

1941-1946, Saudi Arabia: The Making of a U.S. Colony

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The history of American expansion and British imperial retreat in the Middle East begins in Hasa, on Arabia's eastern shore, and World War II represents a turning point. The exigencies of the war obliged Churchill's government to accede to American policies in the region in return for U.S. support. In the face of the power of American capital, the administrators of the British empire, from Cairo to Teheran, desperately sought measures to insulate and preserve residual political prerogatives. Nowhere else in the region were British illusions of limiting the U.S. advance shattered so abruptly and thoroughly as in Arabia.

The arrival of American oil hands, construction managers, and Air Force personnel and their families in the 1940s spelled the beginning of the eclipse of the British in Saudi Arabia, though they were still ensconced in Bahrain and Kuwait. Thousands of Americans and their families began migrating to the Hasa coast of Arabia, where the U.S. government had assisted Aramco in building the kingdom's first major refinery as an emergency war measure. A U.S. Air Force base was under construction in Dhahran. Transworld Airlines flew the King's planes under contract and organized the kingdom's national airlines. ITT ended the British imperial communications monopoly. California's Bechtel Brothers' firm operated country-wide as the kingdom's de facto public works department. And the Roosevelt administration began to pay the Al Sa'ud family and to arm and train their warriors.

The landscape of power in the peninsula was undergoing dramatic transformation. Aramco, the producing subsidiary owned jointly by Socal (later Chevron) and the Texas Company (Texaco), had just started shipping oil in commercial quantities when the war began.

The massive paper trail left by outraged British officials gives accounts of U.S. "economic imperialism" that are at times indistinguishable from those of later Ba'athists and Nasserists. Grafftey-Smith pleaded to the British government to resist the surrender to U.S. power: "This is not Panama or San Salvador." But it the Roosevelt administration's funding and arming of the Saudis that serves as the measure of the changing imperial order.



Pres. Franklin D. Roosevelt

"Roosevelt received him [British ambassador Lord Halifax] at the White House. Their discussion focused on the Middle East. Trying to allay Halifax's apprehension and irritation, Roosevelt showed the ambassador a rough sketch he had made of the Middle East. Persian oil, he told the ambassador, is yours. We share the oil of Iraq and Kuwait. As for Saudi Arabian oil, it is ours."

Daniel Yergin, *The Prize: The Epic Quest for Oil, Money & Power*, 1991.

"The whole people are saying that my country is an American colony. They are plotting against me and saying Ibn Sa'ud has given his country to the United States, even the Holy Places. They are talking against me. I have nothing, and my country and my wealth I have delivered into the hands of America."

Memorandum of conversation with His Majesty Ibn Saud, Childs to State, 22 April 1948. Enclosure no.3, RG 59, 890F.20/ 4-2948.



King 'Abd al 'Aziz Ibn Sa'ud

The starting point of every account of Anglo-American rivalry in the kingdom was Aramco's original appeal to the Roosevelt administration in April 1941 to loan \$6 million to the Saudi King 'Abd al-'Aziz Ibn Sa'ud. Once commercial sales of oil had begun, Aramco advanced the king royalties according to an agreed-upon schedule. And the company turned to the U.S. state to absorb a major share of this additional cost.

The stages in the process whereby the American state replaced the British one as the patron of the Al Sa'ud royal family and protector of their domains are well known. The company's original proposal was direct to Roosevelt through James Moffett, the president's friend, a big-time advisor on oil matters and chairman of the board of the Bahrain Petroleum Company, another holding of the same firms that owned Aramco. Although President Franklin Roosevelt endorsed the idea, his counsel feared a political backlash, which led the White House ultimately to channel \$10 million to Ibn Sa'ud in 1941-1942 as part of its \$425 million

wartime loan to Britain.

While ARAMCO trod cautiously, aware that they were paying out less than they might had the Saudi state been better informed about agreements in place elsewhere, they renewed their campaign for direct U.S. aid to the king. In February 1943, Roosevelt authorized direct Lend-Lease aid to the Al Sa'ud family. This marked the twilight of British power in Arabia. The British were too dependent on the U.S. to oppose their entry into the Gulf and too stretched to match resources at the New Dealers' command.

The U.S. government delivered \$18 million in goods and services over the next two years as its share of a joint Anglo-American economic and military assistance program. British efforts to reduce these sums, ostensibly in order to discipline their client in Arabia, led the Americans to raise them and downplay the need for reform. It is impossible to calculate how many millions of Lend-Lease dollars were squandered. The Dhahran Airport was built with public funds, while vital shipping space and materials were made available for the company's ultimate benefit. This was a deal sweetened by the long-term contracts for oil signed with Secretary of the Navy James Forrestal, a onetime lawyer for Texaco, at prices 20% above the world market.

A real and increasingly heated contest between the U.S. State Department and the British Foreign Office took place in the latter part of the war. This war within the war began in Cairo, which was the center of Allied military and economic operations, but soon spread to Jidda. Americans like Alexander Kirk, the ambassador in Cairo, James Landis, the hard-drinking New Deal lawyer who represented the U.S. inside the Middle East Supply Center, James Moose,

the first U.S. minister to Saudi Arabia, and his successor Bill Eddy led the charge against British neocolonialism, and their counterparts, notably the senior minister in Jidda, Stanley Jordan, battled zealously to defend Arab clients against the tightening American stranglehold.

By 1945, Laurence Grafftey-Smith, Britain's newly-arrived minister, described the Saudi kingdom as turning into a "virtual protectorate" of America. The State Department's own economists were producing scathing critiques of the tortured logic that underpinned the government's burgeoning aid program for Ibn Sa'ud. Assistant Secretary of State Will Clayton, the Houston cotton merchant turned New Dealer, used these as the basis for opposing Aramco's rent-seeking. Given the oil firms' great wealth and the projection of the profits beginning to flow from the Saudi concession, there seemed little compelling reason why the U.S. state and not the company should have been underwriting the chronic deficits of the Al Sa'ud.

The U.S. government replaced Britain as sole protector of the Al Sa'ud in 1946, taking over a role that dated back to the days of the Ottoman Empire. Ibn Sa'ud had little choice, given the position of his kingdom in the regional and global orders. Placed in its diminished context, his independence was limited to bargaining on the terms of the Dhahran base, and the postwar loans and Export-Import Bank credits. But the Americans refused the king's pleas for a treaty that would make American defense of the Al Sa'ud more reliable.

Source: Excerpts from "Black Gold, White Crude: An Essay on American Exceptionalism, Hierarchy, and Hegemony in the Gulf," *Diplomatic History*, Spring 2002.

Feb. 14, 1945: The Saudi-American love affair

The cornerstone of U.S. policy for the Middle East is the understanding reached between President Roosevelt and King Ibn Sa'ud on the USS Quincy in the Suez Canal on February 14, 1945. Although Prime Minister Churchill was unaware and would have been appalled at the idea, the Quincy meeting initiated the transfer of the region from the British to the U.S. sphere of influence, an unruly and haphazard process that took three decades. Roosevelt's implicit extension of a security guarantee to the Saudi monarchy, in return for preferred access to Saudi oil, has been reaffirmed by every U.S. administration since then.

During the ensuing decades, American policy has crystallized around three basic objectives:

- (1) To preserve Western hegemony over the region whose strategic importance to the defense of Europe had been recognized since the time of Napoleon.
- (2) To ensure affordable access to Middle East oil.
- (3) To ensure the security of state of Israel.

In recent days, U. S. policy has also taken on as a fundamental aim the suppression of anti-American terrorism.

Source: Curtis F. Jones, *The American Burden of Hegemony in the Middle East* <www.unc.edu/depts/diplomat/archives_roll/2001_10-12/jones_mideast/jones_mideast.html>



Ibn Sa'ud and FDR forged their Valentine's Day agreement.

"The trouble with this country is that you can't win an election without the oil bloc, and you can't govern with it."
Franklin D. Roosevelt.

In 1945, a U.S. state department memorandum described Saudi Arabia's oil resources as:

"a stupendous source of strategic power, and one of the greatest material prizes in world history."

"An honest and scrupulous man in the oil business is so rare as to rank as a museum piece."

Harold Ickes, U.S. Petroleum Administrator for War during World War II.