedalus», CIV, 4, *The Oil Crisis: In Perspective*, Fall 1975, p. 64.

<sup>27</sup> See *Memorandum from William D. Brewer to Mr. Sisco: Implications of Libyan Coup for World Oil Industry*, October 2, 1969, in NARA, A-1 5666, *Records Relating to the Persian Gulf and Arabian Peninsula, 1952-1975*, box 3, Economic Affairs, General, Secret.

accommodationist to confrontationist. Above all, until then the accommodationist policy had allowed the traditional regimes in the area to rely on the Anglo-American power to help safeguard them from radical overthrow, from without or within. Therefore, acquiescence in Qaddafi's coup could remove this assumption and the main reason for producers' deference to the West.<sup>28</sup>

To tell the truth, according to recently declassified records there was no particular reason to justify the Administration's optimism. Since the very beginning, the military junta made life difficult for the companies. The first corporation to live a difficult life in Libya was Chappaqua Oil, a recently formed American-owned company which just a few months earlier had managed to win a concession award. As an evidence of this, on October 28, 1969, the joint venture had been revoked, on grounds that the company lacked experience of prior petroleum operations required by Libyan law and that the contract had been made in an irregular manner, with the former government imposing the agreement on the Libyan General Petroleum Corporation.<sup>29</sup> Nevertheless, the White House did not seem worried, for dozens of partially or totally US-owned companies were operating there, investing money for more than a billion dollars a year.<sup>30</sup> The point was that only a very small part of Libyan oil was marketed in the United States, but almost the whole production was controlled by US companies. Therefore, the safeguard of American investments in that country was an absolutely primary interest for the Nixon Administration. To this purpose, it was profitable to establish good relations with the new regime, safeguarding at the same time European dependence on Libyan crude.<sup>31</sup> As an example of that, the European refining system was regulated according to the

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<sup>28</sup> See J. ANDERSON, *Fiasco: The Real Story behind the Disastrous Worldwide Energy Crisis – Richard Nixon's "Oilgate"*, New York, NY, Times Books, 1983, p. 201.

<sup>29</sup> See *Memorandum from James Placer to the Ambassador: Background to Chappaqua Dispute*, October 31, 1969, in NARA, RG 59, A1 5677, box 6, Lot 72D231, PET 6 Companies, Chappaqua Oil Company, Libya 1969, Confidential.

<sup>30</sup> See *A Policy for Selective Import of Mid-East Oil*, November 5, 1969, in NARA, RG 59, A1 5633, *Records Relating to Saudi Arabia, 1955-1974*, box 4, Saudi Arabia, Petroleum, General, 1969, Confidential.

<sup>31</sup> See *Memorandum from Robert Behr and Harold Saunders of the National Security Council Staff to the President's Assistant for National Security Affairs (Kissinger): Paper on Possible Alternative Pressures on the Present Libyan Regime – Summary and Critique*, November 20, 1969, Top Secret, in FRUS 1969-1976, vol. E-5, part 2, doc. 44, in www.state.gov.

quality of the North African country's crude;<sup>32</sup> hence, in case of withdrawal of that product from the market, it became necessary to modify those facilities.<sup>33</sup> In short, in order to safeguard its own economic interests Washington was obliged to deal with regimes located far from the American traditional sphere of influence. The huge oil revenues and the nationalist feeling which had turned a large part of North Africa into a socialist oriented block made Libya a potentially dangerous country for the West. The government, in fact, was by then able to exploit the rivalry among companies, since Tripoli already enjoyed such a financial position to implement a policy of nationalisation without severely harming its own interests, being able not to sell oil for about two years and at the same time carry on importing goods.<sup>34</sup>

## *2. From Revolution to the First Breakthrough with Oil Companies*

The first strike to Western energy interests occurred in 1970. Only a few months after seizing power, Qaddafi in January began negotiations with a certain number of companies. Concerning this, the American intelligence service stated that the junta only aimed at securing higher posted prices on which government revenues were based, while the spectre of nationalisation, always the ultimate possibility, did not seem to enter the picture. Washington's experts were confident that the Libyan commitment to purchase a sizable number of French aircraft and the promise to aid Egypt and Jordan made impossible for Tripoli to engage in adventurism in its oil arrangements.<sup>35</sup> However, despite conciliatory tones and the will to keep the complex price system then into force, the young dictator immediately showed himself ready to interrupt the oil flow, if the negotiations were not successful. As a matter of fact, the Libyan population

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<sup>32</sup> Sometimes, European interests collided with those of Western producing countries. For example, the Italian national oil company, ENI, had become the prime mover of Italian diplomacy towards Arab countries, leading to active support of the Algerian liberation war, as well as the close relation with Qaddafi's Libya. See G. LUCIANI, *Oil and Political Economy in the International Relations of the Middle East*, in L. FAWCETT, ed., *International Relations of the Middle East*, Oxford, Oxford University Press, 2009, p. 89.

<sup>33</sup> See *Minutes of the Washington Special Actions Group Meeting*; November 24, 1969, Top Secret, Sensitive, in FRUS 1969-1976, vol. E-5, part 2, doc. 45, in [www.state.gov](http://www.state.gov).

<sup>34</sup> See *National Intelligence Estimate 36.5-69: Short-Term Prospects for Libya*, December 30, 1969, Secret, Controlled Dissemination, in FRUS 1969-1976, vol. E-5, part 2, doc. 50, in [www.state.gov](http://www.state.gov).

<sup>35</sup> See *Intelligence Memorandum 490/70: An Intelligence Assessment of Libya*, February 13, 1970, Secret, Noform, in FRUS 1969-1976, vol. E-5, part 2, doc. 53, in [www.state.gov](http://www.state.gov).

had so far lived for five thousand years without oil, and there was no difficulty in carrying on like that for a few more months in order to have national rights respected.<sup>36</sup> A number of adjustments were demanded, the most important of which was a price increase of forty cents a barrel. The request was immediately ejected by the companies, while James Akins of the State Department did not find anything outrageous in the Libyan demand, thus marking a break point between the Administration and oil corporations.<sup>37</sup> A few years later, in his 1973 testimony to the US Senate on multinationals and foreign policy, the then Head of the Office of Fuels and Energy of the Department of State described the Libyan demands as quite reasonable, adding that his Office had come up with the same figures as the Libyan junta when calculating the quality/freight differential between Gulf and North African crude.<sup>38</sup> What the Libyan Government requested, instead, was just a price equal to that of the crude coming from Nigeria, Algeria, and the Persian Gulf, respecting the difference in quality and costs of transport.<sup>39</sup> This posture was strengthened by Colonel Qaddafi in person during a public speech in Bayda on April 8, when he stated that after having gained political freedom, Libya had to struggle for economic and industrial freedom as well and the multinationals were the rival this time, which represented the forces of imperialism against which Libyan people would claim their freedom issues.<sup>40</sup> The young Colonel could afford such a radical attitude also because the Americans had no intention to jeopardise their diplomatic and commercial relations with Tripoli. In addition, the Nixon Administration had already decided to try to influence Libya to maintain its independence and develop its own resources primarily as a member of the Mediterranean area with strong ties to Western Europe. A policy like this was of course aimed at denying the development of intolerable Soviet or other communist presence in the country, including that exerted indirectly through other Arab radical States. In a

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<sup>36</sup> See M. CRICCO, *Il petrolio dei Sedussi*, p. 211.

<sup>37</sup> See BLAIR, *The Control of Oil*, p. 221.

<sup>38</sup> See I. SEYMOUR, *OPEC: Instrument of Change*, New York, NY, St. Martin's Press, 1981, p. 67.

<sup>39</sup> See *Libya Plans Unilateral Action on Prices if Talks Fail*, in «Middle East Economic Survey», XIII, 21, March 20, 1970.

<sup>40</sup> See *Qadhafi's Badya Rally Speech*, 8 April 1970, in THE NATIONAL ARCHIVES (thereafter TNA), London, Kew, FCO 67/432, *Oil Policy of Government of Libya*, 01 Jan. 1970 - 31 Dec. 1970, ML 423/2 part A, ME/3349/A/1.

word, Nixon and Kissinger hoped to use the US position in Libya to back regional stability in the Mediterranean and the Middle East, thus highlighting the importance of that country on the regional chessboard.<sup>41</sup>

An attempt to nationalise the oil industry did not appear likely, according to CIA estimates, but it could not be entirely ruled out. In such circumstances, Washington experts affirmed that an embargo to certain countries would be much more likely than nationalisation. In that case, a selective embargo would be relatively easy to circumvent, in view of many alternative sources of oil.<sup>42</sup> In this scenario, the Libyan posture was further strengthened by the difficulties the Middle Eastern allies of the United States were living. For example, it was estimated that Saudi Arabia's oil revenues would grow less than expected and in the previous three years foreign currency reserves had decreased from 950 to 750 million dollars.<sup>43</sup> Despite this, the Nixon Administration had by then set its priorities and North Africa was not part of them. In that area Washington had above all negative interests, as for the White House it was important that no hostile power manage to become hegemonic there. Therefore, it was necessary to safeguard oil tanker routes and prevent the Soviets from strengthening their military position in the Mediterranean.<sup>44</sup> In the meantime, the American embassy in Libya affirmed that the Government was working to shape the conditions necessary to establish some form of national control on the energy industry, which the companies would not be able to challenge. The point was that Tripoli was probably able to find alternative markets for the nationalised crude and this might be something breaking the balance the companies

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<sup>41</sup> See *Memorandum for the President from Henry A. Kissinger: Options for Possible [...] Action in Libya*, March 20, 1970, Secret, Eyes Only, Sent for Action, in *Qaddafi Rise to Power in Libya: Libyan Revolution 1969-1972*, BACM Research, Beverly Hills, CA, 2011, in [www.paperlessarchives.com](http://www.paperlessarchives.com).

<sup>42</sup> See *National Intelligence Estimate: The Outlook for North Africa*, March 12, 1970, NIE 60-70, Secret, Controlled Dissem., in FRUS 1969-1976, vol. E-5, part 2, doc. 8, in [www.state.gov](http://www.state.gov).

<sup>43</sup> See *National Intelligence Estimate: The Outlook for Saudi Arabia*, NIE 36-6-70, April 7, 1970, Secret, Controlled Dissem., in E.C. KEEFER (Gen. Ed.) - L.W. QAIMMAQAMI - A.M. HOWARD, eds., FRUS 1969-1976, vol. XXIV, *Middle East Region and Arabian Peninsula, 1969-1972; Jordan, September 1970*, Washington, D.C., United States Government Printing Office, 2008, doc. 140, pp. 444-453.

<sup>44</sup> See *Analytical Summary: Trends and US Options in North Africa*, April 17, 1970, in LIBRARY OF CONGRESS (thereafter LoC), Manuscript Division, Kissinger Papers, Box CL 303, NSC Committees and Panels, Review Group, May 1970, Secret.

had ever enjoyed previously.<sup>45</sup> In light of this, it was evident that the military were working to reduce the power of the companies and the Americans did not know whether it was possible to trust them any longer. Despite complete nationalisation was still excluded, the Libyans were determined to put pressure on the companies, some of which were more vulnerable than others.<sup>46</sup> The perfect victim to implement Qaddafi's policies was Occidental, whose interests were entirely located in Libya and because of this they had no chance to compensate from other sources.<sup>47</sup>

By reading the most recent declassified documentation, it is interesting to know how different Congressional concern was from that of the Department of State. In fact, in late July 1970, while negotiations were on in Tripoli, Wilson Laird, Director of the Office of Oil and Gas in the Interior Department, briefed some Senators on the political and energy situation in the Middle East. From the following record we know that an interruption of the oil flow was contemplated as a possibility, though not the likeliest one. In that case, the Administration knew Western Europe and Japan would face a crushing economic crisis and the Europeans would search their own accommodation with the Arabs. Despite this, the Senators were not interested in the Middle East and only asked for US domestic capacity and the measures to take to insure non-dependence on Arab oil.<sup>48</sup> Meanwhile, on July 5 the Revolutionary Command Council had nationalised the three main foreign companies operating in Libya, that is Esso Standard Libya's Marketing Division, Shell Libya Ltd and Asseil Corporation. Apparently, the military's decision was due to economic reasons and the need of raw material conservation. However, the fact that local press regarded that initiative as the first step towards the liberation of the Libyan economy from foreign domination was a kind of omen for the future. Moreover, despite the Minister of Mineral and Oil Resources, Izz

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<sup>45</sup> See *Information Memorandum Prepared in the Bureau of African Affairs: Possible Libyan Crisis*, May 13, 1970, in NARA, RG 59, Central Files 1970-73, PET 6 LIBYA, Secret.

<sup>46</sup> See *Intelligence Brief INRB 131 from the Director of the Bureau of Intelligence and Research (Denney) to Acting Secretary of State Richardson: Libya – Will the Government Move against the Oil Companies?*, May 27, 1970, in NARA, RG 59, Central Files 1970-73, PET 6 LIBYA, Secret, Noform, Limdis.

<sup>47</sup> See D. YERGIN, *The Prize: The Epic Quest for Oil, Money and Power*, London, Simon & Schuster, 1991, p. 578.

<sup>48</sup> See *James E. Akins to Mr. Atherton: Interior Congressional Briefing on "Middle East Oil in the Context of the Arab-Israeli Conflict"*, July 27, 1970, in NARA, RG 59, A1 5677, box 6, Libya, Petroleum General, Confidential.

al-Din al-Mabruk, had declared that Tripoli had the duty to safeguard its natural resources and that only for this it had been necessary to take conservative measures, the companies had to realise that circumstances had changed and therefore they had better collaborate with the Government. Finally, the fact that in the same days Tripoli was stipulating a commercial agreement with Iraq and Algeria, with the purpose to harmonise their own energy policies, made easy to predict that Qaddafi's regime did not exclude any political implication.<sup>49</sup> Nevertheless, the Nixon Administration did not show any real opposition to the Colonel's offensive, though he was starting to dismantle the system of control set up by the companies in the previous decades, that was formed of: a) control of production levels, in order to avoid the collapse of global tender; b) control of transport, in order to avoid the collapse of regional tender; c) control of international marketing, in order not to sell the raw material before it was expropriated; d) control of prices, in order to avoid accumulation of capital. With a system like that, until then producers had always been obliged to sell their product, while now Qaddafi was harming the companies' power to establish output levels, while dealing with the Soviet Union to open new markets.<sup>50</sup>

Apart from this, CIA reports showed that Libya had reduced its dependence on Britain as concerned arms supplies, thus diversifying imports thanks to the French and Soviet market. If we think that on July 18 the Soviets had sent a certain number of tanks and ammunitions, it is not surprising that the American intelligence suspected that Moscow was using Libya to stock strategic arms destined to other buyers.<sup>51</sup> Despite this, CIA analysts wrote that there was no particular reason why the United States had to worry about the junta's policies, in a country whose oil production was controlled by American enterprises by eighty-eight per cent. After all, Washington interests' core had not been damaged yet, the diplomatic and economic channels through which it was

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<sup>49</sup> See *R.H. Ellingworth to Private Secretary: Libya – Oil Nationalisation*, 6 July 1970, ML 423/2, Confidential; *N.H. Green to A.E.M. Finlaison: Nationalisation of Fuel Distribution*, 7 July 1970, Strictly Private and Confidential, No Number, in TNA, FCO 67/433, *Oil Policy of Government of Libya, 1970 Jan. 1 - 1970 Dec. 31*, ML 423/2, part B; *Libyan Oil Minister Reviews Current Oil Issues*, in «Middle East Economic Survey», XIII, 37, July 10, 1970.

<sup>50</sup> See ANDERSON, *Fiasco*, pp. 244-245.

<sup>51</sup> See *Intelligence Memorandum: Libyan Arms Supplies since the 1969 Revolution*, July 31, 1970, no. 531/70, Secret, Noform, in *Qaddafi Rise to Power in Libya*, in [www.paperlessarchives.com](http://www.paperlessarchives.com).

possible to influence Tripoli were still active and the military themselves wanted access to scientific and technologic resources.<sup>52</sup> It is by now evident that Nixon and Kissinger were ready to pay quite an expensive price to the policy of keeping the Libyan Government aligned to Western interests. In fact, US energy policies were not based on stability of prices so much, but rather on stability of supplies.<sup>53</sup> As a consequence of this, a price increase was regarded as inevitable and the Ambassador in Libya said that if the Arabs acquired more decision power in the system of production, transport, and marketing, this would make easier for the West to deal with more responsible and reliable interlocutors.<sup>54</sup>

On September 2, Harmand Hammer, President of Occidental, was obliged to surrender to Qaddafi's requests and sign a historic accord. Until then, in fact, industrial nations, multinational companies, and producers as well had been illuded about American energy surplus, able to provoke a price decrease and persuade producers not to augment output, thus seeking more profits by competing among themselves.<sup>55</sup> The agreements implied a posted price increase from 2.23 to 2.53 dollars a barrel, beside another two-cent-increase for the following two years as a premium for the low sulphur percentage of the Libyan product. Finally, the companies' income tax was shifted from fifty to fifty-eight per cent.<sup>56</sup> Qaddafi had been clever to take advantage of favourable circumstances putting Libya at the centre of trading routes among wide and rich areas of the world. All this discreetly backed by the United States, which did not have any significant interests against the young dictator.<sup>57</sup> What happened went beyond a mere increase of prices. The September agreements had altered the balance between

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<sup>52</sup> See *Memorandum from the Under Secretary of State for Political Affairs (Johnson) to the Deputy Director for Plans of the Central Intelligence Agency (Karamessines)*, August 20, 1970, Secret, in *Qaddafi Rise to Power in Libya*, in [www.paperlessarchives.com](http://www.paperlessarchives.com).

<sup>53</sup> See V.H. OPPENHEIM, *The Past: We Pushed Them*, in «Foreign Policy», XXV, Winter 1976-1977, p. 28.

<sup>54</sup> See T. PETERSEN, *Richard Nixon, Great Britain and the Anglo-American Alignment in the Persian Gulf and Arabian Peninsula: Making Allies out of Clients*, Eastbourne-Portland, OR, Sussex Academic Press, 2009, pp. 33-34.

<sup>55</sup> See KISSINGER, *Years of Upheaval*, p. 858.

<sup>56</sup> See SEYMOUR, *OPEC*, pp. 70-71; see *Posted Price Agreement between Occidental and the Libyan Government*, September 10, 1970, in TNA, FCO 67/434, *Oil Policy of Government of Libya, 1970 Jan. 01 - 1970 Dec. 31* ML 423/2, part C, Confidential.

<sup>57</sup> See E. PENROSE, *OPEC's Importance in the World Oil Industry*, in «International Affairs», LV, 1, January 1979, p. 20.



companies and producers, giving the latter a further chance to struggle for the control of their own raw materials. The oil industry, as it had been so far known, no longer existed, so much so that when signing the accords on behalf of Occidental, George Williamson stated that whoever drove a tractor, a lorry or any car in the Western world would be affected by what just occurred in Libya.<sup>58</sup> For a while the majors tried to resist government pressure. In particular Esso, Mobil, BP, and Shell had initially refused to accept tax retroactive payment and posted price increase, on grounds of possible implications to their operations elsewhere, and particularly in the Persian Gulf, where most of their stake was. Moreover, Shell and BP had large production interests in Nigeria, with a most African nation clause, according to which any better terms applied to any other African government would be automatically applied to Nigeria.<sup>59</sup> From British records we know that Shell took nearly one million barrels a day from Libya in 1970. Overall speaking, the UK economy benefited from the two companies' operations in that country in terms of ten to fifteen million pounds a year on the balance of payments, while twenty-five per cent of British oil requirements were being met from that source. Finally, the more and more aggressive policies the RCC was pursuing portrayed the future of Libya along the same path chosen by Iraq since the nationalisation of most BP concession areas in 1961,<sup>60</sup> while at the same time the North African Department of the Foreign and Commonwealth Office warned that the first year of the revolution had been characterised by gross mismanagement of the economy and Anglo-Libyan trade had been reduced to a level half of pre- revolutionary times.<sup>61</sup>

At this point, it is important to remind the disagreement within the American Administration itself on the political implications of the oil power acquired by Arab producers. In fact, whereas the CIA agent Miles Copeland affirmed that the Arabs were already able to exercise substantial influence and do a lot of damage to Western European economy, thus confirming what James Akins had already stated a few months

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<sup>58</sup> See YERGIN, *The Prize*, p. 580.

<sup>59</sup> See *Current Status of Oil Negotiations in Libya*, October 5, 1970, in NARA, RG 59, A1 5677, box 6, PET-14, Prices, Posted Prices, 1970, Confidential.

<sup>60</sup> See *The Importance of Libyan Oil to the UK and Western Europe*, 21 September 1970, in TNA, FCO 67/434, ML 423/2, part C, Confidential.

<sup>61</sup> *R.C. Hope to M.P.V. Hannam Esq: The Value of British Interests in Libya*, December 7, 1970, in TNA, FCO 67/436, *Oil Policy of Libya, 1970 Jan. 01 - 1970 Dec. 31*, ML 423/2, part E, Confidential.

previously, that is that the use of oil as a political weapon was a possibility to take into account, petroleum officers operating in Libya were still optimistic enough to exclude this option, for the Arabs had never showed to be so employed to a common cause.<sup>62</sup> Finally, the East-West rivalry gave Tripoli a further weapon to blackmail the West, so much so that not even the Americans objected that the process of Libyanisation of the oil industry was by then irreversible and that therefore it was necessary to find out a way for producers to at least participate in the control of their own natural resources, without harming US interests on the spot, amounting to 1.2 billion dollars and granting the balance of payments eight hundred million dollars a year. As a consequence of this, as a possible solution the setting up of joint ventures was suggested.<sup>63</sup> Nevertheless, all producers had realised that the energy market was living a period of big change. Despite of the fact that the companies' main interests were oriented towards the Persian Gulf and might have initially believed that Qaddafi's action had been taken only to compensate lower freight costs, this was not the right explanation for the retroactive tax increase and the claim that prices had always been underestimated. Apart from this, Gulf producers had seen the effect of such a tough negotiation and had taken the logic conclusions. Finally, in a growing market Western goods were more and more expensive, and up to then there had not been an equivalent increase of raw materials' price.<sup>64</sup> In short, the repercussions of the September agreements were much more significant than their economic factor. As a matter of fact, Kissinger writes that the filter between producers and consumers had been eliminated, thus preventing companies from deciding a common price and provoking a leapfrogging effect between Mediterranean and Gulf producers. Nevertheless, although the increase had been rather high in terms of percentage, overall speaking the price was still quite below that of American crude. Consequently, the economic system of industrialised countries, largely founded on cheap and easily accessible oil, had not been affected yet, thus persuading

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<sup>62</sup> See J.A. Placke to R.S. Suddarth, November 23, 1970, in NARA, RG 59, A1 5626, *Record Relating to Libya, 1970-1974*, Lot 77D395, "We Told You so File" Oil, Secret, Official-Informal.

<sup>63</sup> See Memorandum from D.D. Newson to Mr. Samuels: *Guidelines for US Oil Investment in Libya*, December 7, 1970, in NARA, RG 59, A1 5626, Lot 77D395, "We Told You so File" Oil, Confidential.

<sup>64</sup> See F. PARRA, *Oil Politics: A Modern History of Petroleum*, London-New York, N.Y., I.B. Tauris, 2005, p. 125.

Western governments not to intervene in economic negotiations.<sup>65</sup> To complete the picture, Philip Trezise and James Akins thought that the price increase by Gulf producers, though more than likely by then, would be reasonably limited. Therefore, it was useless to expect from the Administration any involvement in commercial questions.<sup>66</sup> What is surprising is that Trezise himself had affirmed on September 24 that within a decade the United States would consume up to twenty-four thousand barrels of crude a day, while domestic production in that moment was limited to about ten million barrels a day. Though it was theoretically possible for the Americans to reach self-sufficiency by enormously augmenting production and using alternative sources, this would be extremely expensive and the average tax payer would very unlikely accept it. Hence, increasing imports was the most realistic solution.<sup>67</sup> In a word, times had changed and producers started to pay more attention to the power of decision and control on their natural resources. The point was, by then, that the producers' choices were not always based on economic factors. The political aspect was paving the way to an ongoing confrontation between the North and the South of the world, while at the same time the Americans were worried about becoming within a few years a big importer of hydrocarbons.<sup>68</sup>

### *3. The Nationalisation of British Petroleum Assets*

The price increase was not a serious problem for the Americans, who also admitted that producers were not wrong in reminding that the cost of oil in terms of purchasing power had even decreased in the previous years. Priority was always given to stability of supplies, which it was hoped it would safeguard the common interests of both producers and consumers. In spite of this, the Administration had realised that Libya was by then the key country of the whole system, as in case of interruption of the oil flow towards Western Europe, the United States would be requested to deviate part of the Western

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<sup>65</sup> See KISSINGER, *Years of Upheaval*, p. 862.

<sup>66</sup> See PETERSEN, *Richard Nixon, Great Britain*, pp. 35-36.

<sup>67</sup> See P.H. TRESIZE, *The Outlook for Energy Supplies*, in «The Department of State Bulletin», LXIII, 1635, October 26, 1970, pp. 479-480.

<sup>68</sup> See *Anglo/American Oil Discussion: Record of a Meeting Held at the Foreign and Commonwealth Office on 3 December, 1970*, December 3, 1970, in TNA, FCO 67/445, C399891, Confidential.

hemisphere's production, which was something Washington could no longer afford without affecting domestic output. The White House's optimism was due to the awareness that such a draconian measure would imply such an economic sacrifice that only Libya and Kuwait could up to then afford. Other producers, like Saudi Arabia, were thought to have too many financial interests abroad to be subjected to the consequences of a total interruption of oil trade.<sup>69</sup> Concerning this, among the various tasks of the Administration there was also that of safeguarding the American enterprises' stake in Libya, being aware that Tripoli did not get closer to the Soviet sphere of influence. In other words, the Americans aimed at keeping stable and cordial relations with producers, in order to avoid the risk of oil interruptions. As regarded the option for energy matters to become a pretext for diplomatic initiatives, it was of paramount importance to keep all negotiations on a strictly economic level. However, up to that moment there was no evidence that the hostility towards the Jewish State could trigger energy threats by producers, though the stalemate in peace negotiations did not help.<sup>70</sup> According to American documentation, now that the military junta had completed the first stage of the revolution, its new directions and priorities were less clear, vacillating between feverish assaults and ambitious development plans with the aid of foreign involvement, while from a military point of view Tripoli was receiving arms both from the Soviets and the French.<sup>71</sup> In any case, it is by now evident that Washington recognised complete Libyan sovereignty over the companies in that country and viewed petroleum negotiations as essentially a matter between the junta and the corporations, having being assured prior to US recognition of the revolutionary regime that the latter intended to carry out international obligations. Finally, the Libyan posture on Middle Eastern issues was of paramount importance for the Nixon Administration and during the negotiations the State Department recommended to inform the junta that

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<sup>69</sup> See *Memorandum for Mr. Henry A. Kissinger: World Oil Situation*, January 25, 1971, 7101152, Secret, Exdis, in NARA, NPMP, NSC Files, NSC Institutional Files (H-Files), box H-180, National Security Study Memoranda, NSSM 114.

<sup>70</sup> See W.R. LOUIS, *Britain and the Middle East after 1945*, in L.C. BROWN, ed., *Diplomacy in the Middle East: The International Relations of Regional and Outside Powers*, London-New York, N.Y., I.B. Tauris, 2006, p. 46.

<sup>71</sup> See *Talking Points: US-French Talks – January 19-20: Libya*, January 1971, in NARA, RG 59, A1 5677, box 6, PET-3, Organizations and Conferences, Libya 1971, Secret.

Washington sought a settlement honouring both sides of the conflict.<sup>72</sup> After all, it is not surprising that the Americans were so concerned about the Mediterranean country, as at that moment seventeen US companies were operating there, accounting for almost ninety per cent of total production and having turned Libya into the fourth world largest exporter.<sup>73</sup>

On February 14, 1971, a new agreement was signed in Tehran with Gulf producers, according to whose terms taxation was immediately shifted to fifty-five per cent. Moreover, in case other producers had claimed higher requests, Gulf governments would not have limited the export of their crude, in order to allow consumers in case of emergency to replace Libyan oil with that of the Persian Gulf area.<sup>74</sup> As a matter of fact, the most important outcome to achieve was stability of price and to this end Libya, which was proving to be the most radical negotiator, had to be isolated. As a consequence of this, both the majors and the independents had stipulated a parallel accord, stating that whoever were subjected to Libyan reprisals, would be aided with crude from other areas of the world at a similar, if not equal price. After all, the companies were not really concerned about a moderate price increase, provided this was applied to their competitors as well. It is also relevant that Nixon spoke about the exploitation of new energy sources, without any reference to prices. Even the majors' executives recognised that in the recent past the price of raw materials had been too low compared with market laws.<sup>75</sup> Last but not least, while the Tehran agreements had promised stability in pricing and taxation, they had made no reference about ownership. Concerning this, participation was interpreted by some oil companies as another form of aggressive move, but it could also be seen as a means of diverting aggression, whose best advocate was Libya, which had made no promise to avoid leapfrogging. Since the

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<sup>72</sup> See *The Under Secretary's Trip to the Middle East, Bilateral Briefing Book, Index: Libya – Issues and Talking Points*, January 18 1971, in NARA, RG 59, A1 5677, box 6, PET-3, Organizations and Conferences, Libya 1971, Secret.

<sup>73</sup> See *Background Information on the Libyan Oil Industry*, February 26, 1971, in NARA, RG 59, A1 5677, box 6, PET-2, Reports, Libya 1971.

<sup>74</sup> See *Intelligence Note - OPEC Oil: Persian Gulf Anchored, Mediterranean Next*, February 18, 1971, RECN-3, in NARA, RG 59, Central Files 1970-73, PET 3 OPEC, Confidential.

<sup>75</sup> See OPPENHEIM, *The Past*, pp. 26-32.

conservative Saudis had decided to delegate the Mediterranean producers' negotiations to the Libyans, there was practically no hope of moderation there.<sup>76</sup>

The next step was the negotiation with Mediterranean producers led by Libya, which had the intention to claim an expensive price for its "loyalty" to the West, so much so that the junta requested a price increase fifteen cents higher than the one reached in Tehran, plus another five per cent annually and a sixty-per-cent taxation, like in Venezuela.<sup>77</sup> Regarding this, the British feared that an interruption in negotiations might provoke a real embargo by the Libyans, making Western Europe lose a sixth of its supplies.<sup>78</sup> Such concern was due to the volume of trade Britain had with the North African country, not only in the energy field. In fact, London believed there was a serious threat of nationalisation of UK oil assets in Libya, affecting also commercial, monetary and arms trade interests. This because Tripoli possessed monetary reserves in Sterling Pounds amounting to six hundred million. Finally, the junta had already showed to be able to deal with French and Russian competitors, though it did not necessarily imply any rapprochement to Moscow.<sup>79</sup> Unlike the Americans, the British were not so sure that oil questions would be limited to the economic sphere, bearing also in mind that it was pivotal not to deteriorate the relations between companies and European governments, in order not to jeopardise the process of membership of Britain to the European Community,<sup>80</sup> especially when the Foreign and Commonwealth Office saw a fifty-per-cent-chance of failure of the negotiations, thus paving the way to a procedure of nationalisation, if not of a real embargo.<sup>81</sup> Actually, it was true that before

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<sup>76</sup> See C. MORE, *Black Gold: Britain and Oil in the Twentieth Century*, London-New York, N.Y., Continuum, 2009, p. 143.

<sup>77</sup> See A. Warrington to Mr. Manley: *Libyan Demands*, February 26, 1971, in TNA, POWE 63/749, *Effect on Stocks of an Interruption in Oil Supplies from Libya and Iraq, 1971*, PET 198/A6, Confidential.

<sup>78</sup> See *Note of a Meeting between Lord Rothschild and Mr Dowson, Lord Gorell and Mr Wheatley of Shell on Tuesday 2 March 1971*, March 10, 1971, in TNA, CAB 184/10, *Review of Energy Policy Following the Increases in Oil Prices Imposed by Oil Producing Export Countries, 1971 Feb. 11 - 1971 Nov. 12*, Q 17/2 part 1, Secret.

<sup>79</sup> See *Report by R.C. Hope-Jones: Anglo-Libyan Relations*, 3 March 1971, in TNA, FCO 67/606, *Oil Policy of Government of Libya, 1971 Jan. 01 - 1971 Dec. 31*, ML 423/1, part A, Confidential.

<sup>80</sup> See *Denis Greenhill to Sir Anthony Park: Oil Policy after Tehran*: March 9, 1971, in TNA, POWE 63/709, C399891, Confidential.

<sup>81</sup> See *Note of a Meeting Held in Mr Bottomley's Room at 3 pm on 10 March to Review the Tripoli Oil Negotiations*, March 10, 1971, in TNA, FCO 67/607, *Oil Policy of Government of Libya, 1971 Jan. 01 - 1971 Dec. 31*, ML 423/1, part B, Confidential.

the outbreak of the Yom Kippur War Iraq, Algeria, and to a certain extent Libya, were taking the position that an at least partial nationalisation of foreign oil assets was the best economic and political antidote to the American support for Israel.<sup>82</sup>

In the meantime, on March 20 an agreement with Mediterranean producers was reached in Tripoli, then perfected and signed on April 2, through which the barrel price was shifted from 2.22 to 3.32 dollars and tax augmented to fifty-five per cent.<sup>83</sup> However, such an aggressive attitude shown by the Libyan military might have been a sort of prelude to a real nationalisation. In order for this to be avoided, and thus establishing a more collaborative relation between companies and producers, the Saudi Minister of Petroleum said that a compromise was necessary, and in particular a State participation to all activities dealing with the oil industry. In this way, he carried on, government interests would be bound to those of the companies, thus making easier to moderate the more radical regimes' policies.<sup>84</sup> The situation was so undefined that no one was so sure there would not be a leapfrogging effect. Kissinger in person warned the President that against a really profitable agreement for Mediterranean producers, the Shah would very unlikely manage to resist popular pressure to gain even better conditions.<sup>85</sup> The April agreements granted the North African country two billion dollars a year of oil revenues<sup>86</sup> and were also a starting point for further negotiations with Iraq, Saudi Arabia, and Algeria.<sup>87</sup> Such a financial *surplus* was becoming a threat to the international monetary system, though it was positive for the West that practically all exports of Libya dealt with crude oil and almost all of them went to Western Europe.<sup>88</sup>

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<sup>82</sup> See F. ITAYIM, *Arab Oil: The Political Dimension*, in «Journal of Palestine Studies», III, 2, Winter 1974, p. 89.

<sup>83</sup> See CRICCO, *Il petrolio dei Senussi*, p. 215.

<sup>84</sup> See *Airgram A-50 from AmEmbassy Jidda to SecState Washington DC: The Tripoli Oil Negotiations and Their Implications as Seen by SAG Minister of Petroleum Zaki Yamani – Enclosure: Memorandum of Conversation: Minister of Petroleum Zaki Yamani Reflects on Events and Implications of Tripoli Oil Negotiations*, March 31, 1971, in NARA, RG 59, SNF 1970-73, PET 15-2 LIBYA, Secret, LimDis.

<sup>85</sup> See *Memorandum for the President from Henry A. Kissinger: International Oil Situation – Libyan Phase*, March 27, 1971, Secret, in FRUS 1969-1976, vol. E-5, part 2, doc. 73, in [www.state.gov](http://www.state.gov).

<sup>86</sup> See *Telegram 56087 from the Department of State to Certain Diplomatic Posts*, April 2, 1971, 2311Z, Confidential, Priority, in FRUS 1969-1976, vol. XXXVI, doc. 88, p. 214.

<sup>87</sup> See *Oil Department Report: Oil*, 7 April 1971, in TNA, FCO 67/608, *Oil Policy of Government of Libya, 1971 Jan. 01 - 1971 Dec. 31*, ML 423/1, part C, Confidential.

<sup>88</sup> See *Her Majesty's Ambassador at Tripoli to the Secretary of State for Foreign and Commonwealth Affairs: Diplomatic Report No. 294/71 - The Libyan Economy since the Revolution*, April 14, 1971, in

However, the Foreign Office was not misled about the Libyan junta's reliability, as the Minister of Oil himself had stated there would be no stability in that sector, unless companies invested in Libya much more than provided by the contract just signed.<sup>89</sup> Instead, the CIA was still excluding that for the following two years Tripoli would pursue a process of nationalisation, though in the future it would play a more and more pivotal role in the oil industry management. Moreover, the international dimension Libya was acquiring would sooner or later allow it to influence events in the Arab-Israeli conflict, for example by funding Arab regimes directly involved in the confrontation,<sup>90</sup> although the capitals which seemed to represent the real challenge came more from Riyadh and Baghdad, rather than from Tripoli.<sup>91</sup>

Shortly after the signature of the agreements, we know that the US embassy in Tripoli sent a report to the Office of North African Affairs of the State Department, through which the economic officer stated that Libya had not until then used oil as a political weapon because the government had not found a way to do so without damaging national interests. The point was, however, that Tripoli was thought it would do so if it ever found an acceptable way not to harm the country's economy. Furthermore, after eighteen months since the revolution the American assessment was as follows: a) the Eastern Europeans' role had not changed, as they were still working in Libya as construction contractors in order to gain foreign currency; b) the government, like at the times of the monarchy, was spending on both military and economic programmes, though its capacity to absorb investment was more limited than its financial resources; c) there was room for American contribution to Libyan development while avoiding government to government arrangements due the difference over Middle East policies.<sup>92</sup>

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TNA, FCO 67/609, *Oil Policy of Government of Libya, 1971 Jan. 01 - 1971 Dec. 31*, ML 423/1, part D, NAL 5/4, Confidential.

<sup>89</sup> See *P. Tripp to Sir A. Douglas-Home: Libyan Oil Negotiations January to April 1971*, April 13, 1971, in FCO 67/608, ML 423/1, part C, Confidential.

<sup>90</sup> See *National Intelligence Estimate: Libya*, April 30, 1971, NIE 36.5-71, Secret, in FRUS 1969-1976, vol. E-5, part 2, doc. 74, in [www.state.gov](http://www.state.gov).

<sup>91</sup> See I. SMART, *Oil, the Superpowers and the Middle East*, in «International Affairs», LIII, 1, January 1977, p. 22.

<sup>92</sup> See *J.A. Placke to R.S. Suddarth*, April 22, 1971, in NARA, RG 59, A1 5677, box 6, PET 15, Negotiations, Libya 1971, Confidential, Official-Informal.



As a matter of fact, during the first phase of the revolution the young officers were concerned the oil sector was still employing only one per cent of the active population of the country and produced social and economic effects not easily to reconcile with the egalitarian principles of the revolution itself. At the same time, the rulers knew that the technocratic nature of the oil industry left them no choice but to rely on any expertise available in the country, which for the majority came from foreign personnel. By 1970, Libya had one of the world's most complex oil infrastructure systems; hence, under those circumstances the junta decided that nationalisation was not an option for the time being.<sup>93</sup> Maybe it was for this reason that the British assessed the Libyan junta's policies as evolutionary, rather than revolutionary, as up to then Tripoli had not followed the Algerian example of nationalisation. Instead, the real problem for the Libyans dealt with conservation of oil and re-investments of revenues. Therefore, London thought that in case of a new Middle Eastern crisis Tripoli would very luckily play a leading role.<sup>94</sup> Moreover, the government had been clear in stating that it aimed at gaining technical, administrative, and financial control over the companies, though without any intention to alter the structure of the international oil industry.<sup>95</sup> This was also a way for the government to control the economy and gain people's confidence. Since a large share of the national income accrued directly to the State, in fact, a special responsibility for redistribution arose. Thus public employment was the favourite method of channelling oil revenues into the economy and most of the labour force was

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<sup>93</sup> See D. VANDEWALLE, *Libya's Revolution in Perspective, 1969-2000*, in D. VANDEWALLE, ed., *Libya since 1969: Qadhafi's Revolution Revisited*, Basingstoke, Palgrave Macmillan, 2011, p. 13.

<sup>94</sup> The Libyan dictator was always very active within the Arab sphere. Since the very moment he seized power, Qaddafi sought union with Egypt. Nasser obviously served as passionate inspiration for the young leader, who viewed Sadat's policies as a way to overturn his predecessor's vision of Arabism. Only four months after the revolution, Libya joined Egypt and the Sudan in signing the Tripartite Agreement, or Tripoli Charter. Between September 1970 and October 1973 the Colonel signed a series of unity schemes and merger efforts. Particular noteworthy was the Federation of Arab Republics among Syria, Egypt, Libya, and the Sudan in November 1971, then reduced to three members after the withdrawal of the latter in April 1971. Despite Qaddafi's misgivings about Sadat, he always pursued a relentless policy of rapprochement with Egypt, calling for political unity between the two countries, which was achieved one month before the outbreak of the Yom Kippur War. See J.P. ENTELIS, *Libya and Its North African Policy*, *ibid.*, p. 178.

<sup>95</sup> See P. Tripp to J.R.A. Bottomley: *Oil Review*, 12 May 1971, in TNA, POWE 63/709, C399891, Confidential.

on government payroll.<sup>96</sup> In all this situation, it is rather shocking how the Americans ignored the ongoing warnings of nationalisation by a lot of producing countries. In fact, in any report on the problem of nationalisation the option that energy sources could be used for political purposes was always considered as a remote possibility, despite the threats coming both from radical regimes, like Iraq, and reliable friendly allies like the Shah.<sup>97</sup> Despite all this, the State Department was always predicting a period of trading stability after the signature of the agreement.<sup>98</sup> However, the impact of these changes was estimated by Walter Levy, who in that Summer published an article calculating that revenues of oil exporting countries would raise up to more than eighteen billion dollars within 1975, and that Europe's bill would rise by more than five billion in the same period. The terms of world trade had radically changed, reaching "hurricane proportions".<sup>99</sup> This created a potentially unstable new source of liquidity in the form of excess reserves short-term funds held by oil States, the so called petro-dollars, which made the international monetary system much more unstable.<sup>100</sup>

Having said this, the importance of Libya for the United States was not to be seen only in bilateral terms, but also in the wider context of American interests in the area, which included: 1) European dependence on Libyan oil production and US companies as suppliers, against the unpredictable character and aggressive policies of the regime; 2) increased Soviet influence in the Mediterranean, combined with reduced Western influence since the 1969 coup; 3) Libya's militant Arab nationalist posture within the Arab-Israeli conflict; 4) evolving nature of intra-Arab relations. Over the five following years the Administration had of course set the task to maintain oil flow towards Western Europe, preferably through American intermediaries, which at the same time would

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<sup>96</sup> See R. MABRO - E. MONROE, *Arab Wealth from Oil: Problems of Its Investment*, in «International Affairs», L, 1, January 1974, p. 21.

<sup>97</sup> See *Telegram 77002 from the Department of State to the Embassies in the United Kingdom and Lebanon: Oil Negotiations with Iraq*, May 4, 1971, in NARA, RG 59, Central Files 1970-73, PET 6 IRAQ, Secret, LimDis, Priority.

<sup>98</sup> See *Memorandum: Status Report on [omitted] Libya*, May 17, 1971, Secret, Eyes Only, in FRUS 1969-1976, vol. E-5, part 2, doc. 76, in www.state.gov.

<sup>99</sup> See J. BAMBERG, *British Petroleum and Global Oil, 1950-1975: The Challenge of Nationalism*, Cambridge, Cambridge University Press, 2000, p. 466.

<sup>100</sup> See S.D. KRASNER, *A Statist Interpretation of American Oil Policy toward the Middle East*, in «Political Science Quarterly», XCIV, 1, Spring 1979, p. 90.

assure a continued return from the Libyan Government to the US balance of payments. Equally important was a moderation of Libya's foreign policy, especially with respect to the Middle East. That was why, in short, a constructive attitude towards the North African country was advisable.<sup>101</sup> As regarded the relations between Libya and Britain, the Foreign Office framed two reasons why the Mediterranean country could ever act against British oil supplies or interests. First of all, the political motives either in support of an Arab cause, or of Libyan negotiating positions outside the oil business. Then, economic motives were possible, allowing the Government to threaten to act in an attempt to increase their oil revenues or acquire greater control over oil operations. After all, UK reports said that an embargo against Britain alone would have virtually no effect upon the availability of supplies to London, while an action in the form of expropriation of BP and Shell's interests in Libya would hurt and had to be rated as a serious risk, despite of the fact that the two companies operated in partnership with US enterprises.<sup>102</sup> Most companies were determined to resist all change until it was forced on them, though they did generally recognised that change was by then inevitable. However it was, the companies' attitude was not always the same. After a series of talks Akins had had with corporation executives, we know that some, like Texaco, maintained that there should be no change whatsoever, while others, like Mobile, thought that once OPEC countries started the path towards meaningful involvement and control of all oil operations, they would not be satisfied until they achieved at least a fifty-one-per-cent participation. To tell the truth, this was easily acceptable by all counsellors of Nixon's, for Walter Levy questioned whether the US Government could ever permit control of most Eastern hemisphere production by local regimes. In case of another Vietnam like war, for example, would foreign and volatile governments allow oil supplies to the US fleet? In a word, becoming less and less self-sufficient in the future, the Americans had thus to become more and more aware of this security aspect

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<sup>101</sup> See *Airgram A-6 from the Department of State to the Embassy in Libya: Policy Planning Paper*, June 16, 1971, in NARA, RG 59, Central Files 1970-73, POL 1 LIBYA-US, Secret, Noform.

<sup>102</sup> See *P.G.P.D. Fullerton, Libyan Oil*, 13 August 1971, in TNA, FCO 67/609, ML 423/1, part D, NAL 5/4, Confidential.

while coping with energy matters.<sup>103</sup> Due to some independent companies' contracts in other parts of Africa, such a radical measure was not so difficult to achieve for the Libyans. As an evidence of that, the Nigerians were pressing Occidental for fifty-percent government ownership and management control over concession, should oil be found. If Occidental accepted, the Department of State affirmed, it would be practically impossible not to give in to the same demands by the Libyans. And once Occidental surrendered in Libya, the way would be paved for other companies to follow the precedent.<sup>104</sup> Levy himself wrote in «Foreign Affairs» that participation was a sort of grand design to bind the interests of the oil companies, predicting also that they would become subservient to their host governments. Therefore, multinationals had to face a major decision:

«To what extent and for how long they can be held hostage by their resource interests in producing countries...It should now be recognised that their position [...] depends on a closer relationship and better understanding with consuming governments».<sup>105</sup>

The strike that stroke the camel's back was the implementation of the British withdrawal from the Persian Gulf area, which had been decided a few years earlier. The decision had triggered off a series of regional rivalries, especially between Arabs and Persians, which could have undermined the Shah's personal prestige. Having accepted the independence of Bahrein, he absolutely claimed sovereignty over Abu Musa and the Tunbs islands, and London could do nothing but accept the *fait accompli*.<sup>106</sup> The American attitude was completely oriented to favour Iran. Therefore, having a military strong, politically stable and reliable ally in that part of the world perfectly matched US

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<sup>103</sup> See *Memorandum from James J. Blake to Mr. Smith: Status Report on Oil Study in Progress and OPEC Demands September 22*, September 16, 1971, in NARA, RG 59, A1 5677, box 6, Pet 2, Oil Studies, Libya 1971, Secret.

<sup>104</sup> See *Warren Clark to Mr. Blake: Occidental Concessions in Nigeria*, October 6, 1971, in NARA, RG 59, A1 5677, box 6, Pet 6, Occidental Petroleum, Libya 1971, Confidential.

<sup>105</sup> A. SAMPSON, *The Seven Sisters: The Great Oil Companies and the World They Made*, London, Hodder and Stoughton, 1983, pp. 246-247.

<sup>106</sup> See G. BALFOUR-PAUL, *The End of Empire in the Middle East: Britain's Relinquishment of Power in Her Last Three Arab Dependencies*, Cambridge, Cambridge University Press, 1991, pp. 132-133.

interests.<sup>107</sup> On November 30, 1971, Iranian troops landed on the shores of Abu Musa and Tunbs islands and occupied part of the territory. Before the landing, London had warned on a possible negative Arab reaction, and in fact Kuwait, Syria and Iraq protested.<sup>108</sup> By exploiting as a pretext the occupation, on December 7 Qaddafi nationalised all properties and assets of British Petroleum Exploration Company. In this way, not only Tripoli hit the interests of the company, but also those of the British Government, since Downing Street had a fifty-per-cent stake in the corporation. Hence, the military junta gained ownership of one of the most important oil export systems and at the same time gave a warning to American enterprises. What was particularly worrying was that British Petroleum worked on a joint venture regime with Nelson Bunk Hunter from Texas, though American reactions were not extremely alarmed, as it did not seem that the military aimed at acting against other Western companies.<sup>109</sup> To add preoccupation in London, however, there was the Libyan manoeuvre to sell their own deposit of ninety million pounds stocked in the British Treasury. This was probably only a way to show disappointment towards the British posture on the Persian action, but it was better not to ignore the possibility that the withdrawal of financial reserves was a kind of preliminary action to a further challenge to the companies.<sup>110</sup>

The American embassy thought the companies in Libya had by then only two choices: either getting ready for some form of participation, or eventual nationalisation. Everything else, the report stated, would leave the initiative in the hands of a producing country with huge financial resources. Therefore, it was becoming urgent to move

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<sup>107</sup> See *Memorandum for the President: Determination under Section 614 (a) to Permit the Furnishing of Military Assistance to Iran*, November 22, 1971, in NARA, RG 59, A1 5639, Bureau of Near Eastern and South Asian Affairs, Assistant Secretary for Near Eastern and South Asian Affairs, *Subject and Country Files, 1964-1973*, box 15, Lot 73D69, S/S-7118167.

<sup>108</sup> See *Memorandum from the Executive Secretary of the Department of State (Eliot) to the President's Assistant for National Security Affairs (Kissinger): Persian Gulf Situation*, December 1, 1971, in NARA, NIXON PRESIDENTIAL MATERIAL PROJECT (thereafter NPMP), NATIONAL SECURITY COUNCIL (thereafter NSC) Files, box 647, Country Files, Middle East, General, vol. VIII, Secret.

<sup>109</sup> See *Information Memorandum from the Deputy Assistant Secretary of State C. Robert Moore to the Acting Secretary of State Irwin: Nationalization of British Petroleum in Libya*, December 7, 1971, 7119678, in NARA, RG 59, SNF 1970-73, PET 15-2 LIBYA, Confidential.

<sup>110</sup> See *J.A. Marshall to Mr. Neale: Libya – Sterling Balances*, December 2, 1971, in TNA, T 317/1576, *Libya: Nationalisation of BP's Oil Interests, 1970 Jan. 01 - 1971 Dec. 31*, 2FD 0256/0976/001, part A.

quickly towards a new kind of relationship.<sup>111</sup> To tell the truth, by reading US documentation it is difficult to understand why Washington's officers were so optimistic. In fact, some American companies, such as Occidental Petroleum and Esso, had received a warning letter stating that the Libyans would resort to administrative control of property and revocation of concessions should the company not pay the full amount the government considered due, though no deadline had been set.<sup>112</sup> The nationalisation of British Petroleum did not affect any direct American interest. However, the nationalisation decree gave the junta the right to conclude sales contracts and market production overseas from the whole concession, included the portion belonging to Bunker Hunt. In any case, operations were not likely to continue normally, as foreign technicians previously working for BP could always refuse to work for the new Libyan company set up to run the concession. Secondly, BP might have tried to fight the nationalisation, thus involving Occidental in the dispute. Finally, Libyan oil was by then overpriced compared with alternate sources of crude. In order to market the nationalised oil, therefore, the government could have been tempted to shade the market price, thus reducing Bunker Hunt's profits as well. Instead, as concerned monetary effects, the transfer of Libyan funds from London to New York, and the consequent conversion from Sterlings into Dollars, could of course have positively affected the US balance of payments. The most important achievement for the Libyans, however, was the chance to acquire technical expertise to manage an oil company and market crude abroad. In case it were successful, the Department of State affirmed, they might be expected to look around for other companies, including American ones, and extend the use of oil to the diplomatic field.<sup>113</sup> On the other hand, Washington did not want the Libyans to market nationalised oil. Concerning that, three days after the nationalisation decree London had requested American support to persuade the main consumers not to purchase Libyan crude and at the same time to condemn any use of that as a political

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<sup>111</sup> See *John R. Countryman to Warren Clarck, Jr. – Enclosure: November 22, 1971 Letter from Joseph Palmer to James E. Akins*, December 1, 1971, in NARA, RG 59, A1 5677, box 6, PET 2, Oil Studies, Libya 1971, Secret.

<sup>112</sup> See *Summary Round-Up for Mr. Wilson: Libya*, December 2, 1971, in NARA, RG 59, A1 5677, box 6, PET 6, Occidental Petroleum, Libya 1971, Secret.

<sup>113</sup> See *James J. Blake to Ambassador Moore: Effects on US Interests of Libyan Nationalization of BP*, December 8, 1971, in NARA, RG 59, A1 5677, box 6, PET 15-2, BP Nationalization, Libya 1971, Secret.

blackmail. As a matter of fact, London's request did not convince State Department officers, as American companies themselves were asking the Administration not to intervene against such an emotional military junta, once the British had nothing more to lose in that country, while retaliation towards American corporations was always possible. However, not to follow the European allies bore a higher risk than the contrasts with Tripoli. Therefore, Washington decided to discreetly back the British demand.<sup>114</sup>

White House decisions were also influenced by studies saying a serious energy crisis was unlikely. At the most, it was supposed to be limited to Libya, but certainly, it was stated, Gulf producers would not back such radical positions.<sup>115</sup> We also have to remember that there were tensions between Libya and other OPEC members. In 1971 the North African country had gained great economic advantage, but its leadership within OPEC was debated. In fact, the Shah strongly criticised Qaddafi's aggressive oil policies, which he accused were destabilising the market. Instead, Saudi Arabia had a prudent attitude towards the Libyan leader, but at the same time there was a sort of admiration for the man who was vigorously challenging the companies.<sup>116</sup> The task of the West, after all, was to retain continued access to oil reserves, even if the companies had lost control over them. If that required higher prices of participation agreements, American officers said the Administration should be ready to accept those changes. On one hand, not every analyst in Washington thought the Administration's interests differed from those of the companies. James J. Blake, for example, said the government had to support oil companies in their dealings with producers. At the same time, new domestic resources had to be exploited and shut in for emergencies. Finally, in late 1971 few in

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<sup>114</sup> See *Information Memorandum from the Deputy Assistant Secretary of State for African Affairs Moore, the Deputy Assistant Secretary of State for International Resources and Food Sources Katz, and the Assistant Secretary for European Affairs Hillebrand to the Secretary of State: British Request for US Support Regarding the Libyan Nationalization of British Petroleum (BP)*, December 18, 1971, 7120228, in NARA, RG 59, Central Files 1970-73, PET 15-2 LIBYA, Secret.

<sup>115</sup> See *Memorandum from Theodore L. Eliot to Henry A. Kissinger: Possibilities of an Oil Crisis*, December 12, 1971, in NARA, RG 59, A1 5488, *Policy Planning Staff, National Security Council Files, 1964-1976*, box 3, Lot 77D266, PARA Review – Oil (PASM 4), 1971-1972, Confidential.

<sup>116</sup> See M. CRICCO, *L'Amministrazione Nixon e la Libia. Dall'avvento di Gheddafi al deterioramento delle relazioni diplomatiche tra Washington e Tripoli*, in A. DONNO – G. IURLANO, eds., *Nixon, Kissinger e il Medio Oriente (1969-1973)*, Firenze, Le Lettere, 2010, p. 439.

the Nixon Administration believed that participation might be delayed until the expiration of the Tehran Agreements in 1976. Everything depended on how successful Libya could be in getting a meaningful agreement with the companies. In that case, pressures on Persian Gulf producers to demand the same would be irresistible.<sup>117</sup>

#### 4. *The Long Path to the Nationalisation of American Assets*

Actually, at the beginning of 1972 Downing Street was not so concerned about the loss of facilities in Libya, as it was basically essential to keep the solidarity of other companies operating in the Middle Eastern area, unlike what had occurred in 1970.<sup>118</sup> Compared with other companies, British Petroleum had a higher stake in the participation issue. Therefore, it was better to carefully negotiate in Libya before reaching any agreement, in order not to set a dangerous precedent on the question of compensation. Instead of accepting such a risk, it was less hurting to lose all profits in Libya, as they represented around five per cent of all BP total supplies.<sup>119</sup> As concerned American majors, rather contrary to the principle of participation, Akins warned that the Libyan Government could always retaliate against US oil interests due to Washington's pro-Israeli policies. No one, by then, could deny NATO countries' growing dependence on Middle Eastern and Northern African sources and this was something the White House could no longer ignore in international questions.<sup>120</sup> At the same time, the same officer was starting speaking about an impending oil embargo demanding an urgent reform of the whole energy sector.<sup>121</sup> From this point of view, the Americans were studying the possibility for most oil to be controlled by hostile actors aiming at using it as a political weapon. Moreover, the State Department predicted that in the near future

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<sup>117</sup> See *James J. Blake to Mr. Smith: Thoughts on Oil*, December 21, 1971, in NARA, RG 59, A1 5677, box 6, PET 2, Oil Studies, Libya 1971, Confidential.

<sup>118</sup> See *J.R.A. Bottomley to the Permanent Under-Secretary: LONRHO and Libya*, January 5, 1972, in TNA, FCO 39/1111, *Nationalisation of BP Oil Company on Libya*, 1971 Jan. 01 - 1972 Dec. 31, NAL 16/1, part A, Secret.

<sup>119</sup> See *A.J.M. Craig to J.P. Tripp: Libya/BP*, January 31, 1972, in TNA, FCO 39/1111, NAL 16/1, part A, Confidential.

<sup>120</sup> See *Oil: Meeting at State Department*, January 5, 1972, in TNA, FCO 67/759, *Oil Affairs in United States of America*, 1972 Jan. 01 - 1972 Dec. 31, ML 304/1, Confidential.

<sup>121</sup> See R. GRAF, *Making Use of the "Oil Weapon": Western Industrialized Countries and Arab Petro-politics in 1973-1974*, in «Diplomatic History», XXX, 1, January 2012, p. 191.



black gold availability would be reduced and consumers would compete with one another to get access to it.<sup>122</sup> The problem was that such a *de facto* nationalisation, being the participation long term goal set at fifty-one per cent, would have turned the companies into mere management and marketing organisations, consequently leading to unilateral decisions on prices. According to what Kissinger reminds, the risk of expropriation was a serious obstacle to American interests, as it could turn any disagreement into a governmental dispute.<sup>123</sup>

At this point, while other producers were negotiating on participation, Libya had decided to steadily reduce production. One reason for this was the timing, as Tripoli could not afford to use all its oil revenues then, but it needed to stretch out production from its limited reserves for as long as possible, until alternate sources of income could be developed. Another reason was conservation, for a few geologists believed companies were producing too fast before 1970 and that more oil could be recovered if produced at a lower rate. Moreover, beyond the amount of oil required to generate enough revenue, oil was worth more in the ground to wait more profitable prices in the future. In fact, in May 1972 James Akins believed the world price for crude for years afterwards would be about 3.50 dollars a barrel and five or six dollars by 1980.<sup>124</sup> Interesting enough, scholars in this period argued that it could become more attractive for companies to buy crude from national oil companies rather than to produce it by themselves. This, they hoped, could finally lead to competition among national companies which would in time drive the price down. Professor Stauffer of Harvard added that the United States had to take a hard look at how much they were willing to pay for security of oil supplies. At the same time, Akins said that within five years the financial reserves of oil States would probably exceed ten billion dollars, so that a

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<sup>122</sup> See *Briefing Memorandum from the Acting Assistant Secretary of State for Economic Affairs (Katz) to the Under Secretary of State (Irwin): General Talking Points for Your Meetings with Other Agencies to Discuss the Department's Oil Study*, January 18, 1972, in NARA, RG 59, Central Files 1970-73, FSE 15 US, Confidential.

<sup>123</sup> See KISSINGER, *Years of Upheaval*, pp. 866-867.

<sup>124</sup> See *Memorandum from Warren Clark to Mr. Blake: The Incentive not to Produce Oil in Libya*, May 17, 1972, in NARA, RG 59, A1 5677, box 6, Pet 12, Production, Libya 1972, Limited Official Use.

certain number of them could afford temporary or long term restrictions to production.<sup>125</sup>

As concerned Libya's foreign attitude, we must never forget that the Americans were always looking at the Mediterranean and Middle Eastern area through the lenses of a Cold War power. Therefore, they could do nothing but welcome the fact that Qaddafi was preoccupied with Soviet influence in Egypt, Iraq, and Syria and aimed at minimising that. After the December nationalisation, the Libyans had been probably forced to sell crude to the Soviets far below the market price, but they always pursued the reduction of Russian influence in the area, while at the same time being frustrated by the lack of hostilities against Israel. Apart from this, the State Department did not really believe a procedure of nationalisation of US companies in Libya was profitable for the North African country, for production would drop sharply and might stay down for a long time if output in Persian Gulf continued at usual level. However, the threat of nationalisation could be much more successful with independents with no other production outside Libya. By reading documents like this, we realise why the Administration did not appear really hostile towards the Libyan regime. After all, the Colonel was part of a scenario where the main American purpose was always the containment of the Soviet Union and Washington's policy makers could not ignore that most of Qaddafi's public ire and concern had been recently been directed at the Soviet menace in the Levant, rather than at American arms shipments to Israel.<sup>126</sup> Finally, when considering to nationalise oil fields, government leaders were divided on the question of allowing the Soviets to help run the operations.<sup>127</sup> In a few words, George Joffé reminds us that the ideological principles leading Libya's foreign policy after the revolution were essentially two. First of all, soon after the coup the regime was following a Nasserist like path of pan-Arabism; and secondly, revolutionary Libya had to be a non aligned and anti-imperialist State. All this was quite wide spread in Arab

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<sup>125</sup> See *Memorandum from Warren Clark to James J. Blake: MEI Conference on the Outlook for US Business in the Middle East*, May 17, 1972, in NARA, RG 59, A1 5677, box 6, Petroleum Studies, Libya 1972, Limited Official Use.

<sup>126</sup> See *Memorandum from Warren Clark to Mr. Blake: Qadhafi and the Thursday Oil Meeting*, June 6, 1972, in NARA, RG 59, A1 5677, box 6, Petroleum Studies, Libya 1972, Confidential.

<sup>127</sup> See R.B. STOBAUGH, *The Oil Companies in the Crisis*, in «Daedalus», CIV, 4, *The Oil Crisis: In Perspective*, Fall 1975, p. 182.

countries and it fitted to the temper of the times. But in 1972 the cultural revolution was ushering the second stage of development, which was implemented the following year by universalising and altering both principles. In short, instead of being primarily concerned with Arab nationalism and bringing the Arab world into a single political unity, Libya began to argue for political unity alone, mainly among Muslim peoples, not only Arabs. This implied that the Libyan system be replicated and anti-imperialism be an active response to the Western-dominated world. However, it was also true that energy security interests obliged Libya to seek continuous access to international markets, without which it could not gain the economic rent on which its society depended. Therefore, Tripoli shared a parallel interest with consumers, especially from Western Europe, though the Americans supplied the necessary technology. As a matter of fact, Libyan political radicalism depended on the ability to finance the ideological experiment through abundant oil revenues, which in a way bound the country to the West.<sup>128</sup> This analysis seems corroborated by Libyan leaders' statement threatening the intention to use oil as a political weapon, though no precipitous action was on the agenda.<sup>129</sup>

It was only a question of timing, but by then everybody knew the objective was full control over the oil industry. In the meantime, Tripoli was thought to press the companies to obtain maximum financial returns. Political problems, reports said, would arise for any company doing business in Libya, but at that time the Nixon Administration did not want to change the arms supply policy towards that country, as a decision to deliver what the junta requested, such as F-5 jets, could grow their expectations and cause problems it was better to avoid.<sup>130</sup> Intelligence reports in 1972 indicated that Libya might be already preparing to nationalise one or more of the thirteen US companies working there and accounting for ninety per cent of the whole Libyan production. What was consistent with this policy was Qaddafi's dissatisfaction

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<sup>128</sup> See G. JOFFÉ, *Prodigal or Pariah? Foreign Policy in Libya*, in VANDERWALLE, *Libya since 1969*, cit., pp. 195-197.

<sup>129</sup> See *Memorandum from Robert H. Pelletreau to James J. Blake: Libya – Jallud Meeting with Oil Company Executives*, June 9, 1972, in NARA, RG 59, A1 5677, box 6, Petroleum Studies, Libya 1972, Confidential.

<sup>130</sup> See *Talking Points: US-Libyan Relations*, undated, in NARA, RG 59, A1 5677, box 6, Petroleum Studies, Libya 1972, Secret.

with American policy in the Middle East. Moreover, the fact that the Administration had authorised the Italians to sell Libya arms and ammunitions which Washington controlled through production licenses had not lessened the Libyan Government's resentment against American restrictive arms policy. However it was, the Department of State said nationalisation of the oil industry would be a severe blow to American interests, affecting a one-billion-dollar industrial sector. Loss of that oil, together with the shutdown of the Iraq Petroleum Company which had already taken place, would almost certainly force European consumers to come to terms with Libya and Iraq, thus bypassing companies and discounting any US official position, beside strengthening the path to nationalisation in other areas of the world. Particularly important, to conclude, was to avoid any linkage between arms supplies and oil policy in the Libyan mind, in order not to be blackmailed on that.<sup>131</sup> To tell the truth, the Libyan executive was already blackmailing companies, for Prime Minister Jallud said that their position was jeopardised because of the US refusal to provide arms, especially those already agreed to be sold at the times of the monarchy.<sup>132</sup>

The question by then was whether the Libyans could successfully nationalise American companies because the Europeans would be forced by supply restrictions to purchase nationalised crude. At the moment the answer was no, as the tanker and supply situation was still sufficiently flexible for Europe to get along without Libyan oil for an extended period of time. But the problem was that the Libyans were still able to nationalise for political reasons part or all of US oil companies.<sup>133</sup> In a word, the option to link energy matters to politics was much more than an idea by then. The Libyan revolutionary Government was already linking the two issues. This did not mean that the two governments did not have regular talks, during one of which Qaddafi confirmed the non-aligned position of Libya. On the other hand, he said, the junta was under

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<sup>131</sup> See *Action Memorandum from the Deputy Secretary to the Secretary: Libya – Enclosure: Memorandum for the President. US-Libyan Relations*, July 28, 1972, in NARA, RG 59, Central Files 1970-73, POL LIBYA-US, Secret, Exdis.

<sup>132</sup> See *Memorandum from Harold H. Saunders for Dr. Kissinger: Our Relationship with Libya*, August 9, 1972, in NPMP, NSC Files, Box 739, Country Files, Africa, Libya, vol. II, Secret, Sensitive, Sent for Action.

<sup>133</sup> See *Warren Clark to Mr. Blake: CIA Memorandum on "Possibilities of Disruption of World Oil Supplies through 1975"*, September 13, 1972, in NARA, RG 59, A1 5677, box 6, CIA Memorandum, Libya 1972, Confidential.

pressure to find accommodation with the Soviet Union. Referring to the theory according to which there was a Jewish-Christian conspiracy to overcome the Islamic world, the Ambassador objected to the Department of State that Qaddafi was an obsessed man, a curious mixture of the seventh century Islamic Bedouin warrior and the modern idealistic nationalist.<sup>134</sup> Only a few months later, the Colonel issued the Green Book, outlining his plans for a Muslim “cultural revolution”. Apart from critique of imperialism and the focus on Arab socialism, what stood forth was the “Third Universal Theory”, claiming that by returning to the fundamentals of Islam Libyans could lead fellow Muslims everywhere along a “Third Way” towards economic development and political change rejecting both capitalism and communism.<sup>135</sup> As a matter of fact, in late 1972 discriminatory actions were expected in Libya against American interests. Embassy reports said measures might include a special tax on oil companies, a partial boycott of American goods and services, and reduction of embassy staff. Moreover, Tripoli could press other Arab governments to follow suit and start a campaign against US interests.<sup>136</sup>

A precedent of paramount importance was set through the joint venture agreement between Libya and Agip, providing Tripoli an immediate fifty-per-cent participation share, that is twice as much as Gulf States claimed. Such a partnership allowed Libya to strengthen its position in the international petroleum industry and paved the way to other negotiations with British and American companies.<sup>137</sup> To confirm this, the military junta immediately tried to induce the Oasis Group to accept the same terms as agreed upon by ENI, that is, apart from the participation share, compensation based at net book value and the marketing of Libyan half production upon request, paying the government a price half way between the tax paid cost and the posted price. These terms were not acceptable for US companies, first of all because Persian Gulf countries were

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<sup>134</sup> See *Telegram 1699 from the Embassy in Libya to the Department of State: Farewell Conversation with Qadhafi*, October 30, 1972, in NARA, RG 59, Central Files 1970-73, POL 15-1, Libya, 301600Z, Secret, Priority.

<sup>135</sup> See D. LITTLE, *American Orientalism: The United States and the Middle East since 1945*, Chapel Hill, NC - London, The University of North Carolina Press, 2002, p. 214.

<sup>136</sup> See *Telegram 1849 from the Embassy in Libya to the Department of State*, December 7, 1972, in NARA, RG 59, Central Files 1970-73, POL Libya-US, 071456Z, Secret, Exdis.

<sup>137</sup> See *Documents on Libya-Agip 50-50 Joint Venture Deal*, in «Middle East Economic Survey», XVI, 18, February 23, 1973.

only asking for an initial twenty-five per cent share. In second place, US companies had been operating in Libya for several years by then and the net book value of their concession was much smaller than that of AGIP-ENI, which had not started production yet. Finally, the half-way price was at or above the market price and this meant that American companies would make no profit on that part of the production marketed in that way. On the other hand, ENI produced little crude of its own, making profits by refining and marketing oil, plus a preferential place in the Italian market.<sup>138</sup> Furthermore, dollar devaluation did not help, as its impact was particularly hard on a country like Libya, receiving dollars for much of its exports and mainly importing from non-dollar countries.<sup>139</sup> That was also why in mid 1973 participation at twenty-five, or even fifty per cent, was outdated for the Libyans, who were now asking for total ownership at net book value compensation. Once more, the smaller companies were practically obliged to accept, in order to avoid disruption of their supplies, while countries like France and Italy were not so reliable in collaborating with a hard line on the Anglo-American part.<sup>140</sup> To tell the truth, against the decree of nationalisation issued on June 11 by the Libyan Government, affecting for the moment only Nelson Bunker Hunt, the Nixon Administration did not adopt any tough line, as several options were regarded as too drastic. Multilateral consultations with other OECD countries were on the agenda, but this could never be worrying for the Libyans. Other measures, such as freezing Libyan assets in the United States, or suspending all exports to that country would only damage American interests and citizens still working there, beside provoking a hostile reaction. After a long discussion, the best piece of advice the American policy makers could give the President was not discouraging companies from making any reasonable agreement as they could, in order to ensure the continued flow

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<sup>138</sup> See *James J. Blake to Mr. Newson: ENI Participation Agreement with Libya*, January 15, 1973, in NARA, RG 59, A1 5677, box 6, PET 6, ENI, Libya 1973.

<sup>139</sup> See *Warren Clark to Mr. Blake: Effect of Dollar Devaluation on Oil and Gas Trade*, February 13, 1973, in NARA, RG 59, A1 5677, box 6, PET 14, Monetary, Libya 1973.

<sup>140</sup> See *The Minister for Industry to the Prime Minister: Oil Supplies from Libya*, 17 May 1973, in TNA, FCO 55/1122, *Oil Situation in Libya: Nationalisation of Assets of International Oil Companies*, 1973 Jan. 01 - 1973 Dec. 31, SMG 12/432/1, part A, Confidential.

of Libyan oil to the United States.<sup>141</sup> The juridical pretext to nationalise the small company had been that the concession had not been released to the company, but to its owner in person, which did not match national legislation.<sup>142</sup>

The risk of interruption of the oil flow was higher than ever, for two of the main exporters, that is Libya and Iraq, were on an anti-West stand, while Gulf moderate regimes were too sensitive to domestic radical pressure. What was more, we also have to bare in mind that the Arabs were obsessed with the Zionist issue and debated more and more on the political use of their oil wealth. Finally, foreign currency reserves were so many to allow them to carry on living even without energy exports, though only for a short span of time.<sup>143</sup> As concerned the United States in particular, in 1972 less than three per cent of imports came directly from Libya. Despite this, it was not possible to ignore that Libyan oil strategically affected the American balance of payments and the stability of any agreement stipulated elsewhere.<sup>144</sup> But the North African country was also a growing market for Britain, being by then the main Arab commercial partner.<sup>145</sup> At this point, there was a divergence of interests between the Administration and the companies, ready to accept ongoing price increases in order to keep access to oil supplies.<sup>146</sup> It seemed this thesis was supported by the participation agreement at fifty-one per cent signed on August 11 between Occidental Oil Company and the Libyan Government, followed five days later by the one stipulated with the Oasis Group, which included increase of price up to 4.90 dollars a barrel. What looked particularly worrying was the fact that prices and production levels would be unilaterally decided by the

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<sup>141</sup> See *James J. Blake to Mr. Newson: Libya – Contingency Planning for Oil Nationalisation*, June 15, 1973, in NARA, RG 59, A1 5677, box 6, Lot 76D261, PET 6, Bunker-Hunt, Libya 1973, Confidential.

<sup>142</sup> See *Background to Libyan Nationalization of Bunker Hunt*, June 19, 1973, in TNA, FCO 55/1122, 1973 Jan. 01 - 1973 Dec. 31, SMG 12/432/1, part A, ME/4324/A1, SWB.

<sup>143</sup> See *Memorandum by the Foreign and Commonwealth Office and Department of Trade and Industry: Cabinet Ministerial Committee on Economic Strategy: Task Force on Oil Supplies – An Assessment of the Risk of an Interruption of Oil Supplies during the Next Five Years*, July 5, 1973, in TNA, CAB 134/3609, Ministerial Committee on Economic Strategy: Task Force on Oil Supplies: Meetings 1-12, Papers 1-28, 1973 Jun. 19 - 1973 Nov. 20, ES (OT) (73), Es (OT) (73) 4, Confidential.

<sup>144</sup> See *Paper Prepared in the Department of State: The Libyan Oil Industry*, July 6, 1973, Confidential, in FRUS 1969-1976, vol. XXXVI, doc. 188, pp. 495-498.

<sup>145</sup> See *D. Wigan to J.R. Bretherton: Libyan Oil Consumption*, 25 July 1973, in TNA, FCO 55/1122, 1973 Jan. 01 - 1973 Dec. 31, SMG 12/432/1, part A, Confidential.

<sup>146</sup> See *Memorandum from Philip A. Odeen of the National Security Council Staff to the President's Assistant for National Security Affairs (Kissinger): Energy-Related Foreign Policy Objectives*, August 15, 1973, Confidential, Sent for Action, in FRUS 1969-1976, vol. XXXVI, doc. 193, pp. 523-533.

military junta, thus jeopardising all previous agreements.<sup>147</sup> Regardless of the US Government's view, Libya had already indicated to other companies that they might incur in the same kind of legislation, thus threatening an embargo of oil supplies to the United States in case of refusal.<sup>148</sup> The deadline was set on August 25 and the majors requested that the Administration at least announce that it would embargo from entry into the United States any crude illegally expropriated. However, the situation was not so simple, as any action like that, experts said, would affect the relations with other producers. And then, it could not be taken for granted that the Europeans would prevent Libyan oil from entering their own market, keeping in mind certain countries' dependence on Libyan low-sulphur crude.<sup>149</sup> Moreover, from a legal point of view it was argued that such a measure had no precedent, as it had been applied mainly to alien enemy property and communist trade transactions, while at the same time the trend was to liberalise imports, not to restrict them, especially those referring to low-sulphur crude the United States needed as well.<sup>150</sup>

On September 1, 1973, Qaddafi had another nationalisation decree issued, this time concerning natural gas and derivatives of five major and several lesser companies.<sup>151</sup> Curiously enough, seven months after that day, Hunt Vice President, Schuler, testified before the US Senate that the collapse of the old concession system in Libya had not resulted from actions by the major oil companies. Rather, he said, they had been willing to live up to their obligations far more readily than the independents. To tell the truth,

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<sup>147</sup> See *C.M. Cruickshank to C.W. Roberts: Libyan Moves against the Oil Companies*, 16 August 1973, in TNA, PREM 15/1837, *International Oil: Setting Up of Carrington Task Force To Deal with Possible Interruptions in Oil Supplies, particularly from Libya; Parts 3 and 4*, 1973 Jun. 06 - 1973 Oct. 11, Confidential.

<sup>148</sup> See *Memorandum from George M. Lane to Mr. Bensusky: Libyan Oil Negotiations*, August 22, 1973, in NARA, RG 59, A1 5677, box 6, PET Negotiations Sept. thru December, Libya, Confidential, GDS.

<sup>149</sup> See *Memorandum for Mr. Peter Flanigan, the White House: Pros and Cons of United States Government Embargo of Oil Nationalized by Libya*, August 22, 1973, in NARA, RG 59, A1 5677, box 6, PET Negotiations Sept. thru December, Libya, Secret.

<sup>150</sup> See *Legal Authority to Prohibit Imports of Libyan Oil*, August 22, 1973, in NARA, RG 59, A1 5677, box 6, PET Negotiations Sept. thru December, Libya.

<sup>151</sup> See *S.L. Egerton to N. Williams: 51% Nationalisation Decree of 1 September 1973*, 5 September 1973, in FCO 93/30, *Nationalisation of Assets of Oil Companies in Libya*, 1973 Jan. 01 - 1973 Dec. 31, NFB 12/1, part C, Confidential.



no other course was left open to foreign corporation in Libya.<sup>152</sup> At this point, it was obvious for American intelligence to debate about the possibility of an oil embargo, but such an option was always regarded as extremely unlikely, except in case of another Arab-Israeli conflict. But the CIA excluded this event for another two or three years! Besides, an embargo against European countries with a neutral, if not pro-Arab posture, was considered even less probable. The most plausible hypothesis, instead, was that in the future Qaddafi might implement a total embargo against the United States, though none of the two countries would be seriously harmed.<sup>153</sup>

### *Conclusions*

A few days after the nationalisation decree, almost all majors made public their calls for arbitration in accordance with former concession agreements, on grounds that the new piece of legislation would cause them even more trouble elsewhere. However, everything was useless, as in late September the government announced the setting up of committees to discuss compensation. As a matter of fact, this apparent carrot served as confirmation that the nationalisation was now irreversible. At last, the companies had to accept the new situation, pressed as they were by the Libyans and in some cases by their own national authorities. Nevertheless, the British still observed that Libyan oil policy had been up to then economically, rather than politically motivated. Qaddafi himself said that the September 1 decree had had only the purpose to break the power of foreign monopolies in Libya and gain control of national assets and resources, thus ensuring a genuine non aligned position. At the same time, however, he added that the political use of oil would be next in Libya's foreign policy, while Jallud had stated that oil was a legitimate weapon in the Arab fight against colonialism. Although British

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<sup>152</sup> See B.H. WALL, *Growth in a Changing Environment: A History of Standard Oil Company (New Jersey) 1950-1972 and Exxon Corporation 1972-1975*, New York, McGraw-Hill Book Company, 1988, p. 843.

<sup>153</sup> See *Paper Prepared in the Office of Economic Research, Central Intelligence Agency: Probability of Events Resulting in a Reduction of Middle East Oil Supplies to the United States*, September 1973, Confidential, in FRUS 1969-1976, vol. XXXVI, doc. 206, pp. 563-565.

analysts still thought that the Mediterranean country could not afford a long and total interruption of crude supplies, a political gesture could no longer be excluded, either to teach the Americans a lesson, or to regain the initiative in oil matters from the moderates.<sup>154</sup> As concerned American companies, they were practically obliged to accept the terms of the participation agreement, as the Administration did not think it was profitable to make public the note sent to the Libyan Government denouncing the takeover. In fact, we can read on the newly declassified records that, while companies' representatives thought it was then the time to put maximum pressure to the Libyans to persuade them to reach an agreement with foreign corporations, Department of State policy makers affirmed that any sort of public action by the White House was more likely to push the Libyans and Arab public opinion towards even more damaging steps against the companies. According to the documentation available, the truth is that the Americans did not regard the Libyan regime as irrational. It had already been demonstrated that a compromise was always possible in private government-company negotiations, and this was much more likely in absence of US public pressure. After all, if the companies wanted to carry on doing business in Libya, it was better for them to avoid any public interference by Washington and not to narrow their chances to reach acceptable compromises.<sup>155</sup> However, the contrary was also true, since at first President Nixon raised the spectre of Mossadeq, warning Libya that oil without a market did not do a country much good. This time the companies had to inform the President that the good old days had gone and Libyan production was not so easy to replace.<sup>156</sup>

Through the accomplishment of the *de facto* nationalisation of the oil industry, and on the eve of the Yom Kippur War and the consequent quadrupling of prices associated to the oil embargo, Libya stood at an important crossroads. Qaddafi and the RCC seemed

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<sup>154</sup> See *The British Chargé d'Affaires at Tripoli to the Secretary of State for Foreign and Commonwealth Affairs - Diplomatic Report No. 458/73: Libyan Oil. Events and Policies May 1972-15 October 1973*, 16 October 1973, in TNA, FCO 93/31, *Nationalisation of Oil Companies in Libya*, 1973 Jan. 01 - 1973 Dec. 31, NFB 12/1, part D, Confidential.

<sup>155</sup> See *Memorandum from Gorge M. Lane to Mr. Blake: Libyan Oil Negotiations – Reasons why the Department Should not Release the Text of the Note to the LARG or Make a Public Statement on This Subject*, September 17, 1973, in NARA, RG 59, A1 5677, box 6, PET Negotiations Sept. thru December, Libya.

<sup>156</sup> See S.J. KOBRIN, *Diffusion as an Explanation of Oil Nationalization: Or the Domino Effect Rides again*, in «The Journal of Conflict Resolution», XXIX, 1, March 1985, p. 25.

really interested in mobilising the population for the country's political and economic development and in pursuing a long term economic policy. Moreover, they had almost overnight come into possession of the physical and economic resources allowing them to extraordinarily shape the process. The revolutionary regime aimed also at putting the State in charge of all economic activity, thus assuming the leadership among Arab radical regimes and competing within OPEC with Gulf producers.<sup>157</sup> What happened between 1970 and 1973 in Libya clearly demonstrated the extent of structural change that had taken place in the oil industry and which reduced uncertainties for producing countries. First of all, strategic control replaced revenue as their primary objective and increased the probability of country-company conflict. Secondly, technological, administrative and managerial skills of producers enormously increased along with access to sharing of information and expertise. The Libyans had also been clever to court independent companies for the initial explorations and development of their territory and recognising their bargaining power was much easier with them than with the majors.<sup>158</sup>

In conclusion, recently declassified records show that the young Libyan dictator did not receive any tough opposition by the Nixon Administration during his first years in power. After all, the Americans had accepted that producers acquire control of their natural resources, and all they regarded as primarily strategic was continued access to Middle Eastern energy sources. Though an oil embargo was taken into consideration in all intelligence studies and reports, it had always been estimated as an extremely remote possibility. Moreover, the West hoped that Qaddafi would become a stronghold against a possible Soviet expansion, or at least a limit to Russian influence in the area at issue. Therefore, it became important not to provoke the susceptibility of the regime. None of the records analysed for this research has given evidence that the Nixon Administration had the intention to harm the newly born Arab Republic and even the socialist society Qaddafi was setting up did not represent at first a threat to American interests. After all, US and Western companies in general were never expelled from Libya, whose market

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<sup>157</sup> See VANDEWALLE, *Libya's Revolution in Perspective*, p. 17.

<sup>158</sup> See KOBRIN, *Diffusion as an Explanation of Oil Nationalization*, pp. 17-24.

was growing more and more towards Western Europe, while American technology and capitals were never replaced with those of the Soviet Union. In a few words, the records say that the White House did not change the assessment of the first days of the revolution. The republican regime had been immediately recognised and, though well placed in the radical field and clearly anti-imperialist and anti-Zionist, a break of diplomatic relations was never contemplated. Each time someone suggested a course of action rather hostile to the Libyans, such as retaliation against the military's aggressive policies and threats to Israel, this option was always excluded as non profitable to American interests. All this shows that in the first four years of the revolution the Americans were trying to "contain" Qaddafi's regime within the orbit of an economic challenge in the oil market, while taking advantage of his ideology to build a dam against the Soviets, who were the real target of Nixon's Twin Pillars Policy.

