The Black Chimera: West Germany and the Scramble for Arab Oil, 1957-1974

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Abstract of the dissertation

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Gelsenberg Chairman Walter Cipa proclaimed in 1969 that the company's recent successes in Libya had been pivotal. "Even as a latecomer," he averred, "we have a real chance to take part in the international oil trade." Indeed, there was reason for such optimism. Gelsenberg's fields in Libya were the most productive sources any German company had claimed outside of Europe. Although speaking primarily of his own company's growing production, this statement also reveals much about the fortunes of the German petroleum sector from the 1950s through 1974. The Federal Republic had been slow to fully engage in the upstream (exploration and production) sector of the international oil trade. Unsurprisingly, German independents – receiving only belated and moderate support from successive social market-oriented administrations – encountered few early successes expanding into an Arab world that was proving increasingly petroleum rich, but whose fields had already been claimed by the major internationals. By the end of the 1960s, the Federal Republic seemed to be closing in on its last, best prospects to secure any meaningful degree of energy autonomy.

This dissertation traces the West German pursuit of Arab oil from the first promising discoveries of Deutsche Erdöl AG in Syria and the Gelsenberg-Mobil Oil consortium in Libya in 1959 through the price, production, and geopolitical turbulence that would culminate in the 1973/4 oil shock. As the only German companies with proven foreign sources, DEA and Gelsenberg were crucial agents of national foreign oil policy, even as a liberal energy policy left these often risky ventures to private investment and management. In analyzing these particular enterprises, this study argues that the German quest for petroleum security failed in its objective of establishing a major German-controlled petroleum source base in the Arab world. This goal was a black chimera – frequently glimpsed, but ultimately a figment. In the end, however, it was also unnecessary for a Germany already deeply enmeshed in an interdependent and global network of oil sources, companies, states, and markets that functioned as both a cause of and counter to periodic petro-economic crises.

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List of Abbreviations

AGIP = Aziendi Generale Italiana Petroliche

Aramco = Arabian American Oil Company

BAK = Bundesarchiv Koblenz

BASF = Badische Anlin- und Sodafabrik

BBA = Deutsches Bergbau-Museum Bochum/Bergbau-Archiv

BP = British Petroleum

BMWi = Federal Ministry of Economics

BMZ = Federal Ministry of Economic Development and Cooperation

CDU = Christian Democratic Union

CENTO = Central Treaty Organization

CFP = Compagnie Française des Pétroles

Conoco = Continental Oil and Transportation Company

DEA = Deutsche Erdöl AG

Deminex = Deutsche Mineralöl Explorations Gesellschaft

DM = Deutsche Mark

DoS = Department of State

ECSC = European Coal and Steel Community

EEC = European Economic Community

ENI = Ente Nazionale Idrocarburi

EPSA= Exploration and Production Service Agreement

Esso = Standard Oil of New Jersey

FRG = Federal Republic of Germany

GBAG = Gelsenkirchener Bergwerks AG

GDR = German Democtatic Republic

GPA = General Petroleum Authority

HK RWE = Historisches Konzernarchiv RWE

ICP = Iraq Petroleum Company

IFP = Insitut Français du Pétrole

IEA = International Energy Agency

IMA = Interministerial Committee

KfW = Kreditanstalt fur Wiederaufbau

Lipetco = Libyan Petroleum Company

LNG = Liquified Natural Gas

LNOC = Libyan National Oil Company

MENA = Middle East and North Africa

Montan.dok = Montanhistorisches Dokumentationszentrum

NAM = Non-Aligned Movement

NARA = National Archives and Records Administration

NATO = North Atlantic Treaty Organization

NCR = Non-Capitalist Road to Development

NRCC = National Revolutionary Command Council

OAPEC = Organization of Arab Petroleum Exporting Countries

ÖMV = Österreichische Mineralölverwaltung AG

OPEC = Organization of Petroleum Exporting Countries

PAAA = Politisches Archiv des Auswärtigen Amts

PLO = Palestinian Liberation Organization

Prakla = Gesellschaft für Praktische Lagerstättenforschung GmbH

RCC = Revolutionary Command Council

RWE = Rheinisch-Westfälisches Elektrizitätswerk AG

SCP = Syrian Communist Party

SPD = Social-Democratic Party of Germany

UAR = United Arab Republic

UN = United Nations

Veba = Vereinigte Elektrizitäts- und Bergwerks AG

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First and foremost, I would like to offer my most heartfelt gratitude to my advisors, Young-Sun Hong and Larry Frohman, as well as my committee members Gary Marker and Rüdiger Graf. In 2009, Professor Hong looked favorably on an application from a prospective graduate student who expressed an interest in the political and cultural history of the Weimar Republic, but had a much stronger background in the classics. Her acceptance came, however, as she was preparing to embark on a year-long research trip abroad. In her stead, Professor Marker and Professor Frohman stepped up and guided me through my first year of intensive historical study. And, they have been critical to this dissertation project ever since. Professor Frohman in particular has read draft after draft of these chapters and offered appropriately blunt and invaluable feedback. They have all watched as (and Professors Hong and Frohman have actively guided) my research interests as they morphed from rationalization in Weimar Germany to inter- and postwar Eurafrikan planning to the study below. I thank them for their help, encouragement, criticism, and, above all, patience. I would also like to thank Dr. Graf. His work was an early inspiration to my own. And, since our first meeting in Berlin in 2014, his insights, edits, and advice have played a fundamental role in helping shape this project. Thank you all for your efforts over the last few years. I would never have completed this without you.

This dissertation would not have been possible, moreover, without the numerous institutions that saw promise in and subsidized my research from the very beginning. The Council for European Studies granted me a pre-dissertation research fellowship that brought me to Germany for a summer to perform exploratory research in at the *Politisches Archiv des Auswärtigen Amts* (PAAA) in Berlin and the *Bundesarchiv* in Koblenz. (I also conducted exploratory research at the *Bundesarchiv* in Berlin and the *Deutsches Museum* in Munich, the fruits of which, unfortunately, did not make it into this study). Coupled with a spot in Archival Summer in Germany program organized by the German Historical Institution (GHI), this proved a very productive summer. The GHI likewise offered the generous support of a Short-Term Doctoral Fellowship to bring me to Washington, DC, to research at the National Archives and Records Administration in College Park, MD as well as the Library of Congress and the GHI itself in the capital. The bulk of my research in Germany was conducted through the Berlin Program for Advanced German and European Studies which allowed me to spend considerable time at the PAAA and *Staatsbibliothek* in Berlin and the *Bundesarchiv* in Koblenz. In addition, it enabled me to visit the *Historisches Konzernarchiv RWE* in Essen and the *Bergbau-Archiv* in Bochum. I would like to extend particular gratitude to Hans-Georg Thomas at the former and Brigitte Kikillus and Gudrun Neuman at the latter for facilitating my visits and helping me navigate the unfamiliar archival terrain. A generous Bernard Semmel Memorial Dissertation Award granted by the Stony Brook University History Department likewise facilitated follow up research Bochum and Koblenz. In addition, I would like to acknowledge the numerous libraries that have granted me access to their unique collections of periodicals and out-of-print materials as well as rare academic books that would otherwise have remained out of reach. These include the *Staatsbibliothek zu Berlin*, the New York Public Library, and the Library of Congress, in addition to the libraries of Stony Brook University, Ohio State University, the *Freie Universität Berlin*, and the OhioLink services provided by Clark State Community College.

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I would also like to thank my family. Since I can remember, my parents, Bill and Robin, have offered unwavering support and encouragement. That is, even as I was drifting between continents and jobs after graduating college until I eventually found a temporary home at the *Museum of Jewish Heritage: A Living Memorial to the Holocaust*. (For that, I owe an enormous thanks to Elizabeth Edelstein, Director of the Education Department). I would also like to thank my grandfather who recently turned 90 and has been yet another source of encouragement throughout this whole process. My brother and sister-in-law, Bill and Crystal, have likewise helped me along the way, particularly hosting and tolerating me for a month as I researched in Washington, DC. Finally, I would like to thank my wife, Sarah, who has read drafts of much of the work included here and born the burden of editing my most grammatically, syntactically, and logically abstruse early drafts. She has also been my primary source of stability and support, clear-headedness and encouragement, and, overall, just a perfect partner. Thank you, Sarah.

Introduction: The Postwar Condition: Germany and the Prospects of Petro-modernity

Even as a Latecomer: The Postwar Path to Energy Security in an Interdependent World

Celebrating Gelsenberg AG's recent successes in Libyan oil fields, Chairman Walter Cipa proclaimed in 1969 that "Even as a latecomer, we have a real chance to take part in the international oil trade."[1] Indeed, Cipa had reason to be express such an optimistic sentiment at the turn of the 1960s. In cooperation with Mobil Oil, his company had secured several major concessions in Libya producing in aggregate over 96 million barrels of crude per year. Nearly 34 million of this was Gelsenberg's own take and a major portion of the remainder flowed into the Gelsenberg and Mobil network of refineries throughout West Germany.[2] A company whose prewar roots ran deeply into the ailing coal industry, Gelsenberg could truly tout this as a major accomplishment for a newcomer to the international petroleum trade.

Had things worked out as policy makers and the company had hoped, Gelsenberg would have been the first of several German companies to meet such success so late in the game. For one, the Deutsche Erdöl AG (DEA), another German firm with deeper roots in oil exploitation, hoped to replicate Mobil-Gelsenberg's success in the country in consortia with German independents Wintershall AG and Gewerkschaft Elwerath rather than major internationals. DEA, in fact, had more experience both in the domestic oil sector and in the Arab world. To the extent that all German companies were latecomers to the global petroleum upstream, DEA was the most seasoned among them. And, its one flirtation with a moderately valuated but, in foreign and energy political terms, important discovery in Syria in 1959 – the very same year that Mobil drillers struck oil in Ama - shows

[1] "Erdöl: Groβe Unbekannte", *Der Spiegel*, (37/1969), September 1969, 109.

[2] Statistics from: Crude Oil Exports by Companies, Table No. 17, Airgram, Stein, No. A-48, December 15, 1975, Subject: Petroleum Statistics, Libya: National Archive and Records Administration (NARA) RG59 CFPF LIBYA B 198D. The Gelsenberg take is self-calculated based on Gelsenberg AG, Geschaeftsjahr Berichte, 1969: Montanhistorisches Dokumentationszentrum (montan.dok) beim Deutschen Bergbau-Museum Bochum/Bergbau-Archiv (BBA) 55/857.

just how seasoned to the geopolitics of petroleum contracts and flows it had become. DEA's story of competing claims to contractual validity and resource sovereignty, western interests and Soviet investment, and German expertise and Ba'thist politics in the early 1960's, in a sense, forebodes the sharp turn Gelsenberg's venture would take after the September 1969 coup in Libya. Indeed, as this dissertation shows, DEA's and Gelsenberg's experiences throughout the period of petroleum's rise to preeminence in West Germany's energy economy give insight into more than mere business ventures. Instead, as private sector agents of federal policies aimed simultaneously at navigating often treacherous North-South and East-West geopolitical terrain and securing a major foreign source base of crude for use in the German metropole, these companies were at the forefront of German foreign energy pursuits. Therefore, their plights, failures, and successes were not those of the companies alone, but instead reflected on the strengths and weaknesses of German petro-policy. Just as the turn from coal to petroleum was a turn from domestic autarky to foreign feedstock dependency, so too were the German petro-ventures in the Arab world nodes in West Germany's path into the global petroleum trade and, through that, the globalizing western economy.

Cipa's statement above, of course, speaks most immediately to the Gelsenberg Libya venture. As the only German oil-company to have secured access to a sizeable and economically exploitable petroleum deposits abroad, however, his proclamation about the potential of Gelsenberg's growing involvement in Libya cannot be understood apart from the broader German industry for which his company was blazing a liquid hydrocarbon trail. Taking the Gelsenberg and DEA ventures as their its focal point, this dissertation follows the West German quest for Arab petroleum from the evolving energy and political-economic situation of postwar Germany to the sometimes turbulent energy and political-economic conditions of postcolonial Libya and Syria. In doing so, it argues that these ventures were critical not just for reasons of economic and energy security, but for symbolic and propagandistic purposes meant to establish West Germany as *the* singular Germany in the Arab world. Both of these objectives were, of course, contested by the German Democratic Republic (GDR) and the Soviets as well as the countries and populations of the

Arab world. In the end, West Germany's quest for energy autonomy and security clashed with growing Syrian, Libyan, and, more broadly, Arab claims for resource sovereignty, more equitable economic distribution, and regional Arab self-determination. As the companies and Foreign and Economic Ministries of the Federal Republic struggled to come to terms with this, the role of Gelsenberg in particular changed from that of facilitator of petroleum flows to protector of West Germany's shrinking presence in a radicalizing Libya. That is, even as its own production constituted a decreasing portion of West Germany's petroleum imports.

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From Coal-Based Autarky to the Global Oil Trade

The Second World War was catastrophic for the German economy and industry. The lead up to the war involved the complete mobilization of production toward the war effort as well as a reorientation of trade from western Europe and the United States toward eastern Europe. As Adam Tooze has shown, this reliance on eastern trade proved a critical link in a chain of foreign currency and commodity circulation intended to create a German hegemonic sphere to counter those of the Americans, British, and Soviets.[3] This redirection away from the capitalist West, however, was not just a question of economic competition. The foreign currency crisis that precipitated the eastward turn was itself a partial product of growing domestic demand for petroleum products such as gasoline and synthetic rubber.[4] Petroleum, however, was in short supply. Bituminous coals and lignite, however, were in abundance.[5] Dependent on these latter locally sourced hydrocarbons for ninety percent of its total energy, German industry had pumped masses of resources into intensifying the exploitation of coal rather than diversifying the country's natural resource base through foreign

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[3]For an in depth study of pre-1936 Nazi economic policy as directed toward Eastern Europe, see Part I in Adam Tooze, *The Wages of Destruction: The Making and Breaking of the Nazi Economy* (New York: Penguin Books, 2008), 37-202.

[4]Thomas Parke Hughes, "Technological Momentum in History: Hydrogenation in Germany, 1898-1933," *Past & Present*, No. 44 (Aug. 1969), 116-7.

[5]As Hughes notes, these deposits far exceeded what interwar German demand required. By 1933, 20 percent of global black coal and seventy-five of brown coal came from Germany. Hughes, 116.

trade. It had already met notable success in the Bergius liquefaction process the year before the outbreak of the First World War.[6] Capitalizing on the process, Carl Bosch of Badische Anlin- und Sodafabrik (BASF) embarked on constructing a factory at Leuna dedicated to coal hydrogenation. Despite early successes,[7] the economics of the venture remained uncertain particularly in the face of falling world oil prices. The project wavered in financial limbo until a succession of events that would prove fateful to the turn to militaristic autarky - a 1932 meeting in Munich between representatives of IG Farben and Adolf Hitler, the Nazi *Machtergreifung* of the following year, and the inauguration of the Four-Year Plan in 1936 – made synthetics a central pillar of German rearmament. By the time rearmament turned into martial aggression with the forced secessions of Austria and Czechoslovakia in 1938 and the invasion of Poland in September 1939, Germany's synthetic industry had grown by a factor of six.[8] Still, hydrogenated coal remained a second-rate substitute for its petroleous cousin.

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[6] In 1913, Friedrich Bergius had discovered a method of liquefying coal known as hydrogenation. According to this process, coal was combined with hydrogen and a catalyst under high heat and pressure. Able to produce jet fuel among other products, the Bergius process provided the basis of *Leunawerke*'s synthesizing operations. In the mid-1920s, chemists Franz Fischer and Hans Tropsch discovered a competing method, which employed steam to break down coal-derived coke into its primary components, including hydrogen and carbon-monoxide. When reacted together at the proper temperature and pressure, products convertible into synthetic gasoline resulted. Nazi energy policy favored the Bergius process to the Fischer-Tropsch process, however, in large part due to the high quality products the former produced and the high material inputs the latter required. For two interesting, article-length studies of the role of synthetics in the Nazi energy economy, see: Hughes, 106-132; Raymond Stokes, "The Oil Industry in Nazi Germany, 1936-1945," *The Business History Review,* Vol. 59, No. 2 (1985), 254-277.

[7] After praising the potential of coal-hydrogenation "not only for Germany, but for all who, poor in oil, would become slaves of the oil-masters," Zischka explained a bleak situation: "England, America, and Russia have in hand all of the important natural oil sources. With its chemical sources, Germany can become a weight against power hunger of the others, can force peace, where previously there was nothing but struggle, predation, intrigue, open and secret war. Through Germany the history of oil can become an epoch of progress, instead of the thriller (*Schauerroman*) that it always is, instead of the bloody drama that would spark innumerable wars, that indiscriminately crushes men, enslaves countries." Anton Zischka, *Der Kampf um die Weltmacht Öl* (Leipzig: Wilhelm Goldmann Verlag, 1934), 13-4. He would later revisit and reaffirm his critique of the relationship between petroleum, imperial expansion, economic struggle, and military conflict in: *Ölkrieg: Wandlung der Weltmacht Öl* (Leipzig: Wilhelm Goldmann Verlag, 1939).

[8] This growth in synthetic production came almost exclusively from domestic development. By 1939 Germany housed fourteen operative hydrogenation plants and was in the process of building four others. The following year, hydrogenated coal constituted 46 percent of German oil consumption. Moreover, 95 percent of aviation fuel was generated through hydrogenation. Daniel Yergin, *The Prize: The Epic Quest for Oil, Money, and Power* (New York: Free Press, 2009), 316.

Energy inputs into the hydrogenation process remained too high to compete with those into crude oil refinement. Coal-based synthetics, meanwhile, were consistently inferior to petroleum-derived products in terms of performance and price. Although these limitations posed only modest obstacles in the invasions of Poland, the Benelux countries, and France, they placed considerable constraints on Nazi plans for expansion as the war intensified. Overcoming these deficiencies through military – rather than just technological – triumphs quickly became a primary objective of Germany's military policies in the European East and the largely Arab Middle East and North Africa (MENA).

The ultimate goals of the invasion of the Soviet Union and French and British North Africa in 1941 were not just securing *Lebensraum*, and, its mid-century corollary, the extermination of the Jews (and Gypsies and ultimately Slavs). The intent, moreover, was not only to eradicate the eastern communist threat, uproot British and French imperialism, and reorient the global balance of power along a Japanese-German-Italian geopolitical axis.   More immediately, the oil of Maikop, Grozny, and Baku as well as the British-administered Suez Canal – a crucial crossroads in the path to Baku itself and *the* gateway to the rich oil fields of Iraq and Iran – were among the most critical strategic objectives. These fields became even more crucial as the war began to spiral out of Nazi control in the face of Great Britain's continued intransigence, the US's entry into the war, and the USSR's tenacious resistance to the German invasion. In many ways, petroleum provided the backbone to this resistance. It also, served as that ever-elusive but dangerously accessible prize for which Germany strove. [9]

After several years of expansionary success, the German military and the supplies of coal that fueled it soon showed themselves overstretched. The tides were turning for want of oil. In

[9]See: Dietrich Eichholtz and Titus Kockel, *Deutsche Ölpolitik im Zeitalter der Weltkriege: Studien und Dokumente* (Leipzig: Leipziger Uni Verlag, 2010); Titus Kockel, *Deutsche Ölpolitik 1928-1938* (München: Oldenbourg Akademieverlag, 2005). For more concise accounts, see: Rainer Karlsch and Raymond Stokes, *Faktor Öl: Die Mineralölwirtschaft in Deutschland, 1859-1974* (München: C.H. Beck, 2003), 171-246; Yergin, 311-332, 350-370.

February 1943, Soviet forces repelled the Wehrmacht from Stalingrad, protecting critical fields bordering the Caspian Sea. Having lost the Second Battle of El Alamein at the end of 1942, the remnants of the Deutsche Afrikakorps had likewise been driven from their last stronghold in Tunisia by May. Despite the deepening exploitation of domestic coal, the war's momentum steadily turned against the German cause. The Allies recognized the lack of petroleum and the reliance on synthetics as a critical vulnerability and, emboldened by the Nazi retreats, embarked on a bombing campaign in 1944 that destroyed the Leunawerke and other hydrogenation plants and left the synthetics industry in ruins.[10] By 1945, synthetic production had fallen to three percent of its wartime peak. Refineries were operating at only 24 percent of capacity. In the words of Rainer Karlsch, "Hitler's war and the German *Sonderweg* in the mineral oil economy bound with it had proven themselves to be a road to catastrophe."[11]

In addition to catastrophe, however, the irrevocable failure of autarkic pursuits as well as the utter military and moral defeat of Nazism offered postwar Germany the prospect of a new way forward. It afforded the country the opportunity to reestablish its industry in the production primarily of consumer goods, rather than military materiel, a redirection which would set the stage for rapid economic and industrial recovery. Instruments of European and western cooperation such as the General Agreement on Tariffs and Trade (1947), the Organisation for European Economic Coordination (OEEC, 1947, later the Organisation for Economic Cooperation and Development), and the European Coal and Steel Community (ECSC, 1951) would ensure a considerable degree of free trade and interdependency among western powers. They would also establish the coal-rich Ruhr valley as "one of the fundamental premises of the political and economic reordering of Europe."[12]

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[10] See: Chapter 6.8, "Die allierte Offensive gegen die deutsche Treibstoffindustrie," Karlsch and Stokes, 232-237.

[11] Karlsch and Stokes, 244.

[12] Karlsch and Stokes, 310.

Meanwhile, wartime alliances were dissolving under caustic East-West disputes over the shape of the postwar world order. In an act that recognized occupied Germany was unable to effectively challenge the heightening East-West polarization in the short term, the Federal Republic instituted a currency reform in 1948 and bounded toward official statehood and industrial-economic recovery separated from its prewar eastern regions. The European Recovery Program Treaty of 1948 and the introduction of Marshall Plan funds promoted infrastructural investment, economic growth, and integration into the liberal Western economy. They did so not just by subsidizing domestic reconstruction, but also by enabling the purchase of large quantities petroleum from the American majors. At the same time, they opened the country to downstream investments from the same companies that were providing the oil from their expanding MENA source bases.[13]

The American scramble for German markets and economic aid efforts, of course, did not take place in a postwar vacuum. Instead, they were deeply embedded in the ideological and economic conflict that was emerging between the capitalist West and the communist East. This same emergent stand-off that encouraged the Americans to invest so much in the reconstruction of Western Europe and Germany and convinced the Soviets construct its own Eastern European sphere of influence began to reorient from central Europe to East Asia. This redirection of tensions proved an economic boon for West Germany. As the Korean struggle for independence from Japan morphed into a full-scale civil-cum-proxy war - involving the direct deployment of US troops to oppose a Soviet

[13]It is commonly assumed that Marshall Plan funds sparked West Germany's rapid economic growth. Although these funds were an essential part of the recovery both in terms of direct investment and the resultant compounding of investments and broader cumulative effects, other factors likewise contributed to the rebound. These include the currency reform, the lifting of price controls on many consumer goods, the general liberalization of trade throughout Europe, domestic investments in industrial and public infrastructure, and state subsidies for exports and other investments abroad. For a brief summary of the role of the Marshall Plan in the economic recovery, see: Hans-Joachim Braun, *The German Economy in the Twentieth Century: The German Reich in the Federal Republic* (New York: Routledge, 1990), 152-156. For a compelling argument for moderating our view of the influence of the Marshall Plan on the economy, see: Werner Abelshauser, *Deutsche Wirtschaftsgeschichte: Von 1945 bis zur Gegenwart* (Bonn: Bundeszentrale für politische Bildung, 2011), 129-152. For a study of the relationship between the Marshall Plan and European oil dependence, see: David S. Painter, "Oil and the Marshall Plan," *The Business History Review,* Vol. 58, No. 3 (1984), 359-383.

and Chinese backed North Korea – the American manufacturing colossus turned from consumer products to military armaments for the first time since the end of the Second World War. West German industry stepped in to flood western markets with finished consumer and industrial products formerly produced by American firms. By 1951, the Federal Republic had turned what had been a trade deficit of $158 million into a surplus of $392 million.[14] Although the economic boom would not last indefinitely, it succeeded in placing the West German economy and industry on the course they would follow into the 1970s, wherein focused production of heavy industrial goods and motor vehicles, an undervalued Deutsche Mark, and favorable trade balances would promote strong patterns of cyclical economic growth throughout the next decade.[15]

The impetus for this economic resurgence may have been the unique situation of postwar its industry (severely damaged by the war but developed enough to rebound and expand), American economic stimulus, and continued German industrial, mechanical, and scientific expertise. At least initially, however, the primary fuel of the growth was coal. Coal had driven Germany through the second industrial revolution, firing its furnaces and forging the steel necessary to construct railroads, build ships, and conduct war. It served as the primary fuel for rearmament and the war economy. Although the war effort failed, early 20th century innovations in coal cracking and liquefaction would prove of lasting value.[16] Coal, Germany's primary feedstock throughout the country's industrial rise,

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[14]Braun, 157.

[15]The seemingly unfettered growth embodied by the Korea-boom was tempered by the recessions of 1967 and the 1970s and the consequent rise in unemployment. These economic crises evidenced the end of the cycles of growth – driven by pent-up capital and productive capacity as well as wartime and postwar investments in German industry - that characterized the first decade and a half after the war and the beginning of moderate economic growth based on less precipitous business cycles of growth and downturn. Braun, 171. According to Werner Abelshauser, as much as these crises damaged the West German economy, they were also part of the broader "stabilization of trends that punctuated the reconstruction-character of post-war growth". This new, business boom and bust cycle involved less precipitous growth than the preceding boom period, but balanced that with less severe swings between growth and recession. Abelshauser, 302-3.

[16]Indeed, federal policy encouraged this dependency on coal. In the words of Götz Schreiber, "German energy policy between 1949 and 1958 was relatively clear and coherent in its objectives, targets and means and simple to pursue. It was essentially coal policy." The Adenauer government therefore accepted the burden

continued to fulfill this role through the reconstruction and resurgence into the boom years of the early 1950s.[17]

Although coal formed the backbone of the early recovery, petroleum soon came to compete for its position as the feedstock to the emerging postwar modernity. And, with petroleum came widening trade networks over an increasing swath of the globe. The path from autarky to a deep integration into the expanding world economy, in other words, followed a rush of oil. This path, however, was not smooth. Petroleum and petro-economics were not as removed from political considerations as many at the time had assumed. Even as the new feedstock brought economic growth and industrial development to previously peripheral parts of the world and a postwar Europe under reconstruction, it also brought destabilizing change. Timothy Mitchell has identified one of these changes as the transformation of carbon democracy from one based on fixed deposits of coal in Europe and the US to a system of governance and ultimately neoliberalism rooted in conflicts over access to the often distant, liquid deposits of hydrocarbons. This turn, according to Mitchell, produced a new, globalizing system of trade, infrastructure, and governance based on western political and economic hegemony that subverts popular democratic movements, particularly those that asserts local resource sovereignty. It does so ostensibly to promote growth on a scale previously unimaginable and, to ensure that this growth continue, the petro-dependent governments and militaries of the West often form alliances with autocratic regimes in petroleum producing states to secure resource flows from South to North. Ultimately, this petro-economic expansion relies on an enduring faith in the unbounded potential of technocracy and a global abundance of petroleum restricted more by deficiencies in technology and restricted accesses than actual scarcity of supply.[18] Although the West-imposed autocratic vs. popular democratic paradigm is problematic (as the two

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on setting energy prices, subsidizing enterprises and wages, and promoting the industry's modernization. Götz A. Schreiber, "German Coal Policy: 1958-1975" (PhD Diss., The Johns Hopkins University, 1980), 123.

[17]In 1950, coal provided for nearly 91 percent of West Germany's energy needs. This percentage remained high through 1958, when coal provided 85 percent. Schreiber, 117.

[18]See: Timothy Mitchell, *Carbon Democracy: Political Power in the Age of Oil* (New York: Verso, 2011).

cases of Syria and Libya in this dissertation attest), the political-economic conception of the relationship between limitless energy sources and First World economic growth offers a good starting point through which to examine the West German relationship to oil. Having first-hand experience with the limits of raw materials, Germans had shown noted skepticism toward embracing limited and remote sources of crude oil, especially when the country still had immense sources of coal – a feedstock that many had hoped was infinitely exploitable and malleable - within its borders. Even as Germany came to embrace of petroleum in the 1950s, the process was tentative.

The following chapters will show that this skepticism did not completely disappear with the fall of autarky but remained a primary factor in company and federal approaches to the German scramble for Arab oil. After all, petroleum was, limited in access (and sometimes severly so for German companies), if not in quantity. While technology could intensify oil's exploitation and expand its usage, it could not open sources jealously guarded first by the majors, then by the producing governments, to German exploitation.

Unexplored by Mitchell, moreover, the post-1945 spread this western petroleum world order was deeply embedded in the Cold War. As noted above, Germany's reconstruction and even the American instituted system that facilitated the circulation of Marshall aid back to US companies through sales of petroleum, was predicated in part on the continued Soviet threat. Moreover, the eastern and western approaches toward decolonization – and particularly that in petroleum perspective MENA – were shaped and reshaped by the contours of the East-West conflict.[19] As this dissertation shows, even the West German quest for Arab oil took place against the backdrop of the Hallstein Docrtine – which promoted the non-recognition of the GDR throughout the Third World – and the continued Soviet readiness to capitalize on the failures of West Germany to secure contracts and maintain the favor of Arab governments. As much as the communist threat shaped West

[19] Odd Arne Westad, The Global Cold War: Third World Interventions and the Making of Our Times (New York: Cambridge University Press, 2010).

German foreign and development policy, so too did it influence foreign petroleum policy and invesestments.

As much as the Cold War effected the German quest for oil, it is an insufficient explanation for the course that this pursuit took. This dissertation, therefore, seeks not only to grapple with the Cold War dimensions of Germany's turn to Arab crude. It also seeks to untangle petroleum from the East-West conflict for global hegemony. Indeed, it decenters the Cold War from its typical place of prominence in postwar narratives and treats it as another albeit major factor in much larger business, economic, and geopolitical complex. The Cold War can help explain the German course through the Arab world. But, it cannot offer a sufficient explanation in itself.[20]

For West Germany indeed involved embracing an initially Anglo-American centric petroleum order. Doing so required integration into a heterogeneous western bloc that was, as far as the Federal Republic was concerned, united in opposition to the division of Germany forced on the German people by a hostile Soviet Union. In large part, this entailed an acceptance of the American military and petroleum protective umbrella, at least temporarily. It also involved the partial economic and political integration of the western half of the nation into an increasingly infrastructurally and geopolitically connected Western Europe whose harmony with American military and economic interests ebbed and flowed over the decades examined in this study. By the long crisis of the early 1970s, Western European interests diverged considerably from American interests in these same petro-economic and political questions.

West Germany occupied a prominent role in European-American relations. Much of this can be traced to its Cold War strategic location, its economic strength, and its reliance on American economic aid and military protection. Much, however, also emanates from the Federal Republic's

[20] This follows Matthew Connolly's well-heeded call to examine postwar conflicts not just along East and West but also the North and South axes that were reflexively bound with them. Matthew Connelly, "Taking Off the Cold War Lens: Visions of North-South Conflict during the Algerian War for Independence", in *American Historical Review,* Vol. 105, No. 3 (2000), 739-769. Although this study focuses on the Northern and German perspecitves, it likewise seeks to give some – though admittedly insufficient – voice to Syrians and Libyans that contributed to the trajectory of Germany's entry into the Arab petroleum upstream.

early embrace of an economic ideology that would serve as a primary basis to the late twentieth-century emergence of neoliberalism. In postwar and even occupied Germany, this transition took the form not only of the abrupt and far-reaching political transformations that converted a society mired in Fascism for two decades into a representative liberal democracy. It also took the form of an equally consequential transition from economic protectionism to the ordoliberalism embodied by Economics Minister Ludwig Erhard's social market economy.[21]

Erhard was the crucial architect of the ordoliberal postwar economic system. Rather than the autarky and protectionism of the earlier half of the century, his social market economy was premised on the state's role as a protector of an otherwise autonomously operating economy.[22] This was a marked contrast to the government's previous interests in actively balancing and manipulating corporatist, cartel, and labor interests to ensure that necessary sectors were insulated against unwanted competition, even if at the expense of market-driven rationalization. Indeed, ordoliberalism reversed this paradigm, operating on the assumption that the market would adapt to complications and challenges better than would state-protected industries. Much as the emerging global petro-economy, then, the social market economy took wide market flexibility and its corollary, potentially unbounded growth, as a sine qua non.[23] Moreover, similar to legitimating role that crude oil played in the petro-states, the maintenance of free markets became the *raison d'etat*,

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[21]For a good description of the development of social market ideology, see: A.J. Nicholls, *Freedom with Responsibility: The Social Market Economy in Germany, 1918-1963* (Oxford: Clarendon Press, 1994)

[22] A.J. Nicholls, *Freedom with Responsibility: The Social Market Economy in Germany, 1918-1963* (Oxford: Clarendon Press, 1994), 394. There has been considerable debate about the relationship between ordoliberalism and neoliberalism. When I use the terms here, I agree with Nicholls that the differences between the two liberalisms is semantic and vaguely defined at best. For the purposes of this study, ordoliberalism in its West German social market economy context is a distinctive postar German articulation of neoliberalism.

[23] As Christian Watrin defines it, social market economics is less a fixed economic policy than "a permanent search for an economic and social framework designed to encourage both an efficient production of the means of material well-being and personal freedom in a socially balanced order." Christian Watrin, "The Principles of the Social Market Economy: Its Origins and Early History" in *A Symposium: Currency and Economic Reform. West Germany after World War II, Zeitschrift für die gesamte Staatswissenschaft*, Sonderheft, 135 (Tübingen, 1979), 419, quoted in Nicholls, 396.

the very reason for the state's existence.[24] As embodied in the social market economy, however, German neoliberalism strayed from its predecessor free market ideologies (as well as other articulations of neoliberalism in the US and Austria) in its adaptation to the social realities of the postwar state. Rather than just eliminating state protections, Chancellor Konrad Adenauer and Erhard also strategically instituted social welfare measures to better embed the economic order into society and cover for the attrition in jobs that would necessarily accompany such state retreat.[25] As much as, in the words of Ralf Ptak, ordoliberalism shared a "limited, primarily economic understanding of freedom" with other neoliberal schools, its social market form also proved malleable enough to apply that economic rationality to support socialistic social policies to maintain the integrity of the market.[26]

This did not always work out optimally. Nor was it always applied evenly. In part, as this dissertation argues, the unique postwar situation of the German coal and petroleum sectors offered fertile ground on which to attempt major market deregulation and state disengagement. Global by nature, however, the same system of trade also revealed the advantages and disadvantages inherent in such supposedly non-political, neutral markets. And many of these had grown out of previous

[24]According to Michel Foucault, "In contemporary Germany, the economy, economic development and economic growth, produces sovereignty; it produces political sovereignty through the institution and institutional game that, precisely, makes this economy work. The economy produces legitimacy for the state that is its guarantor. In other words, the economy creates public law." This, he argues, laid the grounds for the Federal Republic as first neoliberal state. Michel Foucault, *The Birth of Biopolitics: Lectures at the College de France, 1978-1979*, trans. Graham Burchell (New York: Picador, 2008), 84, 149.

[25] Ptak, in fact, distinguishes ordoliberalism as an economy ideology from the social market economy as a vessel through which that (or other antithetical) ideologies could be put into practice. Ralf Ptak, "Neoliberalism in Germany: Revisiting the Ordoliberal Foundations of the Social Market Economy," *The Road from Mont Pelerin: The Making of the Neoliberal Thought Collective*, Philip Mirowski and Dieter Plehwe, eds. (Cambridge, MA: Harvard University Press, 2009), 103, 124.

[26] As Ptak explains, this focus on "the social question" is rooted in German experiences of the 1930s and Nazism, wherein merely "legal and state" regulatory mechanisms were insufficient to integrate the free market – and hence liberal ideology - into society. Ptak, 100. Such concerns echo a prognosis offered by Karl Polanyi in 1944. In his seminal *The Great Transformation*, Polanyi argues that Nazism itself was rooted in the "disembedding" of the market from society and the subjugation of the latter to the former and giving rise to a fascist "political religion." Karl Polanyi, *The Great Transformation: The Political And Economic Origins of Ourt Time* (Boston: Beacon Press, 2001). The ordoliberals were wary of such socioeconomic disjuncture.

state-interventionist and private-sector initiatives, as well as contemporary policies, investments, and actions. Even as the postwar period offered the Federal Republic the chance to reorganize the relationship between government, economy, and society, it offered no real zero hour for either domestic markets or international trade. Instead, the German path into the global western economy was paved with the legacies of prior political-economic systems. Although markets – and, as investigated here, the Arab petroleum upstream - were increasingly open to competition and in that sense "free," the alternately neoliberal pathbreaker and petroleum latecomer entered these markets with handicaps imposed by forces both internal and external the market.

Before devling into the German turn to global oil, however, it is necessary to briefly address the coinciding downfall of the prior energy regime. Until the 1950s, after all, the German economy was fueld by copious, cheap, and domestically situated coal. For the coal industry, however, postwar market liberalization and deregulation meant destabilization and reduction rather than prosperity and growth. Despite the abundance of deposits particularly in the Ruhr valley, the German coal industry remained dependent on the cartelization, price controls, and other state protections that had supported it through the early years of postwar economic expansion. Markets and prices had been guaranteed and competition heavily restricted. Consequently, the potential benefits of innovation had been minimized. The coal industry itself had been embattled since the earliest days of the Federal Republic. Allied-enforced decartelization disrupted an industry that as recently as five years before had been heavily concentrated in the massive Vereingte Stahlwerke and producing for the seemingly boundless needs of the German war effort. Although the industry was able to re-form smaller cartels after 1951, these did little to stabilize the failing industry and by 1956, the mines of the Ruhr were functioning at full capacity once again. Ruhr coal nevertheless struggled to compete with the flood of cheaper American coal and heating oil imported in growing quantities since the end of the war.[27] Compounding these difficulties were recent international agreements with ECSC and

[27]Abelshauser, 199.

the European Economic Community (EEC) that limited industrial subsidies, raw material price controls, and protective tariffs. Erhard's own willingness to "to the exclude the slowing influence of the coal mines - unloved by him because of its non-liberal market orientation, from further economic development" likewise worked to the industry's detriment.[28] As German coal was further severed from the federal mechanisms of support and opened to international competition, the industry entered a period of decline in 1957 from which it never fully recovered.[29]

Coal, and even American coal, however, had other competitors. However much of coal's appeal lay in its affordable prices, it ultimately could not compete in the industrial production and chemical sectors as well as in many consumer sectors, home heating and automotive fuels among them. And, under pressure from rising coal prices and American-led efforts to open German markets and industries to the Seven Sisters,[30] Chancellor Adenauer lifted controls on domestic oil production and oil importation at the end of the 1950s. He intended to spur greater competition among oil companies and between petroleum and coal sectors. It was thought that competition would lower consumer prices and promote sectoral rationalization, innovation, and stability. By this point, however, coal was in no condition to compete on its own. In 1957 alone, the price of coking coal rose by 10 percent, and that of hard coal by 6.8 percent, making coal imported from America more cost effective than that mined domestically. Adenauer's policies, moreover, had the compounding and unanticipated consequences of promoting demand for the rising newcomer while reinforcing the reality that domestic feedstocks would be unable to satisfy growing demand. Even the 1959

[28] Schreiber, 125-6. Quote from Abelshauser, 202.

[29]There was a brief window after the 1970s oil crises in which some contemporaries saw the opportunity for a "renaissance of coal." The price of heating oil was rising and peaked at 150 percent of the equivalent in that German coal. It was becoming clearer that Western societies needed to diversify their energy sources and ideally rely on more stable domestic deposits. German coal was nevertheless still too expensive to compete with imports from the US and other coal-rich countries. Abelshauser, 209.

[30] These were the major international oil companies that controlled global oil production outside of the Soviet Union into the 1960s: Royal Dutch Shell, British Petroleum (formerly Anglo-Iranian Oil Company), Exxon (Standard Oil Company of New Jersey until 1972), Mobil Oil (formerly Standard Oil of New York, or Socony), Socal (Standard Oil of California), Texaco, and Gulf Oil Corporation.

introduction of a petroleum-product sales tax and an anti-competitive cartel agreement signed by the major internationals operating in the Federal Republic could not stem the market-led turn against coal and domestic production.

Apart from modest petro-product levies and belated and inadequate direct financial aid to the failing coal industry,[31] Adenauer and Erhard largely stuck to their liberal, social market policies and promoted voluntary self-restriction, mine closures, and market-driven rationalization over any sort of major government rescue. Social market ordoliberalism, however, was quite different than American anti-trust capitalism. Even as the administration remained hesitant to extend heavy subsidies to the industry, it looked more favorably upon coal and oil company contensions that the self-regulating capacities of the companies could best be fostered by joining the competing hydrocarbon producers into a coal-oil cartel. Consisting of German subsidiaries of major international oil companies (BP Benzin und Petroleum AG, Deutsche Shell AG, Esso AG, and Mobil Oil AG) as well as the largest mining and oil companies of domestic origin (Eschweiler Bergwerksverein, GBAG, Bergwerksgesellschaft Hibernia AG, and DEA), the cartel aimed to establish elevated prices for heating oil and therefore prevent the post-Suez Crisis dumping of cheap crude in fragile German energy markets. Despite these efforts, demand for heating oil continued to rise and global crude oil prices continued to sink. The cartel dissolved after a single year.[32]

This confluence of the fall of coal and rise of oil instigated "a feverish push" to increase the production of heating oil to keep up with domestic demand and resulted in the fourfold increase in West German crude refining and the doubling of the proportion of heating oil production from 21 percent of refined products to 40 percent by 1963. The vast majority of this petroleum flowed through the American majors, many of whom had established their foothold less than a decade

[31] The government gave subsidies amounting to DM 2.5 million to the industry in May 1959, after the sector floundered for over a year.

[32] Abelshauser, 204; Sven Olaf Berggötz, *Nahostpolitik in der Ära Adenauer: Möglichkeiten und Grenzen, 1949-1963* (Düsseldorf: Droste, 1998), 242, 245.

earlier under the occupying administration. Over the same period, heating oil imports increased over five-fold to more than 13 million annual tons, largely through the same companies.[33] In 1961, petroleum had become West Germany's primary industrial feedstock.[34] Only a decade later, it would become the country's primary fuel as well.[35] The key to postwar growth and prosperity was becoming clear. It could no longer be found in deposits of petrified organic matter densely clustered around the Ruhr that had driven Germany through a rapid industrialization and two world wars. Instead, it resided in the rivers of liquid hydrocarbons that flowed beneath much of the Arab world.

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The Independent Actors: DEA, Gelsenberg, and German Oil

Gelsenkirchener Bergwerks Aktiengesellschaft (GBAG), Gelsenberg's parent firm, was founded as a mining firm in 1873. Over the next several decades, the company expanded, integrating mines, storage houses, and distributors into its operations. By the First World War, it had become Germany's largest mining concern and an important supplier for the German military. As with all German industry, however, the first years after the war posed considerable challenges as industrial production plummeted and the coal sector broke with the globalizing trade patterns of the prewar years and turned to protectionism and the pursuit of energy autarky.[36]

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[33] Karlsch and Stokes, 312.

[34] According to Raymond Stokes, this change was relatively abrupt: "It was far from evident in the late 1940s and early 1950s that petrochemicals would eventually (by the 1980s) account for virtually all organic chemical production. Through the mid-1950s, at least, coal chemistry dominated the worldwide chemical industry, even in the United States, where the petrochemical industry was most advanced. Petrochemicals had made inroads in certain key areas, especially in plastics and 'commodity chemicals,' but large segments of organic chemical production were still using coal-based processes." Raymond Stokes, *Opting for Oil: The Political Economy of Technological Change in the West* (Cambridge: Cambridge University Press, 2006), 49.

[35] In 1958, petroleum comprised 14.8 percent of West Germany's primary energy usage. By 1972, it comprised 55.4 percent.

[36] This is not to say, however, that Nazi autarky existed at the exclusion existed at the exclusion of all other thought on globalization, imperialism, or international development. Since the First World War, German Eurafrikan thinkers had envisioned the infrastructural and economic integration of a colonial (or, later, a semi-colonial) Africa into a cooperative league of European states. Such ideas reemerged after the subduction of dissenting thought particularly between 1939 and 1945 immediately after the war in forms that often grappled with the new decolonial reality. Unsurprisingly, many of these likewise dealt with questions not just of core-periphery trade, but of energy, infrastructure and integration. For some early

In the short term, such policies offered welcome support to companies engaged in mining German coal and accustomed to state subsidies and regulation. As the turbulence of the early twenties gave way to the relatively stable malaise of the mid-decade, GBAG merged with Vereinigte Stahlwerke and further integrated its downstream activities. Although this expanded its operations, it also drew GBAG to one of the great business scandals of the interwar years.[37] It took the National Socialist *Machtergreifung* in January 1933 to distract attention from the eponymously titled Gelsenberg Affair and rescue the firm from further public disrepute.

GBAG was further bolstered by the 1936 Four Year Plan that prescribed coal-based autarky as a primary national objective. The company responded by establishing its subsidiary Gelsenberg

works on Eurafrika and its intellectual genealogy, see: Richard Coudenhove-Kalergi, *Pan-Europa* (Wien: Pan-Europa Verlag, 1923); Herman Sörgel, *Atlantropa: Wesenzüge eines Projekts* (Stuttgart: Behrendt-Verlag, 1929); Anton Zischka, *Afrika: Europas Gemeinschaftsaufgabe Nr. 1* (Oldenburg: Gerhard Stalling Verlag, 1951). For more contemporary investigations of Eurafrica as a real and, in the former case, achieved objective, see: Peo Hansen and Stefan Jonsson, *Eurafrica: The Untold History of European Integration and Colonialism,* (New York: Bloomsbury Publishing, 2014); Dirk van Laak, *Imperiale Infrastruktur: Deutsche Planungen für eine Erschließung Afrikas 1880 bis 1960* (Paderborn: Ferdinand Schöningh, 2004).

[37] Industrialist Friedrich Flick had purchased a majority share in GBAG before the merger and therefore gained a considerable degree of influence over Vereinigte Stahlwerke after. With the onset of the economic depression – an event that hit the economically stunted Weimar Republic particularly hard – Flick found himself in deep debt. His GBAG shares had been purchased through loans. Without a healthy economy, Flick's investment could not generate the revenue necessary to pay back the money he owed. He therefore decided to shed his majority share. Fritz Thyssen, along with the Bankhaus Mendelssohn and a group of French investors first sought to purchase Flick's shares. A xenophobic and anti-Semitic press, however, attacked the deal as an attempt to sell critical German assets and therefore sacrifice German industrial and raw material sovereignty to French and Jewish interests. (Minus the overt anti-Semitism and the French military occupation of the Rheinland, this press campaign would be reinacted a quarter-century later when a French company once again sought to purchase a majority share of GBAG's successor company Gelsenberg AG.) The offer was ultimately withdrawn, and Vereinigte Stahlwerke inched closer to insolvency. By 1932, Flick had turned to his contacts in the Heinrich Brüning administration. In May, the government offered to purchase Flick's shares in GBAG at 90 percent of their nominal value, an amount that was nearly four times the shares' stock market value at the time. This was as much a direct bailout for Flick as it was a state effort to keep German mining and steel production German. In turn, as later investigations would reveal, Flick made secret donations amounting to hundreds of thousands of Reichsmark to Hindenberg's election campaign, the German military, and Franz van Papen. Once made public, this produced a scandal. The state-owned Dresdner Bank ended up purchasing the inflated shares from the state and Flick once again found himself barraged by a largely adverse media. For more on the scandal, see: Alfred Reckendrees and Kim Priemel, "Politik als productive Kraft? Die 'Gelsenberg-Affäre' und die Krise des Flick-Konzerns (1931/32)," *Jahrbuch für Wirtschaftsgeschichte,* Vol. 47, No. 2 (2006), 63-93.

Benzin AG to expand production of synthetic fuels.[38] In 1939, Gelsenberg completed its first hydrogenation plant near the copious Nordstern mines in Gelsenkirchen-Horst. By 1943, Gelsenberg's Gelsenkirchener-Horst facilities had become the third largest in the country producing at its peak over 430,000 annual tons of refined products, 320,000 of which consisted of ersatz jet fuel.[39] Considering its military significance, it may not be surprising that Gelsenberg exploited slave-laborers from the nearby Außenlager-KZ Gelsenkirchen. At their numerical peak, primarily Hungarian-Jewish concentration camp inmates made up 13.5 percent of the Gelsenkirchen-Horst workforce. By the time the Allied bombing campaign turned to targeting hydrogenation plants in September 1944, at least 2,000 female inmates had been transported from Auschwitz-Birkenau to Gelsenberg. Between 150 and 250 of these were killed in the attack. Survivors were relocated to the Rheinmetall-Borsig camp at Sömmerda in Thüringen.[40]

Though having suffered significant damage, Gelsenberg and GBAG survived the war. Physical reconstruction alone, however, was not the only issue. The Allies considered autarky and industrial cartels as two of the primary forces that encouraged Nazi bellicosity. They therefore set about dismantling the cartels and other industrial powerhouses and reshaping the German industrial regime in the American image. Vereinigte Stahlwerke, the coal-iron-steel conglomerate into which GBAG had incorporated in 1926, fell under the decartelization rubric and was quickly dismantled after the war.

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[38] The company's mission statement claimed Gelsenberg's purview as the "construction, purchase and operation of facilities for the evaluation, processing, and enrichment of coal and other feedstocks for the production of fuels, oils, and other tangible products out of a coal-basis, the evaluation of the resultant products and the performance of the accompanying commercial dealings of every kind." Gelsenberg Benzin AG Gelsenkirchen. Gründungsurkunde nebst Satzung über die Generalversammlung vom 27.1.1937: montan.dok/BBA 55/1700 referenced in Marlies Mrotzek, *Das KZ Außenlager der Gelsenberg Benzin AG* (Fernwald: Germinal Verlag, 2002), 36.

[39] After the war, the two larger hydrogenation plants, the Leunawerke – which produced 606,000 annual tons of petro-products – and the plant at Pölitz (Romania) – which produced 558,000 – would fall on the Soviet side of the iron curtain.

[40] For an important study on Gelsenberg's use of concentration camp labor during the war, see: Mrotzek, *Das KZ Außenlager;* Andreas Jordan, "Gelsenzentrum: Portal für Stadt und Zeitgeschichte," accessed July 2014, http://www.gelsenzentrum.de/gelsenberg_lager.htm.

Although the Gelsenberg path up to this point was not wholly unique, it was likewise hardly the norm for German oil companies. DEA, for instance, had dealt in oil from its start. Emerging out of the merger of the Deutsche Tiefbohr-Actiengesellschaft and the Deutsche Mineralölindustrie AG, DEA had been one of the most important German-owned oil companies since its inception. At the close of the 19th century, it operated concessions in Wietze (Lower Saxony),[41] Pechelbronn (Alsace), Galicia, and Romania and refineries throughout Germany. In a reversal of the GBAG paradigm, DEA then expanded into coal only in the mid-1910s to counter the political and geographical restrictions imposed by the First World War. It was during this time that DEA engineers and geologists began experiments to convert coal into an ersatz petroleum products. Germany's defeat allowed DEA to continue its wartime experiments in coal-hydrogenation while turning its primary focus back to petroleum.[42] This research and product diversification helped DEA survive the turbulence of the Weimar Republic and the early years under National Socialism. Its profits and assets only grew with Four Year Plan, the annexation of Austria, and the appropriation of the Galician oil fields at the end of the 1930s.[43] By the outbreak of the war, the company had become the largest German producer of both synthetic and natural petroleum.[44] This trend continued throughout the first years of the war as DEA benefitted not only from early military victories, newly available raw materials and infrastructure, and a war economy increasingly bent on squeezing as much energy as possible from increasingly limited supplies of coal and crude, but also from the forced labor of concentration camp

[41] Wietze in Lower Saxony was home to the first major discovery of oil on German territory in 1858, one year before the discoveries in Titusville, Pennsylvania. Much like the find in Titusville, however, an oil rush overproduced the fields which, contrary to contemporary hopes, were soon exhausted.

[42] As a company report from 1920 explained, the new focus on coal was to replace "the import (of mineral oil products) from abroad through the utilization and refinement of German raw materials" as much as possible. Quoted in Dirk Bavendamm and Klaus Brüning, eds. *1899-1999: 100 Jahre RWE-DEA* (Hamburg: RWE-DEA AG, 1999), 194-195.

[43] For a compelling history of these fields through the First World War, see Alison Fleig Frank, *Oil Empire: Visions of Prosperity in Austrian Galicia* (Cambridge: Harvard University Press, 2007).

[44] Bavendamm, 219.

inmates and the militarily interned.[45]

As did most German industry, DEA suffered intensive bombing during the war. Although this temporarily debilitated the company, the resultant destruction also opened a new way forward. It soon became clear that neither domestic oil production nor the liquefaction of coal could satisfy postwar energy needs. Autarky was not a viable option. The new path would instead involve masses of oil-imports, which meant the increasing involvement of foreign companies and multi-nationals in domestic petro-industry. It meant, in other words, a massive reorganization of the industry, international and transnational cooperation, and an embrace of globalization.[46] And, it called not only for liberalizing the German oil industry, but also for a reorientation southward to the oil-rich Arab world. DEA and Gelsenberg were best situated among the German companies to lead this turn.

DEA chairman Günther Schlicht was charged with navigating his company through this transitional period. Indeed, he had a tall order ahead of him. Complicit in the war effort, DEA had likewise lost a great deal in defeat. The oil of Eastern Europe, the Soviet Union, and Iraq were now definitively closed off to direct German exploitation. Moreover, the infrastructure that had

[45] The statistics regarding forced labor are staggering, but certainly not the exception for German concerns during the Second World War. According to Bavendamm, "In 1943, DEA employed 800 people in its oil-interests as well as in their trustee-firms Pechelbronn and in Gbely, Slovakia. Of those, thirty-eight percent were forced-laborers and prisoners of war. Eight-hundred and seventy people worked in DEA's central German brown coal interests, thirty-two percent of whom were eastern European laborers, prisoners of war and interned civilians. In contrast, the workers at Zeche Graf Bismarck and Königsgrube numbered 11,400 in the same year, twenty-four percent of whom were prisoners of war and forced laborers. At the end of 1944 there were 26 820 employees in the direct employ of DEA, 2,989 of whom were prisoners of war and 6,165 were other foreigners, which corresponds to thirty-four percent (of DEA's workforce). In addition, concentration camp inmates were employed, who worked in the clean-up operations at the heavily damaged Hamburg-Wilhelmsburg refinery after the 1944 air-assault, who were Hungarian Jews from satellite camp 'Dessauer Ufer' of the Neuengamme concentration camp." Bavendamm, 220-221.

[46] In other words, the defeat and destruction of the war made it clear that a deeper involvement of larger American and British firms would be necessary for the postwar oil industry to gain stability. As Bavendamm relates, "There was a fundamental change in the oil supply after 1945. From now on the West German oil industry imported the largest portion of its necessary crude, in order to process it in its rebuilt and newly constructed refineries. The international business was led by US and British oil companies. In contrast to the German companies, these integrated firms not only had much crude at a lower cost at its disposal, but at the same time (they had) the facilities with which it could be processed – its entire value-added chain found itself cost-efficient under a single roof." Bavendamm, 232.

facilitated Germany's production of its own sources of petroleum and coal had been destroyed. DEA itself had a drastically truncated workforce, limited capital, and damaged and often outmoded equipment. Nevertheless, Schlicht was able to capitalize on reconstruction and investment loans funds, liberalizing markets, and relatively low petroleum taxes to integrate the company vertically and expand DEA's operations further into shipping, refining, petrochemical processing, and commercial sectors.[47] The company rapidly became a formidable force in the domestic oil sector once again.

Opportunities to expand upstream were nevertheless limited. German reserves could not keep up with demand.[48] Dependency on crude imports was rising precipitously and, by the beginning of the 1950s, government officials and industry experts were forced to acknowledge domestic sources of hydrocarbons of all sorts were insufficient to feed the Federal Republic's industrial, economic, and societal requirements. With the simultaneous decline of coal, German energy supplies were approaching a breaking point. The majors quickly came to fill the hydrocarbon gap with oil imported mainly from MENA, thereby establishing a solid foothold in the German oil sector. They dominated the German import and refining sectors for years to come, conducting large crude flows primarily from Iran, Iraq, Kuwait, Nigeria, Saudi Arabia, and Venezuela to the Federal Republic.[49] Reflecting on such trends as foreign major expansion at the expense of German company growth, Schlicht argued that the domestic industry needed to become more active in the petroleum upstream, particularly at its sources outside of the petroleum-poor Federal Republic. He advocated "turn(ing) abroad to maintain an adequate portion of Germany's raw-oil needs through creating local production facilities and through which to remain (economically) competitive,"

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[47] Between European Recovery Program (ERP) funds administered by the Kreditanstalt für Wiederaufbau (KfW) and those offered by Government Appropriation and Relief in Occupied Areas (GAROA) programs, DEA ended up borrowing DM 9.84 million from US sources. Bavendamm, 231.

[48] Between 1956 and the 1964, crude imports increased fourfold from 8 million to 40 million tons while the already modest domestic production rate rose only twofold.

[49] In 1963, for instance, two thirds of the oil refining sector was in the hands of a hand full of foreign companies, foremost among these were Esso, Shell, BP, Mobil, and Caltex.

maintaining that the effects of this move would do more than feed industry; they would have "major sociopolitical significance" as well.[50] In addition, these enterprises and investments would create spaces for more German participation in (and control over) the domestic oil market through allowing greater control over the supply of crude.

Although domestic production remained a priority, German companies realized that Schlicht was right. Domestic petroleum deposits were severely limited. The future of Germany energy autonomy and therefore the domestic oil industry actually lay abroad, to the immediate south and southeast of Western Europe.[51] By now, West Germans were latecomers to the western scramble for southern oil fields that began in the first decades of the 20th century and intensified as decolonization opened MENA to wider competition for the hearts, minds, contracts, and petroleum of the newly independent southern states. Exploratory and production concession were both a means of building such positive relations and a primary goal of those relations. The collapse of colonial and semi-colonial arrangements particularly under Arab-nationalist pressures opened new opportunities for petro-rich postcolonial nations alternately to make bolder assertions of resource sovereignty and, on that basis, to integrate more deeply into the global oil trade as active owners and operators rather than passive rentiers. Although the terms of integration were increasingly determined by the petroleum producing states themselves, however, the petroleum trade was still dominated by the major international producing companies. And as MENA opened its fields to western prospecting, investment, and development after the war, those same seven companies that had dominated the colonial trade continued to exercise outsized influence over flows even in the postcolonial era. This worked to against the international interests of the small, less experienced, less connected, and late-coming independents.

[50] Günther Schlicht, „Die Bedeutung der deutschen Erdölgewinnung im Rahmen der heimischen Primärenergieerzeugung" in *Erdoel-Zeitschrift*, Vol 11, November 1956, 10: BAK B136/2522.

[51] Early exploratory ventures included concessions in Algeria (with French operators), Canada, Dubai, Ethiopia, Iran, Morocco, Peru, Somalia, Syria, Turkey, and several national blocks in the North Sea.

Although this left little – although, as I argue below, still workable – space for the smaller companies, it had conflictory implications for the prospects of increasingly petro-dependent but source-base deprived countries such as the Federal Republic. On the one hand, the West Germans eagerly sought to acquire their own sources of oil in the name of resource security through private rather than state companies. These seized on the modest federal policies promoting the development the domestic upstream industry and, given the geological circumstances, were surprisingly successful. Between 1950 and 1960, domestic production increased by a factor of five and gave the Federal Republic the awkward distinction of being the largest domestic producer in an oil-poor Western Europe.[52] As it became clear that even this production could be maintained only with the extension of protectionist policies the Adenauer administration was unlikely to grant, the German companies with downstream interests turned alternately to the American majors for long-term supply contracts and to petroleum prospective countries such as Syria and Libya in hopes of directly obtaining their own sources.[53]

Expansion was driven not just by West Germany's relative dearth of domestic crude, but also by fears of overreliance on predominantly on American concerns for the virtual totality of the Federal Republic's crude. This situation did not sit well with a country only recently and reluctantly coming to terms with the decline of coal in favor of a feedstock located primarily in foreign ground. Embrace of such a resource meant dependency on foreign sources, companies and interests. Of primary concern was the possibility that the majors would use the Federal Republic as a dumping ground for its crude in times of excess, disrupting domestic markets and further eroding the position of German independents with periodic deluges of cheap oil.[54] Control over raw materials meant control over

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[52] Although certainly less than the US, the Middle East, and Russia, West Germany produced a considerable amount of oil domestically, so much so that it petroleum from German soil accounted for 45 percent of the oil produced in Western Europe by 1964. "Bundesrepublik: Hoffnung auf weiteren Aufstieg" in *OEL: Zeitschrift für die Mineralölwirtschaft*, Vol. 2 No. 6 (June 1964), 223.

[53] Imports, however, increased by a factor of ten. Stokes and Karlsch, 322.

[54] See, for instance: Dr. Stöckl, February 14, 1967, Betr.: Erdöl in Libyen; hier: Deutsche Position nach dem Verkauf von Gesellschaftsanteilen der Firma Elwerath an amerikanische Firmen: BAK B102/123670.

prices and control over prices, it was thought, should promote economic stability. As this dissertation shows, however, dumping never took place on a significant scale and prices generally remained stable through the 1960s even as the West German economy boomed and the majors widened their presence in the German downstream. Flows increased in tandem with German demand and, in fact, would not pose a serious problem until the production and price battles of the early 1970s. Even then, the issues would be elevated prices and prospective future shortages rather than real immediate shortfalls in supply.

Questions of economics and oil, of course, were only one piece of West Germany's resurgence. Politics were another. International trade and diplomacy went hand-in-hand. This is most apparent in the country's soft power prosecution of the Cold War in the region. Mitchell argues that the intensified exploitation of petroleum, the tensions of the Cold War, and the development of a petroleum-based (rather than gold standard) global economy shaped western assessments of popular politics and geopolitics in the Middle East. These processes therefore lent an ideological lens to the supposedly non-political realms of economics and development.[55] This study will invert Mitchell's paradigm to assess how both foreign and endogenous developments influenced Syrian, Libyan, and German petroleum policies as well as DEA's and Gelsenberg's course through these changing energy-political contours. Oil was a *raison d'etre* for the companies' presence in the region, but it was far from the only factor contributing to the outcomes of their efforts. Nor was petroleum the sole objective. With petroleum exploitation came linkages between economies and governments, mechanisms of diplomatic relations, opportunities for deeper integration into the world economy, as well as potential safeguards against the disruptions and crises that accompanied such integration. As much as the pursuit of petroleum was about energy and economic security, it was also about geopolitics.

[55] Mitchell, 143.

This becomes particularly clear when considering the German quest for Arab petroleum in light of an East-West conflict that took on singular significance in the unaligned MENA. The Federal Republic's foreign trade policy toward the Arab world was predicated on the twin objectives of opening new markets to German goods (thereby expanding West German influence) and preventing the GDR from achieving international recognition.[56] Its petroleum policy sought to expand the national source base into the region, but was also deployed to increase the Federal Republic's presence, circumscribe the East Germany's influence, and, as a corollary, generate wealth among exporting countries to invest in contracts with western companies. The Federal Republic had been disinclined to openly recognize the link between oil, economics, and politics. Disruptions in the form of politically motivated embargos and production stoppages, however, forced West Germany to come to terms with the intimate relationship between Middle Eastern and North African foreign policy and energy and economic security.

Before the 1950s, the interests of MENA and the Federal Republic were rarely intimately linked. There was, however, some historical precedent for German-Arab encounters and cooperation dating back to Kaiser Wilhelm's visit to Constantinople, Palestine, and Syria in 1898, his declaration of support for the Moroccan sultan in 1905, and the German quest to construct the Baghdad-Berlin railway.[57] More recently, the German army had been active in the region from 1941 through 1943, seizing on the anti-Imperialism and Pan-Arabism popular among the local populations.[58] Nazi

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[56]In the words of Berggötz, "For the level-headed *realpolitiker* Adenauer, a strong West German influence and growing prosperity of the West German export economy remains a primary goal of his foreign policy (and) constitutes an additional source of the still untraced (*noch genauer herauszuarbeitend*) continuity for German Near East policy after the Second World War." Berggötz, 65; also, see: William Glenn Gray, *Cold War: The Global Campaign to Isolate East Germany, 1949-1969* (Chapel Hill: The University of North Carolina Press, 2003), 7.

[57]For a study of the latter, see: Sean McMeekin, *The Berlin-Baghdad Express: The Ottoman Empire and Germany's Bid for World Power* (Cambridge: The Belknap Press, 2010).

[58]The nature of the relationship between the Amin al-Husayni (Grand Mufti of Jersualem) and Adolf Hitler has been hotly contested lately and has therefore received a good deal of attention, scholarly and otherwise. Much of the debate has been over the nature of Anti-Semitism (whether Nazi, European, or Arab), the extent to which al-Husayni's views were held by an otherwise heterogeneous Palestinian population, and the implications this brief alliance of interests has for our understanding of the Arab-Israeli conflict of today. Much of this historiography is beyond the purview of this study.   However, for compelling and well-

proclamations of anti-Semitism and anti-colonialism likewise found favor during the war supported by an elaborate propaganda campaign directed toward Arab audiences.[59] Even with the defeat of Nazism and the end of direct German-Arab official dialogue about these matters, similar messages continued to reverberate and gain support throughout MENA with the influx of Jewish settler-refugees in the Palestine Mandate after the war and the establishment of the state of Israel in 1948. German experts, advisors, and ambassadors returning to the region, therefore, frequently met populations and governments sympathetic to their recent history and travails.[60] Although cordial receptions did not indicate overwhelming favor for West Germany's primary foreign policy objectives, they did contribute to an environment in which the Hallstein Doctrine could succeed until its replacement by Willy Brandt's *Neue Ostpolitik* in the late 1960s.

At the same time that Germans were, in one sense, more welcome than their western neighbors, they were not foreordained to meet greater success. Instead, the very lack of German colonial history in the region that allowed for its recent flirtation with anti-colonial rhetoric also

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rounded recent accounts of Nazi-Arab and -Islamic relations, see: Israel Gershoni, ed. *Arab Responses to Fascism and Nazism: Attraction and Repulsion* (Austin: University of Texas, 2015); David Motadel, *Islam and Nazi Germany's War* (Cambridge, MA: Harvard University Press, 2014); Francis R. Nicosia, *Nazi Germany and the Arab World* (Cambridge: Cambridge University Press, 2014). Jeffery Herf's *Nazi Propaganda* (cited below) likewise offers an authoritative take on the subject. For an interesting if somewhat contested account of Germany's relations with the Islamic world throughout the twentieth century, see: Wolfgang G. Schwanitz, *Islam in Europa, Revolten in Mittelost: Islamismus und Genozid von Wilhelm II. und Enver Pascha über Hitler und al-Husaini bis Arafat, Usama Bin Laden und Ahmadinejad sowie Gespräche mit Bernard Lewis* (Berlin: Trafo Wissenschaftsverlag, 2013).

[59]For a compelling study of these propaganda efforts, see: Jeffrey Herf, *Nazi Propaganda for the Arab World* (New Haven: Yale University Press, 2010).

[60]In the words of Gray, "The Germans, for their part, reaped a windfall of respect among Arab countries for their defiance of France and Britain during the world wars. For those Arabs fixated on the conflict with Israel, the legacy of the Holocaust did not taint Germany's reputation; without actively trying to make political capital of this, the Federal Republic did send a considerable number of former Nazis as ambassadors to the Near East." Gray, 18. According to a 1959 article in *Time Magazine,* former Nazis were likewise sent by businesses to capitalize on these sympathies. Even as West Germany has benefited economically from the reparations it had been sending to Israel, "many Arabs think of the Nazis as the first and most successful anti-Israelis. 'I'm embarrassed sometimes,' says a West German businessman, 'when an Arab says 'Heil Hitler!' to me.' A less sensitive colleague admits that he prefers his Mideastern salesmen to be men 'with good war records" —ideally, former members of Rommel's Afrika Korps.'" "An Army of Salesmen go Where Conquerors Failed", *Time Magazine*, February 23, 1959, 24.

proved a formidable obstacle for West German expansion into recently independent, yet often circumscribed Arab markets and alternately highly speculative and highly coveted Arab oil fields. Largely uninvolved in the decolonization process, the Federal Republic had few direct political and economic ties with the Arab regimes that had come to power after the war. Nor did it boast the contracts and state-business connections that continuous colonial and neocolonial presence facilitated between the British and Iraq, or France and Algeria.

These question of concessions and productive rights, however, were not just matters of the legacies of European colonialism. They was also matters of coincidence, necessity, and circumstance. The first country to have a sizable petroleum industry and market of its own, for instance, was the US. Its companies benefited from years of domestic, then international expansion encouraged by supportive, protectionist federal policies.[61] These allowed the American oil industry to capitalize on the waning influence of the traditional European colonial powers. By 1941, the US laid claim not only to 41 percent of world proven reserves and 63 percent of global production, but also to the largest national market with a total annual consumption of upwards of 1.5 billion barrels.[62] These numbers only grew with the Arabian American Oil Company's (Aramco) discoveries in Saudi Arabia and the postwar economic expansion driven by industrial production and growing household consumption fueled increasingly by petroleum. Though hardly absolute, American dominance over the non-Soviet world oil trade was vast.[63] And, fittingly, it fed the anxieties of a Europe and Germany on the international decline.

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[61] These include not just the re-categorization of royalties as taxes and therefore creditable foreign tax credit in 1955 that benefited Aramco among others, but also the Mandatory Oil Import Quota Program, that restricted crude imports and therefore promoted higher domestic prices and profits from 1959 to 1973. See: Yergin, 425-430, 520-522, 571-2. They also include the US's willingness to deploy hard power to oil rich countries hostile to western oil interests, as most evident in the case of Mohammad Mossaedgh's Iran.

[62] David S. Painter, *Oil and the American Century: The Political Economy of US Foreign Oil Policy, 1941-1954* (Baltimore, MD: The Johns Hopkins University Press), 9.

[63] This is particularly true for West Germany. Whereas imports of Soviet oil increased from 0 to 1.92 million tons over the period 1951-1962, total crude imports grew from 1.95 to 33 million over the same period. The vast majority of these imports came from MENA states through the US majors.

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Modernity, Globalization, and Petroleum Entangled

The term "modern" has many definitions and connotations, both vague and specific, presentist and historical. Often it is misunderstood as the way things are now in a given almost invariably western locale. Sometimes it is expressed as an economic system (as in modern capitalism or communism), an artistic style or mode of expression (modern dress, modernism), or a phase in technological development (a rationalized modern household equipped with a microwave, television, vacuum cleaner, and more recently a computer and Wi-Fi). Although the term, along with its sibling "modernity," is often unreflectively bandied about with little meaning beyond "contemporary" or technologically current, in this study the concept refers to specific ideological configurations that spanned North and South and East and West.

Eastern, Western, and Arab modernities bore many key similarities. For developing countries, modernity often meant big technologies, prestige projects, industrial development, and national autonomy; for industrialized states, it meant providing those technologies and constructing those prestige projects often with the intension of gaining favor or raw materials to export to the industrialized metropole. For both, it meant an almost unwavering faith in the potential of technology and the "euphoria for planning" that technocrats were wont promote.[64] For both, modernity likewise meant deploying technology to harness natural sources of energy.[65] As this study

[64] According to Dirk van Laak, this embrace of planning-as-panacea provides a critical link between the interwar fascination with Fordist and Taylorist forms of rationalization and the postwar fetishization of technocracy as *the* means to overcome developmental gaps between the First and Third Worlds. Dirk van Laak, „Zwischen ‚organisch' und ‚organisatorisch': ‚Planung' als politische Leitkategorie zwischen Weimar und Berlin" in *Griff nach dem Westen: die 'Westforschung' der völkisch-nationalen Wissenschaften zum nordwesteuropäischen Raum, 1919*-1960, Burkhard Dietz, Helmut Gabel, Ulrich Tiedau, eds. (New York: Waxmann, 2003), 67-68. For a deeper investigation of this concept, see: Dirk van Laak, "Planung, Planbarkeit und Planungseuphorie," *Docupedia-Zeitgeschichte* (February 16, 2010), http://docupedia.de/zg/Planung.

[65] Or as Odd Arne Westad argues, modernities share the commonalities of positivism and technocracy, "constitute a form of 'high modernism' that emphasize, in a deterministic form, the unity of all modern development centered on industry and technology." Both, in other words, were positivistic and technocratic. Westad, 33.

will show, the multiple modernities shaped in West Germany, Syria, and Libya were distinctly and distinctive petro-modernities based on opposite ends of the petroleum supply chain. Syria and Libya represented the upstream. The Federal Republic, the downstream. And, DEA and Gelsenberg – the two German companies that met varying degrees of success in exploiting the region's petroleum resources - were the adhesive that held these two poles together.

They achieved this connectivity through infrastructure. As Dirk Van Laak has argued, infrastructure – in its physical form the most visible instrument and product of development – likewise serves an integrative function as the intersection between "policy, economy, technology, and space." In its modern industrial form, it is the primary means through which states – colonial, postcolonial, and neocolonial – build transnational connections and partake in global relations. It is therefore the "backbone of globalization," a critical tool of foreign and economic policy and, in its Cold War and post-colonial contexts, incorporation into one of the competing economic power blocs.[66] Infrastructural development was, in other words, a means to achieve a multiplicity foreign political objectives for countries at all stages of its expanse.

Establishing and maintaining these infrastructural linkages, however, was hardly a one way street. Indeed, as Per Högselius, Arne Kaijser, and Erik van der Vleuten have recently analyzed, infrastructure does not just operate "within a predefined spatial container" but instead "change(s) the very shape of the container." Its effects are rarely predictable or containable. It is both connective and divisive. It is simultaneously stabilizing and destabilizing.[67] And its impact is less a matter than the physical infrastructure itself as imposed, but the ways in which the affected people relate to and interact with it and the governments that convert it into policy and hegemonic ideology. Following van Laak, Högselius, Kaijser, and van der Vleuten, then, this study considers

[66]Dirk van Laak, "Technological Infrastructure, Concepts, and Consequences" in *Icon: Journal of the International Committee for the History of Technology*, Vol. 10 (2004), 63.

[67] Per Högselius, Arne Kaijser, Erik van der Vleuten, *Europe's Infrastructure Transition: Economy, War, Nature* (New York: Palgrave MacMillan, 2016).

infrastructure not just as physical equipment, pipelines, and ports, but more importantly as the networks of trade that those more physical forms of infrastructure enable. Here, infrastructure is indeed the very connective tissue of global trade. It is the flow and rupture of petroleum and petro-dollars. It is not just the drills, pipelines, ports, tankers, refineries, and petro-chemical plants that facilitate the flow and exploitation of petroleum but also the established and new petroleum trade routes, regulatory frameworks, taxation schemas, foreign economic and energy policies, contracts, discourses, and, of course, the businesses and governmental bureaucracy that are affected by each of these. In this sense, therefore, petro-infrastructure must be considered as a critical piece of postwar geopolitics. And, for these reasons, the infrastructural networks that explore for, extract, transport, tax, refine, consume, and regulate petroleum are critical to understanding postwar economics, international relations, and modernity in its myriad articulations.

For the West, the quest for modernization in the period examined in this study was characterized by the convergence of a teleological belief in technology, instrumental rationality, new forms of generating and circulating money in expanding global markets, and the creation of a new, postcolonial world order based on liberal-market economies and nearly endless sources of petroleum.[68] As Ulrich Beck has argued, however, although the goal of modernization processes – defined in their contemporary form as “the constant application of innovation” - may be improvement, stability, and security, the path to these ultimately unachievable objectives substitutes new, unanticipated risks and complications for old ones. Indeed, according the Beck, one must remain skeptical toward teleological claims and narratives simply because the process of modernization inevitably exposes “the failures of scientific-technical rationality considering the growing risks and threats” dialectically embedded in the technocratic path to growth, stability, and security. This is not, he continues, a problem with individual technocrats or scientists (to which I add

[68]See: David Harvey, *The Condition of Postmodernity: An Enquiry into the Origins of Cultural Change* (Cambridge: Blackwell Publishing, 1990), 10-38, 99-112.

the petro-ventures they manage and operate), but is systemic to the entirety of project modernity.[69] Others, such as Zygmunt Bauman have followed Beck in tracing the insecurities of modernization through an period of "solid modernity" characterized by the industrial welfare society through the "liquid modernity" of the present, categorized above all by disembodied labor and social relations and endless risk, uncertainty, and, adaptability.[70] My study builds off of these paradigms by applying them to a key point of convergence between Bauman's solid modernity based above on the exploitation of coal to the liquid, risk-laden modernity that made the Arab world a central component of the western energy supply chain. Indeed, the story conveyed here is one of proactivity and adaptation as well as vulnerability and uncertainty.

Part of the insecurity lies in this petro-modernity's overlap with the expansive, dense, and tenacious postwar wave of globalization that generated new connections between the North and South and created new political, cultural, scientific, and economic regional and world orders.[71] After colonialism, trade expansion was based upon a new form of post-(or, neo-)colonial integration wherein the states of the two poles were equal according to international law, although this equality was arguably more legal than practiced. Still, this expansion - and particularly when made in the pursuit of crude oil – brought not only western concepts of modernity but also tools and opportunities for national assertion to the postcolonial world.

Some of this was deliberate. According to this western framework, Third World states would modernize by embracing free market economics, providing natural resources to western markets,

[69] Ulrich Beck, *Risikogesellschaft: Auf dem Weg in eine andere Moderne* (Frankfurt am Main: Suhrkamp, 2012), 78.

[70] Zygmunt Bauman, *Liquid Modernity* (Malden, MA: Polity Press, 2012). Ulrich Bröckling has likewise followed this thread of constant innovation, change, and insecurity to the neoliberal "entrepreneurial self" of modern western societies. Ulrich Bröckling, *Das Unternehmerische Selbst: Soziologie einer Subjektivierungsform* (Frankfurt am Main: Suhrkamp, 2007).

[71] Ulrich Beck: "The uniqueness of the globalizing process today (and indeed also in the future) lies in the empirical pursuant to expansion, density, and stability of alternately regional-global networks of relations and their mass-media self definitions as well as social spaces and any picture stream on the cultural, political, economic, military, and economic planes." It is, in other words, more encompassing than its predecessor processes. Ulrich Beck, *Was ist Globalisierung?* (Frankfurt am Main: Suhrkamp, 2007), 32.

and reinvesting the revenues domestically toward agricultural or industrial development.[72] These principles constituted an important feature in a western international development policy aimed at bringing key states in the postcolonial world into the global economy (and western sphere of influence) primarily through North-South investment and industrialization programs. Although the US was the primary mover of this postwar push for global development and market expansion, the Federal Republic, as Heide-Irene Schmidt has shown, also "accepted the view that it had both the economic capacity to make a major contribution to the development of the Third World and the political, economic, and moral obligation to do so."[73] The political obligation lay in West Germany's own political reformation; the economic in its rapid postwar recovery; the moral in its recent turn from hard to soft power and its unsteady coming-to-terms with its Nazi past. Developing the Third World, however, was not just an experiment in altruism. It was, instead, through expanding West Germany's global presence and predicated upon the deepening both industrial and economic neocolonial linkages particularly in countries of geopolitical significance and raw material abundance.[74]

Even when it came to exporting technocratic political-economic ideologies, there was competition. And this competition was deeply embedded in contending Cold War modernities. Soviet modernity was, of course, based less on liberal economics and the expansion of private corporations - albeit supplemented by federal economic and trade agreements – into the developing world than was its western counterpart. Instead, it focused on replacing the traditional "feudal" and, when present, capitalist elite with a modern state, centralized economy, and industrial system of

[72]Massimiliano Trentin, "'Tough Negotiations'. The Two Germanys in Syria and Iraq, 1963-74," *Cold War History*, Vol. 8 No. 3 (August 2008), 360.

[73]Heide-Irene Schmidt, "Pushed to the Front: The Foreign Assistance Policy of the Federal Republic of Germany, 1958-1971", *Contemporary European History*, Vol. 12, No. 4, 478.

[74] For studies of this development aid-foreign political nexus, see: Young-Sun Hong, *Cold War Germany, the Third World, and the Global Humanitarian Regime* (Cambridge, MA: Cambridge University Press, 2015); Bastian Hein, *Die Westdeutschen und die Dritte Welt: Entwicklungspolitik und Entwicklungsdienste zwischen Reform und Revolte, 1959-1974* (München: R. Oldenbourg Verlag, 2006).

production. This was nevertheless a far cry from the policies of rapid and uncompromising top-down industrialization and collectivization that had dominated the Stalinist period. Rather than resorting to the occupation and hard power that imposed the Sovietization of Eastern Europe, post-Stalin Soviet foreign policy involved courting the unaligned world through economic aid, trade agreements, and technology transfers. Compliance with Soviet mandates was no longer a prerequisite for Soviet favor; an implicit acknowledgment of the legitimacy if not superiority of Soviet modernity through accepting development aid, however, was.

For both East and West, modernization in the Third World was a critical theater of the Cold War. The granting of aid was invariably coupled with professions of solidarity and anti-imperialism, West sympathies if not aligned, or assent to West Germany's *Alleinvertretungsanspruch* campaign.[75] With western aid, moreover, came the opportunity to integrate into the global capitalist system and the industrial, market-based modernity it embodied. With eastern aid came an alternative "Non-Capitalist Road to Development" (NCR) and autonomy from the neocolonial western economic system.[76] Since the mid-1950s, the USSR and the Eastern Bloc had offered military and economic aid, loans for construction projects, and advisors on socialist economics to Syria. And, in fact, it was these advisors – many from the GDR - who saw particularly in Syria a critical opportunity to open a new, contractually stable market for Soviet bloc goods who sought to convince the Ba'thist regimes of the mid- to late-1960s to expand state control over the domestic economy as a means to rapid industrialization and affluence.[77] Although this communist alternative to the western mode only gained traction for a brief time in late 1960s Syria with the replacement of West German technocrats

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[75] See: Gray, *Germany's Cold War*.

[76] A product of Nikita's Khrushchev's reforms, the NCR held Soviet socialism had surpassed the disputes and rivalries of capitalism; that the Soviet bloc could offer insulation and protection against the intrusion of capitalist and imperialist powers and market; and that the Third World was vulnerable and needed support to fend off western intrusion. Key to protecting yet unaligned Third World states from the capitalist expansion were the rationalization and centralization of heavy industry and the economy as well as visible markers of rapid industrialization (e.g. prestige projects). Massimiliano Trentin, *Engineers of Modern Development: East German Experts in Ba'thist Syria, 1965-1972* (Padova, Italy: Cleup, 2010), 37-8.

[77]Trentin, *Engineers,* 94.

and companies – including DEA – by Soviet and East German technicians, engineers, and advisors, it haunted western and West German efforts to modernize Arab industries and exploit Arab oil fields, at least until the Basic Treaty of 1972.[78]

Exporting modernity, however, is not the same as exporting an industrial product or raw material. The latter, after all, are tangible commodities and their acceptance in a given market is governed as much by questions of supply, demand, and applicability as by local sociocultural considerations. Modernity, however, is a concept more fungible than the raw material exploitation and systems of production on which it is based.[79] Indeed, western and eastern harbingers of modernity – be they state, private company, or compound actors - encountered postcolonial populations with their own conceptions of development and state-building. In their focus on technocracy and national-consciousness, these ideas (and ideologies) were as thoroughly modern as their western and eastern counterparts, but nevertheless fit awkwardly into strictly capitalist and communist models.[80] Although there was considerable variation in local, national, and transnational visions of Arab modernity, some trends had emerged by the mid-1950s that were common to the Egypto-Levantine provinces and posed alternatives to capitalist and communist models. These non-eastern and western pathways to modernity will be investigated in their non-aligned, Arab-nationalist, Syrian Ba'thist, and Libyan varieties in Chapter 1.

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The Pursuit of Petroleum in the Arab World: Format and Questions

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[78]Trentin, *Engineers*, 103.

[79]This, however, is not to discount the sociocultural dimensions of science, technology, and economics. It is merely to emphasize that, given similar conditions and inputs, a chemical process such as the hydrogenation of coal will work as well in one country as it will in the next. This is not the case for abstract ideas such as democracy and modernization.

[80]As shown below with the description of the conflicts between the Lebanese-Syrian Communist Party and the Ba'th Party, there was hardly any consensus within Arab states as to which road to modernity should be taken. Just as there were pro-Soviet and Arab-nationalist movements, there were likewise pro-Western and non-aligned communist sympathizers as well.

This dissertation traces the development, conflict, and accommodation of some of these various strands of postwar petro-modernity, all in a field characterized by East-West rivalries, Arab resource sovereign nationalism, and the sometimes conflictual tendencies of domestic industrial transformation and economic globalization. And it does so through investigating several key nodes of West Germany's own integration into this world-enveloping system. The German transition, however, was hardly smooth, straightforward, or predictable. How did West German energy policy turn from one based on domestic feedstocks to one predicated on integration into the global oil trade? Why were companies such as DEA and Gelsenberg at the helm of this turn and how did federal policy adapt to their actions? How were the companies alternately agents not only of company but also national interests? How, in other words, what were the political-economic dimenstions of these private sector enterprises? How did they intersect with such largely foreign political goals such as the *Alleinvertretungsanspruch*, the improvement of German international standing, and, of course, the ensurance of West German energy security? What factors on the ground in Syria and Libya, moreover, facilitated German entry to these petroleum spaces? What contingencies and sociopolitical developments hindered German access to crude? The West German pivot to petroleum was deep and decisive, even if it was not a deliberate object of German oil policy from the outset. In large part, this dissertation seeks to answer where that turn left a German oil industry still dependent on largely American controlled sources of crude in the Arab world and still coming to terms with the benefits and vulnerabilities of embedment in the postwar economic and energy order.

To accomplish this, this dissertation is be separated into six chapters. Chapter 1 one will provide a brief overview of the political-economic and petroleum histories of Syria and Libya. These countries, after all, were critical to the early plans of West German companies to expand abroad. As the chapter argues, this as much because of the unique postcolonial situation of these countries as it is of the potential of profitable discoveries. A former Ottoman province and French protectorate, Syria emerged into statehood a highly politicized and demographically diverse land. It was a beacon of pan-Arab and Arab-nationalist thought, which found expression in the Ba'th movement and, by the late 1950s, the Egypto-Syrian United Arab Republic. Syria was, in other words, an unaligned, independent state with limited preexisting ties to western colonizers or companies. Unlike countries such as Iran and Iraq, moreover, its fields were unproven, unclaimed, and open to bids from the German independents. Libya was likewise an anomaly in the Arab world. A former Ottoman province, it had a 30 year history of Italian colonization after which it was promoted to statehood by western powers who, essentially, were unsure of how to deal with the landmass and its people otherwise. One of the poorest and most underdeveloped countries in the world at its establishment, Libya had little choice but seek to enter the global economy first as a peripheral, raw material supplying country. It was with this mentality that King Idris invited the first companies in to explore the Sahara in 1953 and to exploit it in 1955. Because of Idris' unique efforts to encourage a rapid scramble for exploration (rather than aligned his government and petroleum wealth with a single consortium or western power), the Libyan oil industry was dominated first by American and British majors, then by a mix of majors and independents from across the West. For the first time, the latter included several companies from the Federal Republic.

Chapters 2 and 3 will examine Syria as the site of West Germany's first realistic chance to secure a significant source of petroleum in the Arab world. As Chapter 2 argues, DEA came tantalizingly close to doing so. The company established a foreign subsidiary (Concordia), secured an exploration concession, and even discovered significant deposits of crude in Syria's northeastern Al-Hasakah province. Discovery, however, was one matter. Negotiating a concessionary contract over production rights was another. And this task was further complicated by sociopolitical instability. Notably, these negotiations coincided with the apogee of the pan-Arab movement. Although this union of Syria with Nasser's Egypt was not a thought relished by the western powers, the realization of the United Arab Republic (UAR) might have offered DEA the stable negotiating partner it needed to ultimately close the concession and commence production. Indeed, by 1961, the two sides had come to a promising preliminary agreement over terms of exploitation. The collapse of the UAR in

September 1961, however, prematurely ended this opportunity. Chapter 3 traces the continuing talks between DEA and the alternately secessionist, then Ba'thist, then left-Ba'thist regimes that ruled post-union Syria and argues that these regimes offered the German firm fewer clear opportunities to negotiate a deal palatable to company management and investors. In the end, DEA, an independent without financial federal aid, was too small, undercapitalized, inexperienced, and risk-averse to take the bold steps that might close a deal with increasingly Arab-nationalist, communist-sympathetic, and West-antagonistic governments. By 1964, DEA's position had become so tenuous that the company sought first to tie its own contract to federal negotiations over the Euphrates Dam development project, then to link to the two projects for the purposes of achieving repayment for its nationalized possessions. By this time, however, desperation had betrayed relative impotency. The company achieved none of these objectives. It left the country the following year, only to be replaced by Soviet petro-experts and East German technocrats. By 1966, moreover, DEA fell into dire economic straits and was rescued only when the American major Texaco purchased it. This acquisition reflected the gloomy prospects of the internationally underrepresented and weak domestically-owned upstream sector, if not the German petroleum industry as a whole.

Although DEA was the only German oil company with sizeable though contested holdings in Syria, it was not alone in its expansionary pursuits. Indeed, numerous firms had taken up the charge to expand abroad, secure a petroleum foothold, and begin exploiting foreign sources ultimately for consumption in the Federal Republic. It was, however, alone in the sense that federal economic policies did not offer it financial support to help it compete with the well capitalized majors for contracts and to insure it against the all but certain losses it would incur in the process. DEA's shortcomings in Syria, in other words, were likewise the failure of a liberal federal energy policy that promoted market competition as the means to building a German industry. To the extent that the German character of the industry was a primary goal, the Adenauer and Erhard governments in particular came up short. The Federal Republic and DEA remained utterly dependent on Arab crude conveyed through major and largely American intermediaries for the near entirety of its oil supply. This, however, did not end the pursuit of a major German petroleum base in the Arab upstream.

The final three chapters follow this pursuit of petroleum sources to the one country in which a West German firm acquired economical producing oil concessions. This occurred, however, only through close cooperation with an American major. In 1959, Gelsenberg and Mobil Oil came to an agreement that traded outlets for Mobil's growing sources of Arab oil for Gelsenberg participation in the American concern's speculative concessions in Libya. As Chapter 4 shows, Libya was a rather unique country. It was, in a sense, an "accidental state" created not out of collective anti-colonial resistance struggle or indigenous sense of national unity, but out of a collection of formerly Italian colonial territories that, in the age of decolonization, had little immediate use to the western Allies beyond the symbolic Cold War sympathies.[81] The country was also severely impoverished. This status as a nominally united country with few domestic economic prospects encouraged King Idris to establish a petroleum regime that favored immediate, widespread, and intensive exploration for petroleum. As Chapter 4 posits, this rationale lay behind the Petroleum Law of 1955 and subsequent amendments of 1961 and 1965 that stood out as peculiar in the region for the discounts and liberties they afforded foreign companies and the favoritism they showed to German firms. It was this, rather than federal insurance and credit schemes offered later, that facilitated Gelsenberg's entry into and ultimate success in Libya. After discoveries in Hofra, Ora, and Amal at the turn of the 1950s, Mobil-Gelsenberg became a sizeable producer in Libya and Gelsenberg itself became the sole West German producer abroad. Most of its production fed into the flows that were funneled in increasing quantities into Western Europe and, above all, the Federal Republic. By 1969, Libyan crude accounted for nearly 45 percent of West German imports. Gelsenberg alone contributed 11

[81] Dirk Vandewalle, *A History of Modern Libya* (New York: Cambridge University Press, 2006), 40.

percent of this, or approximately 4.5 million annual tons. Mobil-Gelsenberg together contributed 32 percent.[82]

From this standpoint, Gelsenberg's stake in the Mobil venture was a success. It gave the company a foothold in the upstream of the Libyan oil petroleum flow and, therefore, constituted a critical node in West German-Libyan petro- and political-economic relations. Production only encouraged the deepening of the Federal Republic's growing dependency particularly on Libyan crude and Libya's reciprocal dependency on West German outlets. As the chapter concludes, however, these dependencies that had appeared surprisingly stable in the 1960s had actually undermined the Libyan monarchy's already weak support base. Petro-dependency, after all, flows in two ways and, if its corollary social and economic effects are not properly managed, it will erode the structures that maintained its production. The very agreements that brought Libya such petroleum wealth in the first place – some legitimate, some exploitative, some the product of greasing and bribery - that brought Libya such petroleum wealth in the first place worked reflexively to destabilize the monarchical system that had promoted Libya's growth as a major oil producer in the first place. The very companies that facilitated the former process, then, inadvertently laid the foundation for the latter. Although it was a much larger, more gradual, sociopolitical process, this chapter argues, this erosive process gained its most forceful articulations in several key instances of heightened regional and North-South tensions. These include the 1965 German-Israeli exchange of ambassadors and the 1967 Six-Day War. It was at these times that anti-monarchy sentiment combined most effectively with anti-Western, anti-West German, anti-Israel, as well as pro-Arab, pro-Palestinian, and pro-Egyptian sentiments. It was in the demonstrations that greeted these events that the West Germans began to see their production threatened and disrupted. They consequently began to realize the vulnerabilities inherent in such heavy reliance on a single national petroleum source. In a

[82] Gelsenberg statistics from *Gelsenberg AG Bericht über das Geschäftsjahr*: montan.dok/BBA 55/857. Mobil statistics from Ministry of Petroleum Affairs, Libyan Arab Republic, *Libyan Oil, 1954-1971* referenced in Table 10.1 in Frank Waddams, *The Libyan Oil Industry* (Baltimore: The Johns Hopkins University Press, 1980), 207.

sense, the protests of 1965 and 1967 exposed not only the precarity of the Idris regime, but the risks inherent in Germany's and Gelsenberg's new place in an alternately expanding and uncertain West-dominated but petroleum-reliant globalizing modernity.[83]

Modernity, as explained above, took on many expressions in many areas. The America-hegemonic modernity was related to but not part and parcel that envisioned by West Germans, and particularly West German companies. German petro-modernity moreover was quite different from the versions coming to prominence in the Arab world at the notable expense of the West-aligned Libyan monarchy. On September 1, 1969, a cadre of young, radical officers took advantage of a medical sojourn King Idris had made abroad, stormed government buildings, and seized control of the government. Although there had been discussions within the German Embassy and Foreign Ministry of uncertain lines of succession were the aging and reluctant king to abdicate, the putsch had been largely unanticipated. It nevertheless met with less panic than tacit disapproval at best by a West German government undergoing its own economic transition. In 1969 but unaffected by the coup, the Economics Minister Karl Schiller announced a "new oil policy" that pursued "the maintenance of German companies' market share" and the expansion of the national crude oil basis through the creation of a government subsidized association of German firms.[84] Gelsenberg would play an important role in this, even as the policy aimed to expand the German oil base beyond the company's Libyan holdings and consolidate the domestic industry. Although moving early on to expand state control over most sectors of Libyan economic-political life in line with its Arab-

[83] This follows from Ulrich Beck's formulation of the risk society, wherein the failures of the modernization processes lie in the risks they reflexively enable and therefore pose a counter-narrative to the teleological, progressive narratives that had previously dominated discourses on modernity. Beck, *Risikogesellschaft*, 78. Rather than focusing on the socially destabilizing and environmental-catastrophic potentialities of technological change, however, this study focuses on the smaller risks and vulnerabilities involved not only in technological development but also economic globalization dependent above all on petroleum flows. Petroleum, after all, bred new types of international and transnational relations. It reorganized ties not only within the petroleum consuming world but between that sphere and the oil-rich Global South. It introduced, therefore, new relations, new dependencies, and new risks into the postwar world.

[84] This association was the Deutsche Erdölversorgungsgesellschaft (Deminex): Basisprogramm für die Mineralölpolitik (Erdölversorgung), February 24, 1969: BAK B102/7710.

nationalist ideological persuasion, the Revolutionary Command Council (RCC) led by Muammar Gaddafi initially stopped short of reorganizing the oil industry along similar lines. The laws and regulations instituted by Idris remained in effect. Initially, companies were free to operate more or less as they had done before. This came at great relief to both Gelsenberg and the Federal Republic, as did Gaddafi's adherence to his predecessor's policy of East German non-recognition. This relative calm, however, soon gave way to a storm of sudden sector-wide changes in regulatory and taxation regimes. Chapter 5 traces Gelsenberg's and the Federal Republic's path through the increasingly treacherous, unpredictable petroleum landscape in Libya wherein the government unilaterally cut production quotas and repeatedly (and forcibly) engaged the companies in posted price re-negotiations.

Why did the Petroleum Ministry adopt these approaches to obtaining greater resource revenue and sovereignty when, ideologically at least, it seemed on the path toward outright nationalization? Simply put, Libya needed the western experts as much as it needed the western outlets for its crude production. The country did not have the domestic pool of trained technicians, engineers, and geologists to run the industry on its own. The RCC, according to Dirk Vandewalle, simply "had little choice but to continue relying on whatever expertise was present in the country, much of it consisting of expatriate personnel" from countries and companies viewed with increasing scrutiny and hostility. Recognizing this, the government therefore stopped short of completely nationalizing the industry or even making major structural changes to Libyan petroleum law.[85] The government, however, did have considerable clout in the demands it could make to assure control over domestic crude production and tax basis pricing. Some of this clout came from broader regional trends; some from the government's new assertiveness and willingness to pressure first the independent companies, then the majors in order to break any company-wide resistance. As the chapter shows, this tactic worked particularly well when applied to Gelsenberg and would culminate

[85] Vandewalle, *A History of Modern Libya*, 89.

on an industry-wide scale in repeated posted price increases in 1970 and 1971 and the nationalization of the uncooperative British Petroleum in December 1971.

It should not be surprising that the coup marked the peak of West German-Libyan petro-relations. The RCC instituted production cutbacks quite early in its rule and exports fell to 1968 rates by 1971 and 1966 rates by 1974. Although production would ebb and flow over the next few decades, it would never again come close to its 1969/70 peak. West German imports from Libya mirrored this trend. Imports from Libya peaked in raw numerical terms in 1970, but in terms of percentage of petroleum imports in 1969. Thereafter, it fell from nearly 41 million tons in 1970 to 29 in 1971 to its trough of less than 15 in 1975.[86] Although the Federal Republic would remain an important outlet for Libyan crude through the revolution of 2011, its importance would continue to abate as Libyan production fell, Libyan exports reoriented, and the Federal Republic diversified its own source bases.[87]

Much ink as of late has been spilled addressing the 1973/4 oil crisis and its effects on the direction of western energy policies and the world economy thereafter.[88] Little, however, has been written about the ways in which the crisis – which I examine as an extended period beginning in 1970 and culminating in 1973/4 - affected German petroleum enterprises in Libya, German-Libyan petro-relations, and the petroleum landscape of the Federal Republic. Given the deep ties between

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[86] Libyan annual exports in 1965 reached 540 million barrels; in 1968, 930; in 1971, 989; and in 1974, 536. Statistics gathered from *OPEC Annual Statistical Bulltein* and *Petroleum Press Service*, via Table 6.1 Judith Gurney, *Libya: The Political Economy of Oil* (New York: Oxford University Press, 1996),, 108.

[87] Italy replaced the Federal Republic as Libya's primary export market in 1971.

[88] This story of course played a critical role in Yergin's *The Prize.* More recent studies include Elisabetta Bini, Giuliano Garavini, and Federico Romero, eds. *Oil Schock: The 1973 Crisis and Its Economic Legacy* (New York: I.B. Tauris, 2016); Stefan Göbel, *Die Ölpreiskrisen der 1970er Jahre: Auswirkungen auf die Wirtschaft von Industriestaaten am Beispiel der Bundesrepublik, der Vereinigten Staaten, Japans, Großbritanniens und Frankreichs* (Berlin: Logos Verlag, 2013); Rüdiger Graf, *Öl und Souveränität: Petroknowledge und Energiepolitik in den USA und Westeuropa in den 1970er Jahren* (Berlin: De Gruyter, 2014); Meg Jacobs, *Panic at the Pump: The Energy Crisis and the Transformation of American Politics in the 1970s* (New York: Hill and Wang, 2016).

the two national energy economies and the German company presence in Libya throughout this period, this is a significant historiographical oversight that my final chapter addresses.

The posted price increases instituted by the Organization of Petroleum Exporting Countries (OPEC) in 1973 and the production cut-backs and embargo of the Organization of Arab Petroleum Exporting Countries (OAPEC) wreaked havoc on economies already in a stage of vulnerable transition out of the gold-tethered Bretton Woods system to a new system based on floating currencies and fluctuating exchange rates. They also exacerbated certain anxieties over the new, untested economy of floating currencies, high oil prices, and projected (although never realized) energy shortages.[89] For the Federal Republic, however, the crisis was only one piece of a much broader process of an evolving national petroleum-geopolitical complex that this dissertation follows into key spaces and states in the Arab world. More immediately in Libya, the crisis was just one part of a broader energy-political realignment that began with RCC's seizure of power and culminated not in but around the global energy crisis. Some of this reorientation was the result of the transformation of the balance of powers within the industry: the proliferation of government claims to energy sovereignty, the resultant establishment of national companies, the rise of the independents, and the end of dominance of the majors. Some was the product of Libya's radical ruling ideology that produced some of the strongest and sometimes inscrutable petroleum policies, producing alternately full-nationalization, forced participation, and frequent though irregular increases in the government take of profits and production. Chapter 6 investigates these developments by considering the period from 1972 through 1974 through the lens of the actors most exposed and vulnerable and therefore most threatened by the radical pretensions of Gaddafian governance. Gelsenberg had gained much in Libya by this point and although production was already beginning to wane, it still had the near entirety of its upstream operations to lose. As the chapter argues, it nevertheless was able to deploy

[89] As Jens Hohensees stated so well, the oil deficiency was "an artificial shortage" wherein "the crisis played out not in the oil and gas tanks, but in the head." Jens Hohensees, *Der Erste Ölpreisschock 1973-74: i.e. politischen und gesellschaftlichen Auswirkungen der arabischen Erdölpolitik auf die Bundesrepublik Deutschland und Westeuropa* (Stuttgart: F. Steiner, 1996).

these same weaknesses to help it weather the Libyan-OPEC-OAPEC storm. It was a small, vulnerable independent, but one that was adaptable to pressures both from its fellow western companies as well as the Libyan government and its primary negotiator for all things petroleum and foreign political: Abdessalam Jalloud. And, in this strategically deployed malleability, it carved out a space in the industry both for its own company and broader West German interests.

The Federal Republic was likewise in a vulnerable position. Simply put, it and its companies – excluding Gelsenberg – had no control over the sizeable sources of crude it deemed necessary to ensure domestic energy security. It was therefore panic-stricken not only by the deployment of the petro-political "oil weapon" in October 1973 but also by the rebalancing of and disruptions in the global petroleum market that characterized the early 1970s. It was not, however, altogether unprepared. The German and non-German companies had already begun replacing the shortfalls in Libyan production with shipments from Saudi Arabia and Iran. The industry would, in subsequent years, replace them with crude from the British and Norwegian North Sea, growing imports of Liquified Natural Gas (LNG), and nuclear energy, thereby converting what was once a largely petroleum economy into a multifaceted energy economy.[90] Libya's newfound resource nationalism and the shock of the 1973/4 price increases and embargo only deepened this turn. The final chapter therefore argues that this energy strategy reorientation not only reflected the experiences of Gelsenberg at the Libyan epicenter of the petroleum crisis of the early 1970s, but also a federal as well as sectoral recognition of the changing dynamics of the global petroleum balance.

By 1975, Gelsenberg was once again in a precarious position. It had shed its interests in its unprofitable coal enterprises in the Ruhr only a few years earlier, had deepened its investments in domestic mid- and downstream petroleum sectors, and successfully survived the turbulence of the early 1970s in one of the most resource nationalist countries in the Arab world. In other words, Gelsenberg still served as a singular direct national link between the West German oil industry and

[90] This transformation followed and encouraged that of the increasingly diversified activities of the companies. Hohensees, 234.

the Arab upstream. It had, however, suffered over the last few years. Investors had sought to purchase the company since its postwar reemergence in the 1960s. Bidders of foreign origin had been blocked at every turn. For wont of a true national oil company or strong federal initiatives to promote West German independents at the expense of the largely American majors, those of domestic incorporation were encouraged to acquire and merge largely at will. Indeed, the latter happened to Gelsenberg. In 1975, Vereinigte Elektrizitäts- und Bergwerks AG (Veba) – majority owned by the federal government - acquired the company's refining and extractive operations.

Although this acquisition did not mark the end of the join-venture with Mobil in Libya, it did mark the end of the period of peak petroleum trade with Libya. It also coincided with the onset of a new era described alternately as one of globalization and "shock", upended confidence, uncertainty and anxiety, and the end of the Keynesian consensus and emergence of postindustrial neoliberalism.[91] Each of these assessments is appropriate to the West German, Gelsenberg, and even the earlier DEA case. To these prognoses, however, this dissertation will add one more. The early 1970s were also a period of coming to terms not, as may have argued, just with the new power of the producers of the Global South or Arab world. They were also a period of West Germany's own coming to terms with the realities of the globalized petroleum trade. The Federal Republic had entered the foreign upstream too late. It had entered with a company directed trickle rather than a federally facilitated flood. In the end, however, the crisis proved that West Germany did not need such a major presence in Arab oil fields. The events in Syria, after all, were largely domestic concerns, rather than the result of the machinations of foreign companies and governments. The turn from West-alignment to positive neutrality and resource nationalism in Libya was likewise a domestic and regional issue, rather than one promoted by the majors. The oil shock occurred not

[91] See: Niall Ferguson, "Introduction: Crisis, What Crisis? The 1970s and the Shock of the Global," in Niall Ferguson, Charles S. Maier, Erez Manela, Daniel J Sargent, eds. *The Shock of the Global*: *The 1970s in Perspective* (Cambridge: The Belknap Press, 2010), 1-24; Graf, *Öl und Petroknowledge*; Konrad H. Jarausch, "Verkannter Strukturwandel. Die siebziger Jahre als Vorgeschichte der Probleme der Gegenwart," in Konrad H. Jarausch, *Das Ende der Zuversicht?: Die siebziger Jahre als Geschichte* (Göttingen: Vandenhoeck & Ruprecht, 2008), 9-26; Mitchell, 199.

because of a lack of supplies or even their redirection to the home or preferred countries of the major producers, but because of OPEC, OAPEC, and, as examined here, Libyan policies and actions. Energy security was not a question of control over foreign oil or even direct access to those sources. That issue, in a sense, had been resolved by the deployment of the oil weapon and OPEC's calls for major government participation in all petro-ventures. Instead, energy security turned out to be a question of source diversification and adaptability, extending petro-infrastructural links and deepening integration into the global petroleum economy. Vulnerability and risk had to be dispersed to be combated. The pursuit of Arab crude had largely been a black, liquid chimera, something glimpsed and desired but unattainable. As far as domestic energy security went, it would likewise prove to be unnecessary.

Chapter 1: The Political-Economic Terrain of Postwar Syria and Libya

In *The Wretched of the Earth*, Frantz Fanon argued that the postcolonial moment had at last placed a choice before the peoples of Algeria. For Fanon, that choice was quite simple when removed from the ideological mess that had entangled it. Per Fanon, "The basic confrontation which seemed to be colonialism versus anticolonialism, capitalism versus socialism, is already losing its importance. What matters today, the issue which blocks the horizon, is the need for a redistribution of wealth. Humanity will have to address this question, no matter how devastating the consequences may be."[92]

It is quite fitting Fanon isolates this question about wealth distribution. On the one hand, the breaking of pre-independence systems of land holding and rentierism and the sometimes forcible redistribution of property were primary goals of many of the left-leaning revolutionaries and anti-imperialists of the twentieth century. Therefore, it might be expected that Fanon would introduce these measures as a matter of necessity. On the other hand, Fanon's prescription is particularly attuned to the Algerian situation and, as I posit here, has implications for other burgeoning petro-states in the region. Indeed, Fanon goes on to suggest the postcolonial states embark on a third socialist path to modern statehood that lay between the capitalist system of monopolies and economic dependency and the otherwise unfit prognoses of atheistic and clientilistic Soviet communism.[93]

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[92] Frantz Fanon, *The Wretched of the Earth*, Richard Philcox, trans. (New York: Grove Press, 2004), 55.

[93] As Fanon explains, "The concrete problem we find ourselves up against is not that of a choice, cost what it may, between socialism and capitalism as they have been defined by men of other continents and of other ages. Of course we know that the capitalist regime, in so far as it is a way of life, cannot leave us free to perform our work at home, nor our duty to the world. Capitalist exploitation and cartels and monopolies are the enemies of under-developed countries. On the other hand the choice of a socialist regime, a regime which is completely orientated towards the people as a whole and based on the principle that man is the most precious of all possessions will allow us to go forward more quickly and more harmoniously, and thus make impossible that caricature of society where all economical and political power is held in the hands of a few who regard the nation as a whole with scorn and contempt." Fanon, 56.

Monopolies, clientelism, economic exploitation. These are the neocolonial mechanisms that Kwame Nkrumah would draw attention to only a few years later in his influential study of neocolonialism.[94] These are the ties that fellow Ghanaian Kofi Batsa would decry regarding the Federal Republic's postwar economic expansionism.[95] These same instruments, moreover, served as the very stuff of the global oil industry through the middle of the century. And these are the uneven relations that the many regimes of Syria and Libya attempted to avoid rekindling, albeit, as I argue below, in unique and protean ways that allowed space for West Germany to take part in the burgeoning regional scramble scramble for oil. Indeed, as Fanon argues with a particular eye to the hydrocarbon rich Algeria, there were alternative ways to navigate the Cold War capitalist-socialist dichotomy. It is in this large space between capitalism and communism that the petro-states of MENA resided. And, it is here that the Syria and Libya diverged between Cold War non-alignment, Arab-Nationalism, and ultimately Ba'thism on the one hand and conservative western alignment, then radical positive-neutralist nationalism on the other. This chapter will trace the development of these sometimes complementary, sometimes contending ruling ideologies primarily in these two states. In doing so, it outlines the basic contours of the multiple modernities in the Arab world that contended with those introduced and, at times, imposed by northern companies and governments that sought to open the region's oil fields to investment and exploitation.

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Syria, Arab-Nationalism, and Non-Alignment

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[94] Kwame Nkrumah, *Neo-Colonialsm: The Last Stage of Imperialism* (London: Thomas Nelson & Sons Ltd, 1965).

[95] "The West German Federal Republic," he argues, "has become – after the United States of America – the biggest neo-colonialist power. Every year, the West German imperialists, via non-equivalent trade and in consequence of capital flowing back as interest and profits from the Afro-Asian and Latin Aemrican countries make profits amounting to at least 10,000 million marks." Kofi Batsa, *West German No-Colonialism and Africa: Documentation on the neo-colonialist policy of West Germany in Africa* (Accra: Spark Publications, 1964), 14. Fanon himself likewise hints at Germany's complicity in the neo-colonial project, if by association with the West more so than by participation. Fanon, 58, footnote 11.

The First World War brought about the collapse of empires and the strengthening of the nation-state across Europe. It therefore constituted a turning point in relations between the capitalist and communist North and the decolonizing Global South. When the Ottoman Empire fractured after years of military decline, economic stagnation, internecine conflict, and military collapse, the Entente powers elected to divide the former Ottoman provinces not into colonies, but into mandates. As Antony Anghie has shown, this was something new. The mandate system was not merely a twentieth century incarnation of late nineteenth century imperialism. Instead, it was a reaction against the previous forms of colonialism and sought "to promote self-government and, in certain cases, to integrate previously colonized and dependent peoples into the international system as sovereign independent nation-states." In the end, Anghie continues, "it contemplated nothing less than the creation of the social, political and economic conditions thought necessary to support a functioning nation-state."[96] It provided a path, in other words, to modern statehood in a western-hegemonic world system. That system, however, would soon collapse under the pressures of a world economic depression in 1929 and the lead up to the Second World War. Nevertheless, it was onto this untried path to paternalistic sovereignty that the formerly-Ottoman territory of Syria had been cast.

Under French administration for only 25 years, Syria nevertheless bore certain marks of its brief time as a semi-colonial protectorate. These included not only the scars of anti-colonial struggles, but also the politicization of its population along western republican lines, albeit translated into a distinctively Arab vernacular. In Syria, this vernacular would be most effectively articulated by the Arab-socialist and -nationalist Ba'thist movement. After years of anti-French and British agitation and the premature yet impactful proclamation of an independent, republican Syrian state in 1936, the country ultimately achieved independence only with the end of the Second World War.

[96]Antony Anghie, "Colonialism and the Birth of International Institutions: Sovereignty, Economy, and the Mandate System of the League of Nations," *New York University Journal of International Law and Politics*, Vol 34 (2002), 515.

As with most of the emerging Arab states, however, Syria still suffered from underdevelopment during years of disunity under Ottoman rule and the French Mandate. Served poorly by this prolonged period of developmental neglect and of an "economized sovereignty" in which core-periphery capitalist market-relations constituted the basis for future autonomy – but which likewise neglected establishing the social, political, and industrial infrastructure that would encourage modern economic and political development -⁻ the formally independent Syria had much to overcome before it could convert from an aid and rent dependent state to an industrial and exporting country.

At independence, the Syrian population was still largely agrarian, and its crops were primarily devoted to domestic consumption.[97] Its few large population centers were clustered around cities in the west such as Damascus, Aleppo, and As-Suwayda and port cities such as Latakia. These cities were likewise split along ethno-religious lines, with the Alawis concentrated in Latakia, Druze in As-Suwayda, and the cosmopolitan but largely Sunni populations in Damascus and Aleppo. To this list should be added the sparsely populated but heavily Kurdish northeastern region of Al-Hasakah, wherein DEA would many in Germany hoped would form the backbone of Syrian-German relations and provide an entryway for deepening German involvement in the Arab oil trade. It took a collective liberation struggle to temporarily unify these disparate provinces under the banner of anti-imperialism and Arab-nationalism; it would take much more for the population to gain national consciousness that could overcome its ethno-religious divides. Although the current civil war is far beyond the scope of this study of the brief history of petro-relations between Syria and the Federal Republic, it is worth noting that these same tensions among demographic groups have certainly played a critical role in the early anti-Assad protest movement that broke out in 2011 and the chaotic civil-cum-proxy-cum-regional war that exists today.[98] Though far from the totality of the Syrian

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[97]Syrian farmers did, however, export a few products: namely, cotton, olives, and nuts.

[98]For just a few of many articles explaining the link between the origins and prosecution of the war(s) and oil, see: "Isis Inc.: How Oil Fuels the Jihadi Terrorists" *Financial Times,* October 14, 2015, (accessed November 14, 2015), http://www.ft.com/intl/cms/s/2/b8234932-719b-11e5-ad6d-

catastrophe, these divisions have clearly been insufficiently bridged. Petroleum exploitation solved none of these problems, even as, in the heady days of the first decades after the war, it was hoped that they would.

The civil war is only the latest, if most tragic, incarnation of the long history of Syria's struggle for statehood and stability. Since independence, the country had been caught in a cycle of political and social instability that had resulted in three putsches in 1949 alone and would produce several more over the next fifteen years. Politically, Syria was still finding its footing. It had likewise not yet conformed to the geopolitical polarization encouraged by the Cold War powers. It could lean westward and integrate into the globalizing economy. It could lean eastward and integrate into the Soviet economic sphere.[99] Or, it could follow neither Cold War path and carve out a space for itself in an unaligned Arab world. This choice was not just a question of immediate alignment with the two strongest militaries and largest economies in the world (although those were certainly concerns). Instead, it was a long, unsteady, and piecemeal process of closing trade and aid agreements with individual industrialized states and strengthening lines of communication with their governments and businesses. By the mid-1950s, Syria and the Federal Republic had forged strong economic ties. West Germany was the third largest importer of Syria's largest export, cotton, and the ninth largest importer of Syrian goods overall. Reciprocally, Syria had become the Federal Republic's sixth largest

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f4ed76f0900a.html#axzz3oZHflUw1; William R. Polk, "Understanding Syria: From Pre-Civil War to Post-Assad", *The Atlantic*, December 10, 2014 (Accessed online) http://www.theatlantic.com/international/archive/2013/12/understanding-syria-from-pre-civil-war-to-post-assad/281989/.

[99] By globalizing (or alternately, globalization) I mean the process by which a single system of production, trade, and markets spread across the world. In doing so, I am following Ulrich Beck, who defines globalization as a process that subordinates the nation-state, transnational relations, traditional seats of power, individual identity, social networks, and other forms of social and political relations to the expanding and deterritorializing economy. Ulrich Beck, *Was ist Globalisierung?* (Frankfurt a.M.: Suhrkamp, 2007), 28-9. Unlike Beck, however, I do not wish to focus so much on the ways in which globalization undermined the sovereignty of the nation state and impacted forms of culture and society, as much as I want to investigate ways in which state and its business - if deterritorializing, still not yet decisively uprooted from their territorial, national location and therefore their national identities – navigated the contours of an global economy (the early stages of what Beck calls "*Globalismus*") in West German and Arab localities.

export market – importing primarily machine tools and industrial products.[100] This trade, however, could only stretch so far to accommodate Syria's own economic aspirations or forge deeper ties between the two states. It was too unbalanced, and Syria had few resources and scant industry to overcome this. What the country lacked in industrialized production and natural wealth, however, it made up for in location. Situated between Iraq and the Mediterranean Sea, Syria was fast becoming one of the most significant lands for the transportation and refinement of Iraqi petroleum. This meant the country was undergoing large-scale infrastructural development that would accordingly put the country on the path to a dependency not on petroleum as a feedstock, but on the revenues generated from its transportation. In 1952, an 800 km pipeline from Kirkuk to the Syrian port at Baniyas was put into operation[101] The Kirkuk-Baniyas pipeline was critical to the Syrian economy. Infrastructurally linking one of Iraq's largest oil fields to Syrian ports, it tied IPC and Iraqi fortunes to Syria's own economic well-being. In 1955 alone, the pipeline generated nearly £S 12 million[102] in revenue from taxes and royalties and consequently bound the country's economic fate to the flow of petroleum.[103] This revenue was slated to climb once Syrian plans for refineries in Damascus and Homs were realized.

Neighboring Iraq, Syria soon became a site of oil speculation as well. Unlike its Arab neighbors, however, Syria was largely unburdened by prior contracts with western firms and

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[100]"Die syrische Wirtschaft. Anlage zu dem Bericht der Gesandtschaft Damaskus vom 10. Februar 1954," Tgb.Nr. 200/54, Lahr: PAAA, B11 1395.

[101]The pipeline from the oil fields of Kirkuk to the Syrian port of Baniyas pipeline was built by the American firm Bechtel between 1950 and 1952 and funded by France and the British-owned Iraq Petroleum Company (IPC). Between its completion and the construction of the Strategic Pipeline to the Arabian Peninsula in 1975, it was one of the major pipelines delivering oil from Iraq to world markets. In 1954, for instance, it was already transporting oil at a rate of one million tons per month. By 1965, this number had risen to nearly 3.5 million tons, nearly three-fifths of which going to Baniyas and the rest to the port at Tripoli. Ibid, 14; Pfeiffer, Betr.: Der Streit Syrien/Iraq Petroleum Company (IPC), December 15, 1966: PAAA B66 BIII6 506.

[102]Syrian pounds.

[103]Syria renegotiated the terms of the agreement with the IPC in November of the same year, causing an increase of nearly £S 70 million between 1956 and 1964. In 1965, terms once again changed, causing a spike in revenue that reached £S 150 million the following year. Pfeiffer, Betr.: Der Streit Syrien/Iraq Petroleum Company (IPC), December 15, 1966: PAAA B66 BIII6 506.

obligations toward former colonial countries.[104] It was therefore more open to West German involvement than other states that had already divided their territory among the majors.

German companies, of course, were not completely proscribed from the rest of the region. They took part, for instance, in a contemporaneous project that discovered large reserves of natural gas, a hydrocarbon that was growing in importance, in French Algeria.[105] Indeed, the resulting contract work of companies such as Deutsche Schachtbau- und Tiefbohrgesellschaft mbH, the Gesellschaft für Praktische Lagerstättenforschung GmbH (Prakla), and DEA, though modest, were early steps toward West German inclusion in Third World petro-projects as well as primary targets for East German anti-imperialist propaganda. In response to the latter, the West German petro-industry "produced propaganda films that portrayed its work in Algeria as a form of development aid that ultimately benefited the Algerian people," revealing the sometimes blurred boundary between private enterprise and development policy in the quest for raw materials in the Third World.[106] The loosening French grip on its *département* in the face of a tenacious indigenous independence movement, however, made certain the German presence in the country would be intermittent and peripheral at best.[107] Nevertheless, what West Germany lost in Algeria, it stood to gain several fold if DEA discovered a marketable source of crude oil in the geostrategically more significant Syria. Surrounded by two sides by Baghdad Pact powers that had joined with the US in the anti-Soviet

[104]Compare this to the French special relationship with Algeria even after 1962 and England with Iraq and Iran during this period.

[105] Although France controlled the Algerian oil industry and gave preference to French companies in allocating concessions, some German companies – including DEA – were able to take part in exploring the Algerian Sahara. They did so, however, as contractors of French companies, with few rights over any gas and crude discovered and extracted. See, for instance, Georg Gerster's account of the first German drilling station in the region as an expansion of the find at Hassi R'mel and German exploration efforts in Bordj Nili: Georg Gerster, *Sahara: Desert of Destiny*, trans. Stewart Thomson (New York: Coward-McCann, 1961), 184, 202.

[106]Young-Sun Hong, *Cold War Germany, the Third World, and the Global Humanitarian Regime* (New York: Cambridge University Press, 2015), 228.

[107] For a first-hand account of the Algerian war of independence with accounts of its effects on German oil interests in the country, see: Siegfried von Nostitz, *Algerisches Tagebuch, 1960-1962* (Düsseldorf: Econ Verlag, 1971).

Central Treaty Organization (CENTO),[108] and situated just north of Israel, Syria was located at the point of convergence of non-aligned Arab, American, and, because of those, Soviet spheres of influence. It was therefore was particularly susceptible to pressures from all directions. This is part of what made the country's contracts such an important objective for DEA. If it succeeded, the company would have the opportunity not only to secure its first petroleum basis abroad to feed its growing domestic markets, but could also open Syria to further German and western investment and alignment. In the best of scenarios for the Federal Republic, Syria might even become a bulwark state against communist expansion and non-alignment perceived as antithetical to West German interests. DEA had the lofty opportunity, in other words, to further pull Syria into the western economic sphere while pushing West Germany itself deeper into a petroleum-based modernity that seemed increasingly unavoidable, if not also desirable.

Syrians, of course, were less concerned with western economic and political integration than they were with carving a space for Syria in this postwar, postcolonial world. As did many newly independent Arab states, Syrian officials and politicians embraced Arab-Nationalism – an ideology that argued the Arab peoples already constituted a nation and should therefore unite into a single political entity – while simultaneously promoting national measures for economic and social justice and rapid industrialization.[109] On the more left-radical end of the political spectrum, these principles went hand in hand with breaking the bonds of "feudal" society through wealth redistribution, land

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[108] Formed in 1955, CENTO (until 1959, the Middle East Treaty Alliance) was a mutual defense organization that originally comprised Iran, Iraq, Pakistan, Turkey, and the United Kingdom. Iraq, however, withdrew in 1959.

[109] As one West German report rather condescendingly explained, Arab nationalism was difficult for westerners to parse because it was "a mix of feelings and ideas, of revolt against foreign domination and social exploitation, of hate, fear inferiority, arrogance, greediness, heated fantasy, nothing clear or planned (there is no theorist of Arab nationalism), without fixed proposals or goals, completely overwhelmingly emotional, corresponding to the Arab character." Report, Abteilung 7, (Arbeitsgruppe Nahost), Betr.: Krisenherd Naher Osten: Wurzeln, Probleme Lösungen, July 25, 1958: PAAA, B01 113. Although the previous quote is infused with racial biases and orientalist tropes, there is a kernel of accuracy in its claim that Arab-Nationalism had no central dogma – beyond advocating some form of Arab unity - or theorist and was therefore beyond early Cold War political typologies. It had local, national, and transnational expressions. Arab-Nationalism ationalism, moreover, is often conflated with the broader concept of Arabism, an equally unstandardized group socio-cultural affinities and ideologies. See: Adeed Dawisha, *Arab Nationalism in the Twentieth Century: From Triumph to Despair* (Princeton: Princeton University Press, 2003), 11-13.

reform, and the destabilization of the countryside which had previously been governed by large-scale landowners and their allies.[110] In this way, the Arab-nationalist road to modernity echoed that espoused by the Soviets post Stalin.[111] On deeper investigation, however, the two visions share little more than these superficial socialistic commonalities.

Just as Arab-nationalist ideologies were deeply embedded in the contemporary and local sociopolitical fabric and, with the rise of Gamal Abdel Nasser in Egypt, quickly grew into a third-way socialism,[112] other Arab and Afro-Asian solidarity movements began to find expression in a series of international summits. And, indeed, there was often significant overlap between the ethno-cultural solidarity movements and those encompassing wider areas of the global South. At one of the most notable of these meetings, representatives of twenty-nine developing nations congregated in Bandung, Indonesia in 1955 for the first Afro-Asian Conference. The attendees were unsympathetic to the Cold War order that was taking shape and met to discuss alternatives to the East-West bipolarity (as well as the proliferation of nuclear arms) in the form of Third World interdependence, ideological coordination, and mutual aid in the face of the seemingly omnipresent threats of neocolonialism and nuclear war.[113] Apart from proclamations of solidarity and non-involvement in the Cold War, the movement started at Bandung soon exhausted itself in the face of intra-South disagreements, weak patterns of trade among postcolonial states, and overwhelming pressure to

[110]Raymond A Hinnebusch, *Syria: Revolution from Above* (New York: Routledge, 2002), 30.

[111] For a brief account of the post-Stalinist reorientation from uncompromising armed interventionism to diplomacy aimed at the non-communist socialist and "radical bourgeois" world, see: Odd Arne Westad, *The Global Cold War: Third World Interventions and the Making of Our Times* (New York: Cambridge University Press, 2007), 66-72.

[112]This of course excludes the communist plans for the modernization, which advocated proletarian over Arab identity and communism over Aflaq's socialism, wherein "the Arab spirit (would prevail) against materialist communism; Arab history against the reaction(aries)." Heipertz, Ber.Nr. 397/63, Betr.: Aufzeichnung über die Baath-Partei und Übersetzung des Partei-Programmes, June 12, 1963: PAAA, B36 IB4 053.

[113] For important recent studies of the conference, its roots, and its aftermath, see: Christopher J. Lee, ed. *Making a World after Empire: The Bandung Moment and Its Political Afterlives* (Athens, OH: Ohio University Press, 2010); Natasa Miskovic, Harald Fischer-Tiné, Nada Boskovska, eds. *The Non-Aligned Movement and the Cold War: Delhi - Bandung – Belgrade* (New York: Routledge, 2014). Also, see the chapter on Bandung in Vijay Prashad, *The Darker Nations: A People's History of the Third World* (New York: New Press, 2007).

align with communist or capitalist blocs. Seizing the momentum that remained of unaligned Third Worldism, representatives from several Bandung countries convened at the Conference of Heads of State or Government of Non-Aligned Countries in 1961. It was at this later meeting that the Josip Broz Tito of Yugoslavia, Gamal Abdel Nasser of Egypt, and representatives from several other neutral Third World states drafted a declaration that repudiated the East-West conflict through the founding of a Non-Aligned Movement (NAM). NAM was premised on the rejection of a bipolar world order that was, according to signatories, sewing caustic and unnecessary ideological divisions and pushing the world closer to nuclear war.[114] In place of the Cold War, the movement advocated the sometimes conflicting policies of uncompromising anti-colonialism, national self-determination, peaceful coexistence, and international conflict resolution channeled through the United Nations. In ways, it was a more practical and tangible incarnation of the overly idealistic and unfocused Bandung spirit.

A former mandate itself, Syria was sympathetic to the calls for postcolonial solidarity and would eventually join NAM in 1964. Yet even before the establishment of the movement, Syrian officials and political figures had adopted a strategy of "positive neutrality" – or an active non-alignment - in the Cold War conflict.[115] This doctrine left the country free to cooperate with both eastern and western companies and governments on infrastructural development projects, economic and military advising, and other trade, arms, and technology-sharing arrangements. It also left the country free to pursue its own pan-Arab agenda. Contrary to western fears, positive

[114]According to the declaration from the 1961 conference, "The Governments of countries participating in the Conference resolutely reject the view that war, including the 'cold war', is inevitable as this view reflects a sense both of helplessness and hopelessness and is contrary to the progress of the world. They affirm their unwavering faith that the international community is able to organize its life without resorting to means which actually belong to a past epoch of human history." "Belgrade Conference," *Summit Declarations of Non-Aligned Movement (1961-2009)* (Nepal: Institute of Foreign Affairs, 2011), 8. As with the Bandung Conference, NAM would have more of a symbolic than a practical impact on the course of the Cold War and the Third World's situation with in it. Westad, 107.

[115]This platform did not extend to the Soviet-aligned Syrian Communist Party, although it remained a central tenet for Ba'thists and Nasserites.

neutrality was hardly a de facto eastern alignment or an embrace of communism. Although the shape of a third neutral power bloc – whether a political union of Arab states or a looser organization of developing nations – remained contested, its very expression at Bandung and its incarnation in NAM nevertheless challenged the hegemony of the Kennan-Zhdanov worldview of the irreconcilable opposition between communist and capitalist blocs.[116] In doing so, it posed a counter-narrative to the East-West bipolarity not only in terms of geopolitics, but also in terms of governmental structures, social organization, and modernization. In other words, it introduced versions of modernity that contested both communist and capitalist models.

These efforts, moreover, were buoyed by another declaration. This one, however, came from the General Assembly of the United Nations (UN). Since 1952, the Commission on Human Rights (and, since 1958, Commission on Permanent Sovereignty over Natural Resources) had been studying questions of national self-determination and the implications that had on national natural resources.[117] At the end of 1962, the assembly overwhelmingly passed Resolution 1803 (XVIII). According to this resolution, resource sovereignty was a necessary component of self-determination and, according to Article 1, states must exercise this right "in the interest of national development or the well-being of their people."[118] This in itself is an important assertion that gave an internationally recognized legal foundation to state claims that contracts and agreements of years and situations

[116]George Kennan, later to become Ambassador to the Soviet Union, had composed his "long telegram" in 1947, which argued that the Soviet Union was conducting a constant, global war against capitalism that could be contained through a global propaganda, education, and aid campaign aimed at "containing" Soviet expansion. This soon became one of the founding pillars to the Truman Doctrine. Politburo member Andrei Zhdanov gave a speech at Cominform's foundational meeting that same year, arguing that the postwar world order was split between "imperialist" (capitalist) and "anti-imperialist" (communist and socialist) camps. In turn, he advised a Soviet policy of containment against American and capitalist expansion.

[117] See: "Permanent Sovereignty over Natural Resources, General Assembly resolution 1803 (XVII): Procedural History," *Audiovisual Library of International Law*, accessed online, http://legal.un.org/avl/ha/ga_1803/ga_1803.html.

[118] Article 1, "General Assembly resolution 1803 (XVII) of 14 December 1962, 'Permanent sovereignty over natural resources,'" *United Nations Human Rights: Office of the High Commissioner*, (Accessed online) http://www.ohchr.org/EN/ProfessionalInterest/Pages/NaturalResources.aspx.

prior (and particularly those closed under colonialism or deposed administrations and regimes) were no longer valid. What is more, however, the resolution states that countries have means through which to exercise these rights: nationalization, expropriation and requisitioning. These, as Article 4 explains, can be exercised "based on grounds or reasons of public utility, security or the national interest which are recognized as overriding purely individual or private interests, both domestic and foreign."[119] The fact that the UN had not only asserted the authority of the state over contracts in the name of national interest, but also that it explicitly enumerated means through which that authority could be exercised, is essential to the MENA's relationship with petroleum in period covered in this study. Moreover, it helped shape OPEC policies. Six years after the adoption of Resolution 1803 at the UN and only one year after the 1967 Arab-Israeli War, OPEC passed its own Resolution 90. Dealing specifically with petroleum, the OPEC resolution charged governments with exploring and exploiting their own oil fields through their own national companies. At the same time, it explicitly allowed for participation "on the grounds of the principle of changing circumstances" in global markets.[120] The resource sovereign ideals behind this resolution were articulated even more starkly in Resolution 139 only two years later. By this point, the dollar had devalued, western currencies were on the verge of floating, and petroleum markets had turned definitively in favor of the producers. This 1971 resolution built off of the more equivocal calls in the 1968 policy, and called for member states to set-up negotiations over participation (or, as some would interpret it, nationalization) immediately.[121] Through such policies, the petroleum producing states asserting their evolving conceptions of their rightful place in the production chain and their

[119] Article 4, "General Assembly resolution 1803 (XVII) of 14 December 1962, 'Permanent sovereignty over natural resources,'" *United Nations Human Rights: Office of the High Commissioner*, (Accessed online) http://www.ohchr.org/EN/ProfessionalInterest/Pages/NaturalResources.aspx.

[120] Ian Skeet, *Opec: Twenty-five years of prices and politics* (New York: Cambridge University Press, 1988), 49.

[121] Because of global economic turmoil, this policy was reaffirmed and set into action only in the 26th OPEC conference at the beginning of 1972. Skeet, 71-72.

version of a producers' modernity based on state participation, if not complete nationalization, and governmental regulatory authority over areas that had formerly been ceded to the companies.

Because of these complementary developments, the non-aligned, Syro-Arab modernity stood at particular odds with western and West German petro- and geopolitical goals in the region.[122] Western Europe and the US had not anticipated contending with an increasingly vocal bloc of developing states when attempting to integrate Arab countries into the western economic and political order. For its part, the Federal Republic tied few political conditions to its offers of aid beyond the promise to withhold official recognition from East Germany.[123] Even so, as Syrian and Libyan examples show, non-alignment was hardly a guarantee of non-recognition and cooperation. Adenauer saw an opportunity for West Germany to reassert itself on the global stage, to take part in an area of the world that had previously been divided among its European rivals, and to expand its own influence at the expense of the GDR.[124] And, indeed, the Federal Republic saw areas of overlapping interest in which it could work toward its own geopolitical objectives of expanding trade and proscribing East Germany's efforts for international recognition while furthering progress toward

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[122]This much was made clear by the disruptions caused by the Suez Crisis and the growing demand from oil throughout the western world. As one report explained, "In the future, however, this picture will get worse from year to year, while the European demand for oil will grow by around eight to ten percent annually, a growth, which, in the west, must be covered by additional recovery (*Mehrförderung*) in the Near East. In other words that means: in the present time the near eastern oil can be seen, on the grounds of temporary adjustment possibilities, not only as absolutely essential to war; in the foreseeable future this will not, however, but the case if it does not acquire other energy sources, which can serve as replacements for near eastern oil." The report continues to argue that if the conflict from the East and West were to intensify, the oil wells and infrastructure in the Middle East could become a primary target and would doubtlessly be of primary importance: The fields could "by the total occupation of the Arabian peninsula through a war-waging power hardly block the forceful repression of oil-sources from Arab lands through military means (destruction of pipelines, rendering the Suez canal inoperable, bombardment and sabotage of production sites and refineries)." Anlage 2: Das Oel im Nahen Osten, Report, Abteilung 7, (Arbeitsgruppe Nahost), Betr.: Krisenherd Naher Osten: Wurzeln, Probleme Lösungen, July 25, 1958: PAAA, B01 113.

[123]The objectives of opening export markets to West German goods and developing nations to West German influence were critical to Adenauer's foreign policy and indeed carried over into the country's nascent development policy. Moreover, in notable contrast to US policies, German contracts and aid were offered free of political demands other than the non-recognition of the GDR. Berggötz, 65; Schmidt, 487.

[124]Quinn Slobodian, "Bandung in Divided Germany: Managing Non-Aligned Politics in East and West, 1955-63" *The Journal of Imperial and Commonwealth History*, Vol. 41, No. 4, 645, 648.

the goals of Arab governments. These commonalities lay above all in the centrality of industrial development to achieving a modern state and society.

Chapters 3 and 4 examine one of the most promising opportunity for such cooperation. In 1955, the Shukri al-Kuwatli government granted DEA an exploratory concession over 49 fields of a total of 16,000 square kilometers in northeastern Syria. By 1957, the DEA subsidiary Concordia had begun conducting seismic explorations and, when results looked promising, drilling for oil. By 1959, they struck oil at Souédie. This would normally be and was indeed a cause for celebration at the time. The discovery, however, soon turned into a battle over codified rights and unwritten but implicit obligations to afford Concordia and Concordia alone rights to exploit its discovery. The chapters argue that this situation may have resulted from DEA's naivity and lack of experience and clout. It was at least influenced by the company's and more broadly West Germany's delayed entry into foreign and postcolonial fields. At the same time, however, it was also influenced by tensions endogenous to Syria and the Arab world. The most defined and impactful forms in the contesting communist, Ba'thist, and Nasserist ideologies.

Take, for instance, the Egypto-Syrian experiment with Arab political unity examined in Chapter 3. Relations between Syria and Egypt had been close since the mid-1950s. In part, this closeness was a reaction to encroachments made by the US and Soviet Union looking to extend their spheres of influence (and conflicts) to the Arab world. Egypt and Syria both repudiated the western-backed Baghdad Pact - an alignment of Middle Eastern and Western states that was to serve as a bulwark against communist infiltration into the region at notable expense of the growing non-aligned pan-Arab movement – with their own mutual-defense pact.[125] At the same time, recently rebuffed by Washington in his attempt to secure military aid, Syrian President Shukri al-Kuwatli quickly turned

[125]Already in 1955, Prime Minister Khalid al-'Azm had proposed coordinating Syrian and Egyptian militaries, economies, and foreign policies in order to resist the expansion of the Baghdad Pact: Dawisha, 186. For studies of the pact and the ways in which Arab states, above all Egypt, responded, see: Elie Podeh, "The Struggle over Arab Hegemony after the Suez Crisis," *Middle Eastern Studies,* Vol. 29, No. 1, January 1993, 91-110; Podeh, *The Quest for Hegemony in the Arab World: The Struggle over the Baghdad Pact* (New York: EJ Bill, 1995).

to the communist bloc, closing arms deals with Poland and the USSR amounting to over $13 million and giving substance to western fears that the Soviet Union was gaining a foothold in Syria at the expense of western interests.[126] Although this was indeed a step toward cooperation with Soviet axis, however, it was not the Sovietization many westerns had feared. Kuwatli remained unwavering in his Cold War neutralism. This position was challenged, however, on October 29, 1956, when coordinated British-French-Israeli attacks on Egypt led to the occupation of the recently nationalized Suez Canal and regional and global condemnation of the western assault on a sovereign country. Kuwatli in turn extended military aid to Egypt, while unknown Syrian saboteurs directly attacked the IPC pipeline that fed Syrian ports and ultimately European markets.[127] These events made it increasingly clear that Syria and Egypt shared a common interest in regional autonomy and coordinated responses to external aggressors. The turning point, however, came the following year. In August, the military purportedly uncovered American involvement in a plot to depose Kuwatli and install a strongman less open to cooperation with the communist bloc. The rattled president responded by expelling three American diplomats and signing a new economic and technical treaty with the Soviet Union. In response to American efforts to rally the Baghdad Pact signatories and renewed Turkish military activity along the Syrian border, the Soviet navy temporarily occupied the port of Latakia.[128] Invoking the 1955 defense pact, Gamal Abdel Nasser soon thereafter sent

[126]Rami Ginat, *Syria and the Doctrine of Arab Neutralism: From Independence to Dependence* (Portland: Sussex Academic Press, 2010), 166-7.

[127]It is a point of contention whether or not these acts of sabotage were coordinated by the Syrian military or paramilitary attacks. Patrick Seale, *The Struggle for Syria: A Study of Post-War Arab Politics, 1945-1958* (New York: Oxford University Press, 1965), 261.

[128]Pedro Ramet, *The Soviet-Syrian Relationship Since 1955: A Troubled Alliance* (Boulder: Westview Press, 1990), 24. Seale, 300.

Egyptian troops to replace the Soviet presence and head off what was becoming an international crisis.[129] His actions were broadly welcomed across the Syrian political spectrum.[130]

The purported coup only gave substance to widespread impressions that the Syrian political landscape was crumbling under domestic and foreign pressures. The country itself was young and its politics resided somewhere between ethno-religious and class-based industrial party systems. The years of Ottoman and French rule and the limited liberalization and development initiatives of the latter had left an independent Syria whose government relied on transitory alliances with key members of the military and tribal leaders for its survival. Moreover, the country was faced with the twin burdens common to much of the postcolonial and under-industrialized Middle East: a largely uneducated population and a fractured social system that pitted the small but growing bourgeoisie of landowners against the traditional community authorities and large, rural peasantry. This produced a fragile and ineffectual clientelistic parliamentary system invested with little popular legitimacy.[131] According to Raymond Hinnebusch, this encouraged the alienation of society both from traditional forms of community governance that had been destabilized under the French mandate and the new central authorities: "capitalist penetration and social mobilization eroded the self-sufficiency and solidarity of segmental groups as communal land tenures gave way to individual ownership, endogamous marriage decline among educated youth, and modern communications broke down geographic isolation. The patriarchal authority and clientelism on which the traditional elites depended began eroding."[132] As capitalism and piecemeal industrialization spread throughout the country, new socioeconomic classes - including a young, educated, and politicized middle class - arose in their wake. It was this group, convinced of the centrality of the nation in a modern state

[129]This move served to neutralize the recent regional assertions of the Saudi regime just as much as it circumscribed Soviet and American incursions into Levantine politics. Seale, 305; Podeh, "The Struggle over Arab Hegemony after the Suez Crisis", 104-105.

[130] That is, excepting communist circles.

[131]Raymond A. Hinnebusch, "State and Civil Society in Syria", *Middle East Journal,* Vol. 47, No. 22 (1993), 245.

[132]Ibid.

and driven by anti-colonial and socialist ideologies, who would enter the military, agitate for Syria's political, economic, and industrial modernization, and bring the Ba'th party to popular consciousness and, in the case of the latter, political prominence first as prime movers for Egyptian-Syrian unity, then as its most powerful opposition.[133]

Founded in 1947 in Damascus, the Ba'th (Arabic for "resurrection" or "rebirth" was very much a product of the unique multi-ethnic and multi-religious situation in mid-century Syria. The party's founders were Michel Aflak, a Damascene Orthodox Christian, and Salah al-Din al-Bitar, a Damascene Sunni (and future minister president) who met each other while studying at the Sorbonne in Paris. After a brief flirtation with communism ended with the French Popular Front's refusal to relinquish its mandate over Syria, the two turned from doctrinaire communism to develop an ideology based on anti-imperialism, Arab-Nationalism and socialism. Rooted in the struggles against French colonial rule, Ba'thism was both secular - promoting Islam as a primary facet of Arab collective identity, but not requisite confession for membership in the community - and non-aligned. Initially professing tenets of "socialism, Arab unity, and freedom," the party soon embraced more aggressively and sometimes Leninist policies the destruction of "feudal society" through social welfare and land reform measures and the centralization of power in the hands of a single party-vanguard state.[134] Indeed, as Prime Minister Salah-Din Bitar expressed in terms that echo Soviet heralds of the October Revolution, the eventual Ba'thist seizure of power in 1963 marked the political emancipation of a reborn Syrian populace: "The people we represent is not the same as that

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[133]The Syrian Muslim Brotherhood (*Ikhwan*) had a sizeable presence and influence in Syria, as well, and must be included on a list of major social and political forces in Syria in the early independence period. The Communist and Ba'th parties, however, exercised a great deal more influence in Syria during this period and their struggle for political influence played a central role in the formation of the UAR and the subsequent events. For studies on the *Ikhwan*'s rise and fall from independence through the formation of the UAR, see: Joshua Teitelbaum, "The Muslim Brotherhood and the 'Struggle for Syria', 1947-1948 between Accommodation and Ideology" *Middle Eastern Studies*, Vol. 40, No. 3 (May 2004), 134-158; Teitelbaum, "The Muslim Brotherhood in Syria, 1945-1958: Founding, Social Origins, Ideology" *Middle East Journal*, Vol. 65, No. 2 (Spring 2011), 213-233. For an informative study of the Ikwhan from its roots in Egypt through the present day, see: Alison Pargeter, *The Muslim Brotherhood: From Opposition to Power* (London: Saqi Books, 2013).

[134]Heipertz, Ber.Nr. 397/63, June 12, 1963: 12; PAAA B36 IB4 053; Hinnebusch, *Syria*, 30.

which lived under the yoke of the earlier regime, under the yoke of reactionary capitalism and imperialism, but is the economically and politically liberated people" of the new Syria.[135] Despite these sometimes superficial affinities, however, Ba'thist socialism was hardly Soviet. Although not openly hostile to the Soviet bloc itself, Aflaq once explained, Ba'thist ideology was nevertheless incompatible with communism. Whereas communism subordinated society to the revolution, he explained, Ba'thism sought to harness the revolution to the goal of Arab self-realization;[136] whereas the Soviets had written off religion and local, cultural mores as the outmoded superstructure of a colonized, feudal base, the Ba'thists embraced Arab culture and tradition as the foundation to Arab socialism and was therefore as inextricable from it.[137] Although Soviet aid, treaties, and contracts were welcome, in other words, Soviet ideology was and would remain at odds to Ba'thism's Arab-nationalist aims.

Given the Syria Communist Party's (SCP) outsized influence in the country early on (it was quite possibly the largest in any Arab state at the time),[138] the Ba'th was particularly wary of communist infiltration of the military and pressured the Kuwatli government against closer alliance

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[135] Fechter, Ber.Nr. 378/63, Betr.: Interview des Korrespondenten von Huebenet der Deutschen Zeitung, Köln mit dem syrischen Ministerpräsident Salah Bitar, June 6, 1963: PAAA B36 IB4 053.

[136]Quoting Aflaq, "'The evil of communism arises out of the fact, that the Soviet leaders view humanity as the tools of the revolution', whereas for Aflaq the opposite is the case: the revolution (is) the tool of humanity. 'The proletariat international does not lie among us, while we are Arab-Nationalists; our wishes can only be achieved along national parameters, while a man is himself only in the fold of his nation (*im Schosse seiner Nation*).'" Heipertz, Ber.Nr. 397/63, June 12, 1963, 5-6; PAAA, B36 IB4 053.

[137]The report continues to argue that Ba'thist ideology is not compatible with the Marxist conception of religion as a superstructure, "as the Arab world has experienced many changes; it has adopted the most varied social forms, the Arab states have achieved the most varied degrees of social forms; still, they have all maintained the same morals and the same religion." According to this assessment, Arab religion and culture were too deeply ingrained among the Arab populations for them to be mere constructs of property and labor relations. Ibid.

[138] The SCP traced its origins back to the founding of the Lebanese Communist Party in 1924. It acquired its anti-colonial bona fides in the Lebanese uprisings of 1925 and the 1936. Under its Soviet-aligned leader Khalid Bakdash and despite its initial support of the partition of Palestine and creation of the state of Israel, the party had gathered a substantial membership of 18,000. For an in-depth study of the communist parties of Syria and Lebanon, see: Tareq Y. Ismael and Jacqueline S. Ismael, *The Communist Movement in Syria and Lebanon* (Florida: University of Florida Press, 1998).

with the Soviet Union.[139] The prospect of Soviet alignment, however, was a threat not so much because of antipathy toward the communist state, as even the most communist-skeptical positive neutrality would avoid lending too much weight to ideological purity when more practical questions of trade, economics, and the Israel-Palestine questions were at stake. Instead, the wariness lay in the Soviet tendency to manipulate the affairs of weaker foreign countries, above all through their local communist parties. It was, in other words, a matter of domestic rather than foreign politics and of party power rather than purely ideological disputes.[140] The struggle between the Communists and the Ba'th would culminate in 1958, with a Ba'thist alliance with Egypt's Nasser that at last routed the SCP and achieved the ultimate, although ultimately disappointing expression of early Arab-nationalist dreams: the Egypto-Syrian United Arab Republic (UAR).[141]

Just as the UAR would prove a great failure, so also would it be a period of great promise. The promise lay not only in the UAR's role as a tangible realization of pan-Arab ideology, but also iin

[139]Although these fears seemed genuine, however, Ba'thists had good reason to play up the communist threat: western antipathy toward the Soviet Union and the parties allied with it. Indeed, Ba'thists and Nasserites exaggerated the threat posed by the Syrian Communist Party in the early years of the United Arab Republic in order to encourage western support for a union that was meant as an Arab counterbalance to western hegemony in the region. See: Elie Podeh, *The Decline of Arab Unity: The Rise and Fall of the United Arab Republic* (Chicago: Sussex Academic Press, 1999), 36.

[140]The first meetings between Nasser and Syrian unionist officers in January 1958, in fact, took place without Kuwatli's knowledge or blessing. In an attempt to reassert control over the situation, Kuwatli sent his Ba'thist Foreign Minister Salah al-Din Bitar to Cairo to initiate high-level negotiations. Several weeks later, the Union was declared to massive celebrations and popular referenda in Egypt and Syria that showed near unanimous support for the new state. Dawisha, 199-200.

[141] The rationale for joining the two countries into a federal union were myriad. As Podeh has argued, they include political matters unique to Syria (i.e. the rise in communist influence and recent turn toward the Soviet Union), the fall from grace of the old conservative guard, the inability of a single ideology to unite the political and military classes, the potential for economic and industrial development posed by deeper cooperation with Egypt, and, of course, the popular appeal of Arab unity and its figurehead, Gamal Abdel Nasser. These forces drove the Ba'th among others to support the project. Podeh, 176-7. Combing Polish sources, Rami Ginat has added an additional factor to the list: the Ba'th's lack of international support from a major world power and its turn to the ascendant Nasser to fill that avoid, albeit at the price of surrendering a considerable degree of political power to the Egyptian leader. For the Ba'th, in other words, the push for union was driven not only by ideological factors and the popularity of its calls for Arab unity, but also by its own feelings of vulnerability in the face of the broader Cold War struggle over Syria and the Arab world. Unsurprisingly, the Ba'th chose East-West neutralism and Arab-Nationalism via Nasser over potential western or - more urgent to 1958 - Soviet hegemony. Rami Ginat, *Syria and the Doctrine of Arab Neutralism: From Independence to Dependence* (Portland, OR: Sussex Academic Press, 2005), 197.

the large-scale industrial development projects that were projected to deepen the Egypto-Syrian bond. It was this big dream that brought DEA its best opportunity to close a producing contract with a stable, authoritative government. As the company found, however, this stability was fleeting, as were its chances to secure the foothold, then compensation it so eagerly sought. Absent federal support and a convincing argument that an independent German firm could indeed better serve Syrian interests than the majors or the state-companies of the Soviet sphere, DEA could neither weather the stormy political changes in the country, nor effectively navigate the western and liberal aversions of the left-radicalizing Ba'th.

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Libya: From Poverty to Resource Sovereignty

DEA's venture in Syria was both a real and symbolic defeat for West German energy policy. It was, moreover, testament to the difficulties of exploring for crude abroad, negotiating with numerous parties whose interests resided not in the West but in energy sovereignty, and competing without adequate state (or major international) support for the limited number of promising fields left in the Middle East. It did little, however, to slake German thirst for crude and to slow company expansion elsewhere in the Arab world. To the southwest of Syria, across the Mediterranean lies another predominantly Arab state that had opened its territory up to speculation and petro-development in the mid-1950s. It did so, however, with much more fervor and more concentrated purpose than did Syria.

Libya achieved independence in 1951. Unlike Syria, however, Libya was less a product of anti-colonial struggle – though there was indeed significant resistance to the Italian occupation[142] – than it was an "accidental state" of three provinces of weak historical affiliation. (As with Syria, the Libyan civil war and sociopolitical fracturing has shown these tribal and regional divides were

[142] The Sanusiyya religion movement was the seed of much of the organized opposition to Italian rule in Cyrenaica. The resistance, however, was quashed in 1931 with the execution of resistance leader Omar al-Mukhtar. Anti-colonial action was less pronounced in the other provinces.

incompletely reconciled and, indeed, have been exacerbated in the post-Gaddafi petro-state.) It was, in the words of Dirk Vandewalle, “created by, and at the behest of, Great Power interests and agreed to by the local provinces who feared other alternatives” such as continued colonial occupation, Soviet intrusion, or civil war.[143] Three and a half centuries on the periphery of the Ottoman empire and nearly four decades of Italian occupation had left the provinces Fezzan, Tripolitania, and Cyrenaica with little modern infrastructure and even less experience and training in the workings of modern government bureaucracy. This same situation ensured that the newly united Libyan population lacked any collective memory as an integrated nation. A neglected backwater to subsequent failing imperial projects, it likewise lacked the emergent, educated bourgeoisie other Arab states such as Syria and Egypt had cultivated during and after colonization.

All of this meant not only that postcolonial Libya inherited a disunified, uneasy, and poorly articulated alliance among three competing regions and numerous additional competing tribal families, but also that it inherited an under-developed economy that had little hope of significant improvement in the near future. Indeed, statistics were stacked against Libyan success. The population was dispersed unevenly among Fezzan (60,000), Cyrenaica (300,000) and Tripolitania (700,000). Eighty percent of the population lived outside of the coastal cities, the primary centers of the country’s meager trade economy. Ninety-five percent, moreover, was illiterate, and a similar percentage survived off of subsistence farming. Per capita income was only $25-35 per year. The country’s primary exports were castor seeds, esparto grass, and scrap metal from the Second World War.[144] Its imports included nearly everything modern states and societies need to survive: foodstuffs, raw materials, energy sources, machines and parts, planners, and expertise. According to

[143] Dirk Vandewalle, *A History of Modern Libya* (New York: Cambridge University Press, 2006), 40.

[144] The latter of these was a recycled export of wartime European imports, imposed or not, rather than a domestically derived raw material or finish product.

one United Nations economist, conditions were so averse that "if Libya can be brought to a stage of sustained growth, there is hope for every country in the world."[145]

This apparent lack of economic potential put the nascent state on a path to dependency on foreign investment, loans, and largesse. Although some of this came from international sources such as the United Nations and the International Monetary Fund (IMF), most foreign assistance came directly from a United Kingdom and United States interested in maintaining access to the Cold War strategic al-Adem and Wheelus Airbases. Because of this, Libya had become the largest outlet for American aid by 1959 and was consequently (at least ostensibly) predisposed toward western interests to a degree that was unique to a region increasingly receptive to the Arab-nationalist ideologies burgeoning in Egypt and Syria.[146]

The popular appeal of Arab-Nationalism plagued the regime of King Idris as-Senusi from the beginning. Idris himself famously accepted the kingship reluctantly, preferring to remain Emir of Cyrenaica rather than monarch of a vast, impoverished, and nominally united Libya.[147] Head of the powerful al-Senussi family, Idris nevertheless accepted the monarchical charge and set about establishing a government whose primary objectives included securing national autonomy, reconciling and codifying traditional tribal structures, and creating for the first time a functional indigenous federal government that extended from the eastern most border of Edjeleh, Algeria (a site at which oil was discovered in 1956) to the southeastern border of the French protectorate of Tunisia to the western edge of the British-aligned Kingdom of Egypt to the northern reaches of French Niger and Chad.[148] In part because of its presumed small economic and geopolitical value, Libya would achieve political sovereignty before these more highly-politicized, radical, and Arab-

[145]Benjamin Howard Higgins, *The Economic and Social Development of Libya* (New York: United Nations Technical Assistance Programme, 1953), 39 quoted in Vandewalle, 51. Statistics from *Ibid.*

[146] Vandewalle, 45.

[147] Vandewalle, 50.

[148] Niger and Chad would gain independence in 1960.

nationalist neighbors.[149] Many of the troubles that post-independence Libya would encounter were inscribed into the unique situation into which the country emerged and the often ineffective ways in which Idris attempted to balance competing regional interests with the necessitites of a stable central government. In an odd parallel with Nasser's own program for Egypt and the UAR, one of Idris' first acts after taking office involved banning political parties in favor of maintaining the traditional tribal seats of power.[150] At times, this policy was direct against the Nasserists; in other instances, against local Ba'thists who threatened to gain a foothold in the region.[151] This policy of depoliticization, however, reveals more than Idris' own conception of a Libyan state free of party politics; it also points to a larger problem of national disunity among tribal and regional interests. Although the government's jurisdiction covered a wide geographical expanse, its real authority was heavily circumscribed by the weak federalist nature of the government. Distrust of a central national authority led to a constitutional compromise that allowed for limited central administration in favor of a wide degree of provincial autonomy. This system led not only to a confusing overlap of duties and jurisdictions between national and local parliaments, assemblies, and cabinets, but also serious ambiguity in terms of budgets, revenues, and expenditures. Economic decisions including the

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[149] Though a state *de jure*, the Kingdom of Egypt was hardly independent in practice, as the British maintained control over Egyptian military and foreign political matters. The country gained *de facto* sovereignty as the Republic of Egypt only after the Revolution of 1952. Tunisia, a French protectorate since 1881, gained independence in 1956. Algeria, a French departement, would not achieve independence until 1962, the product of a prolonged struggle for independence that culminated in a particularly brutal, eight-year Franco-Algerian War.

[150] Dirk Vandewalle, *Libya Since Independence: Oil and State-Building* (Ithaca: Cornell University Press, 1998), 47.

[151] According to John Devlin, the Ba'th enjoyed a short surge during the tenure of the UAR that was "crippled by arrests of some 160 Ba'thist militants in June and July of 1961. The government charged them with preparing a coup, though their actions were largely the traditional Ba'th ones of distributing pamplets calling for freeing Libya of foreign forces. In time, 87 Ba'thists were given sentences ranging from 6 to 32 months in jail, a blow from which Libya's Ba'thists did not recover for several years." John F. Devlin, *The Ba'th Party: A History from its Origins to 1966* (Stanford, CA: Hoover Institution Press, 1976), 206. Even after they recovered, they failed to gain enough support to achieve any real power within or without Idris' government and instead were subject to government surveillance and arrest. Se, for instance: Stöckl, August 18, 1964, Betr.: Verhaftung von Angehörigen der Baath-Partei in Tripolis und Bengasi: PAAA B36 IB4 066.

imposition and collection of oil rents that affected the state as a whole were come to through negotiations among the three provinces and the national government, a system that relied on the willingness of all four parties to compromise. This left many important issues, including national business and income taxes, unaddressed.[152] With the limited number and reach of indigenous businesses and incomes, however, this situation is significant not because of empty state coffers, but instead the distributive relationship it encouraged between the government and its people.[153] This relationship formed only after Libya catapulted to international relevance with the discovery of oil in 1959.

Geologists had suspected that the western reaches of the Libyan Sahara contained hydrocarbon deposits as early as the late 1920s.[154] Discoveries of traces of petroleum in wells along the Mediterranean coast in the 1930s gave substance to these suspicions. Emboldened by its recent victory in Ethiopia and preparing to assault British and French colonial holdings in North Africa, the Mussolini regime enlisted the partially state-owned Aziendi Generale Italiana Petroliche (AGIP) to explore for oil in Cyrenaica. As early optimism gave way to the realization that the war would not end anytime soon (nor in Italy's favor), however, the company made little headway before the Libyan territories were enveloped into the war's front lines and exploration initiatives ceased in favor of more immediate wartime needs. Frustrated by the Italian failure to make significant progress in North Africa, Hitler deployed the Afrikakorps – commanded by Field Marshal Erwin Rommel - to reinforce the beleaguered Axis forces in 1941. By the end of the year, Germany had built a considerable military presence in Africa for the first time since it was stripped of its colonies in 1919, and in North Africa for the first time ever.[155]

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[152] Vandewalle, *Libya Since Independence*, 46.

[153] See Chapter 2: The Distributive State in Vandewalle, *Libya Since Indepdence.*

[154] Gerster, 209.

[155] During the First World War, there was significant U-boat activity conducted in the southern Mediterranean Sea, particularly focused on transporting Ottoman troops and supplies to encourage anti-colonial and

The Afrikakorps was often received favorably, if not enthusiastically, by North African populations. It came to the shores of Italian Libya under the auspices of driving Great Britain out of the region and granting a considerable degree of autonomy to Arab peoples, although the Nazi position regarding Italy's colonial holdings was less clear.[156] As Jeffrey Herf has shown, these efforts were only reinforced by the anti-British, anti-Zionist, and anti-Semitic leaflets and radio-propaganda the German military disseminated throughout the Arab world.[157] Rommel himself enjoyed particular popularity even decades later, a fact which is most evident in the reception of his widow Lucia Marie Mollin at a memorial dedication in Tobruk in 1955 and a quasi-state visit in 1968.[158] It can also be seen in the hospitable reception Germans received returning to the region a decade later, wherein Libyans freely invoked of Hitler and the Nazi mission in ways that were strictly taboo and, for many, unwelcome at home.[159] Still, the Axis forces failed in their last ditch efforts to capture Cairo and the

hence anti-Entente uprisings. These activities, however, were largely restricted to transportation and maintaining supply routes, rather than engaging in direct combat.

156 The German stance on the colonies of other Axis powers – namely Italy and Vichy France – remained much more ambiguous.

157 Herf, *Nazi Propaganda*. The appeal of these types of propagandistic messages cannot and should not be simply explained away by anti-Semitism. As Wolfgang Schwanitz argues, Arab reactions to these transmission often had less to do with the appeal of Nazi anti-Semitism than their own nationalistic aspirations: "Many Middle Easterners, like many Germans, did not recognize the nature of Nazi Germany. Yet some leading thinkers, among them the Egyptian poet Tawfiq al-Hakim, grasped it better. On the other hand, young Egyptian officers, among them Gamal Abdel Nasser and Anwar Sadat, place their hopes of ridding their country of the British on the Germans. It was not German racism or anti-Semitism that attracted them, but the thorough and fast modernization of Germany under the Nazi dictatorship. Arab nationalists originally admired the fascism of Mussolini, and consequently also of Hitler, as an alternative to Anglo-Saxon democracy and as a modernistic movement." Wolfgang G. Schwanitz, "Germany's Middle East Policy" in *Middle East Review of International Affairs,* Vol 11, No 3 (Sept 2007), 26 33.

158 Seydel , No. 372, November 29, 1955, Betr.: Einweihung des Ehrenmals Tobruk: PAAA B11 1546; Memorandum, January 23, 1968, Betr.: Intensivierung der deutsch-libyschen Beziehungen: PAAA, B36 IB4 309.

159 Afrikakorps personnel later proved valuable in returning to Libya to detect and remove mines and more generally to serve as corporate representatives in the region. According to one report from Time Magazine, this positive reception of former German soldiers posed a moral conundrum for some West Germans operating in the region after the war. Even though Germany had agreed to pay reparations to Israel in 1952 (and would establish diplomatic relations with Israel in 1965), "'many Arabs (still) think of the Nazis as the first and most successful anti-Israelis. 'I'm embarrassed sometimes,' says a West German businessman, 'when an Arab says 'Heil Hitler!' to me.' A less sensitive colleague admits that he prefers his Mideastern salesmen to be men 'with good war records' —ideally, former members of Rommel's Afrika Korps." "An Army of Salesmen Go Where Armies Failed", *Time Magazine*, February 23, 1959, 24. For the contributions

Suez Canal -the gateway to the fields of Iran, Iraq, and Azerbaijan - at the First Battle of el-Alamein in 1942 and were soon after driven from their North African strongholds in Libya and Tunisia completely.[160] Little did these forces know that they were not only losing critical terrain in the broader war effort, but also some of the largest fields of petroleum yet to be discovered.[161] Knowledge of this fact would likely not have been useful during the war. It takes time, attention, and considerable resources to extract oil from an underground source. In the mid-1940s, the Afrikakorps was dedicated to attacking the British Egypt, then defending against British advances into the Maghreb. As much as it was interested in the productive fields of the western Soviet Union, it had no immediate plans for exploitation and development of unproven and undeveloped sources.

Despite postwar suspicions among some geologists that Libyan soil might contain economically exploitable sources of crude, Libya possessed exclusively unproven and undeveloped fields. Few westerners initially thought of Idris' Libya as a critical focal point in the scramble for oil. As the world settled in to the new postwar and postcolonial reality, however, it became clear that Libya had several factors working in its favor. First, to the extent that there was a calculable market price for crude, global prices were still settling from the fluctuations brought about by the depression and war. Nor would they approach their depression-era nadir until 1971.[162] Despite an abundance

of former Afrikakorps soldiers in detecting and dismantling mines after the war, see: Daniel Yergin, *The Prize: The Epic Quest for Oil, Money, and Power* (New York: Free Press, 2009), 510. Even in 1968, in response to the strained West-German-Arab that followed the Six-Day War, the Foreign Ministry advised emphasizing the "traditional German-Arab friendship" proven by the anti-imperialist activities of Erwin Rommel and the Afrikakorps as well as German ties to the a-Sanussi family dating from the First World War. Vorschläge für Gesprächführung des Herrn Bundeskanzlers und des Herrn Bundesministers des Auswärtigen, Anlage 2, Seydel, April 13, 1968, Betr.: Besuch des libyschen Ministerpräsidenten in der Bundesrepublik: PAAA, B36 IB4 309.

[160] Yergin, 322-326.

[161] This is more the case for the troops deployed to Italian Libya. However, small deposits of oil were also discovered after the war near el-Alamein and began shipping to West Germany in 1969: "World Report: Middle East: West Germany," *Petroleum Times*, Vol. 73, No. 1866, February 14, 1969, 239.

[162] Prices reached their low of 65 cents per barrel in 1931 and peak of $1.99 in 1948. Accounting for inflation, prices would not reach this level again until the last months of 1973. *BP Statistical Review of World Energy*, 2016 (Accessed online), http://www.bp.com/en/global/corporate/energy-economics/statistical-review-of-world-energy/downloads.html.

of sources more, countries were turning to oil as a primary feedstock and eating into some of the slack in global supply. Just as more states and industries were purchasing petroleum, so too were they and their companies expanding their exploratory reach. And, with petro-ventures came the circulation of American petro-dollars.[163] The Federal Republic was no exception to this. Neither was Libya.

Second, Idris was well aware of the predicament into which his country was born Libya could not survive long dependent solely on international aid. It needed to modernize. To modernize, it needed to develop its export sector. As far as Idris was concerned, Libya needed to engage in global markets. To do that quickly, it needed to find a considerable source of raw materials for export.

To spur exploration, the Libyan government instituted two major petroleum laws. In 1953, it drafted a stop-gap Minerals Law that outlined the regulations for surveying. Companies such as Esso and Socony Mobil snatched up the exploratory permits soon after their announcement. The Minerals Law, however, was restrictive. It allowed land surveys, but proscribed seismic studies and exploratory drilling. It lacked a comprehensive set of rules, regulations, and guidelines that would cover not only surveying, but also drilling, discovery, and export. In this sense, it mirrored the ambiguities in Syrian concessionary regulations at the end of the decade, which likewise did not contractually guarantee production rights to companies who made successful discoveries.[164] This ambiguitiy, however, only last a short time. After a period intensive consultations with a host of

[163] Although the dollar's rise as the de facto global currency was part and parcel of the Bretton Woods plan for postwar economic stability, the countervailing forces of the dollar's incomplete circulation (the tendency of countries to hold masses of dollar reserves to the detriment of US deflation) and the mandated dollar convertibility to gold at $35 per ounce as well as an rigid system of currency exchange controls and the mess of political-economic issues entangled in this system ended up working against the stability of the Bretton Woods system and brought about its downfall in 1971. The reorientation of commodity values that followed and, most importantly, the devaluation of the dollar would prove fateful for the question of posted prices in the petroleum trade. For a compelling examination of the systematic weaknesses and the ultimate downfall of Bretton Woods, see: Francis J. Gavin, *Gold, Dollars, and Power: The Politics of International Monetary Relations, 1958-1971* (Chapel Hill: The University of North Carolina Press, 2004).

[164] Vandewalle, *A History of Modern Libya*, 54; Judith Gurney, *Libya: The Political Economy of Oil* (New York: Oxford University Press, 1996), 22.

foreign experts, the Petroleum Commission drafted the Petroleum Law of 1955. This document would serve as the basis for Libyan petro-policy for the next half century.

The Petroleum Law had two primary objectives that set the Libyan petroleum regime apart from that of neighboring countries. First, it intended to spur an oil rush, rather than a more gradual, measured, and controlled expansion of the industry. Libya needed to rapidly construct a basis to a modern economy. As with many postcolonial countries and in line with the industrial core/underdeveloped periphery dynamic that had categorized the colonial system until its collapse, Libya needed to provide raw materials to set its economy in motion, shed the burden and stigma of foreign economic reliance, and begin the process of economic and industrial modernization. A country whose territory consisted of over 90 percent desert could not hope to produce bumper crops in the quantities necessary to engage in substantial international agricultural trade. A country on the middle of the southern coast of the Mediterranean likewise had little access to exclusive ports or critical trade routes for commodities – including crude – from other countries, as Syria had achieved with the IPC pipeline. Instead, Libya's only practical economic hope lay in its own potential petroleum deposits. It was not yet known, however, if the Libyan Sahara contained crude in significant quantities. Nor was it known where that petroleum would most likely be found. Because of these obstacles, the Petroleum Law gave companies every incentive to explore as much Libyan terrain as quickly and intensively as possible.

Second, the government wished to avoid the fate of Iran, Iraq, and Kuwait, wherein the Seven Sisters had come to dominate their oil industries and exercise outsized economic and political influence over these emergent Middle Eastern states. Not only did the Petroleum Law encourage rapid and widespread exploration, therefore, but it encouraged a diversity of firms - particularly smaller Independents - to bid on concessions and commence their geological surveys immediately. Again, this is evident in the favorable economic terms granted to concessionaires. This situation minimized the potential that one company, consortium, or country would come to dominate the industry in the event that petroleum were discovered. Encouraging independents had an additional motive, as well. Unlike the majors, the independents had few if any other sources at their disposal.[165]

How was the Petroleum Law to accomplish all of this? What made it so unique not just in objectives, but in content as well? First, it offered conditions unique in the postcolonial world. In an effort to encourage investments above all from modestly sized Independents, the Law set initial concession prices and rents low, £L 500 and £L 5-20 per 100 square kilometers respectively.[166] This limited early financial risks and allowed companies with limited capital to invest in Libyan fields. Were oil to be discovered, however, the government would need to reap some of the rewards. The crude was, after all, Libyan crude, even if the concession was temporarily owned and operated by the company. The law, therefore, allowed for the government to increase rents to £L 2500 producing company once "commercial quantities" were produced and eight years after the acquisition of the concession. Although there was ambiguity in the intent of the law, the latter condition took precedence while the definition of the former ("commercial quantities") remained a point of contention.[167]

[165] As Judith Gurney among others is keen to note, leasing land with intentions to remove it from production was not uncommon. In 1933, the US had leased 93.5 million acres of land for prospecting. Less than 10 percent of this area was proven. A significant portion of the rest had been leased to prevent other companies from acquiring it. Moreover, the majors had a history of purchasing concessions suspected and known to hold marketable sources of crude throughout the Middle East and delaying production until the oil economy looked favorable. Although this may have benefited the companies, it did little to generate revenue for Middle Eastern states during the sometimes prolonged periods of deliberate inactivity. Gurney, 24-5.

[166] £L denotes Libyan pounds.

[167] As there was no accepted definition of the amount of crude that would make a find marketable (and indeed oil quality was at least as important to marketability as quantity), commercial quantities could only be determined after the petroleum was was brought to market. This condition may have spurred initial speculation, but it likewise could incentivized companies to delay production until they could reap the greatest financial benefit. This potential to delay, however, was often offset by the eight year moratorium on rents, during which period a company could produce and market oil while effectively retaining a higher percentage of the derived income. As Frank Waddams, former advisor to the Petroleum Commission, points out, the potential appeal of holding off development was also diminished by other peculiarities in the Petroleum Law that allowed for the increased payment on one concession to be written off against royalties and taxes paid on a second productive concession. In other words, Libyan petro-policy established conditions that made rapid and widespread production financially appealing (and compulsory) to

These low entry fees and delayed royalty increases, however, constituted only part of the appeal. The royalty and tax schemes also worked in the favor of producing companies. From the earliest days of the Pennsylvania oil rush through the Second World War, the standard for royalties was roughly 12 percent of petroleum's posted price. It was estimated that 75 percent of the price of crude oil went into exploration, production, and marketing and the remaining 25 percent was company profits. Therefore, the 12 percent threshold guaranteed landowners approximately 50 percent of the profits. Twelve percent remained the standard until the 1948, when Venezuela – noticing that the 12 percent royalty was insufficient to ensure the 50 percent standard government take – imposed a raw 50 percent tax on companies. Saudi Arabia followed Venezuela's example several years later.[168] Just entering the petroleum game now, however, Libya opted for a policy that would grant companies higher profits in the hopes that the spate of speculation and production it sparked would offset relative losses to state revenue. Despite the Venezuela and Saudi examples, moreoever, the 12 percent posted price royalty remained the norm for much of the Middle East. Libya accepted a 12.5 percent royalty, roughly aligning with regional conventions. The Libyan innovation, however, calculated these royalties on unfixed market rather than prescribed posted prices, effectively decreasing the basis on which royalties were determined.[169] What is more, the law

companies. Frank C. Waddams, *The Libyan Oil Industry* (Baltimore: Johns Hopkins University Press, 1980), 62-3.

[168] The Saudi-Aramco deal became a matter of some contention. The US government wished to maintain Aramco's dominance over the Saudi Arabian oil industry. It therefore offered Aramco the ability to reclassify royalties – hitherto considered an operating expense – as a foreign tax, allowing Aramco to offset the expense paid to the Saudi government by decreased taxes owed to the US government and therefore deprive the latter of millions of dollars in taxes.

[169] This approach was not without difficulties. As Judith Gurney notes, the royalty terms in particular drove companies to invest in Libya, especially as posted and realized (free on board, f.o.b.) prices deviated further from one another after 1957. This deviation also put pressure on the Petroleum Commission to rewrite some of these terms given Libya's newfound oil wealth. These revisions resulted in the amendment to the Petroleum Law of 1965. Gurney, 27. Or, as Waddams explains, "Since in fact there was to be no free competitive market price for crude oil at seaboard terminal – virtually all the oil to be produced in Libya being transferred to the producer's affiliated companies at a price decided by the companies themselves – nor any published market price which was free and competitive at any seaboard terminal outside Libya, either 'nearest' or elsewhere in the world, these royalty definitions in respect of crude oil were, to say the least, imprecise." Waddams, 64.

considered royalties advanced payments toward the 50 percent profit sharing benchmark and thereby effectively converted a payment traditionally considered an operating expense into a tax credit.[170]

Initially, the Petroleum Law of 1955 attracted great interest to Libya's yet unproven fields. By January 1956, Libya had distributed 47 concessions to twelve companies from the US, UK, Netherlands, and France. By 1958, West German companies such as DEA, Wintershall AG, and Gewerkschaft Elwerath had joined the fray. Despite the success of these firms in the early rounds of concession allocations, their activities produced few successes during the period under study here.[171] Instead, West Germany's only successes in the country (and, throughout the Arab world) lay with Gelsenberg's joint venture with Mobil. This will be the focus of Chapters 4, 5, and 6.

The Petroleum Law therefore succeeded in drawing companies – both majors and independents - into Libya and spurring widespread exploration. The law likewise succeeded in facilitating a rapid succession of discoveries. In 1959, Standard Oil of New Jersey (Esso) made the first sizeable find along the Zelten mountain range in Cyrenaica. Further exploration showed that this discovery was only the first stage in uncovering and exploiting what one of the largest crude formations in the world: the Sirte Basin.

The timing of the Esso find seemed particularly promising for the nearby Mobil-Gelsenberg venture. Only one year earlier, the two companies had modified an oil-supply contract for Gelsenberg's domestic refineries and gave Gelsenberg permission to provide 25 percent of its refining crude from its own sources. A German independent that had only recently expanded into the petroleum downstream from its predominantly coal-based activities, the company, however, had no crude to supply. To give substance to the deal (as well as to convince the German company to agree to continue paying elevated posted rates for Mobil crude), Mobil agreed to transfer a 25

[170] Waddams, 65.

[171] It was not until 1980 that Wintershall made its first significant discoveries in the Jakhira field. Three years later, Deminex struck oil near Waha.

percent share in its recently acquired Libyan concessions to Gelsenberg.[172] It was at this same time that oilmen from Mobil – now the operating partner -made a small find on Concession 11 (Hofra). Then in November of 1959, Mobil-Gelsenberg made its first major discovery on Concession 12 (Amal). The field lay in the Sirte Basin, 800 kilometers from Tripoli, 350 kilometers from Bengasi, and 280 kilometers from a commercial port at Ras Lanuf. Much like the discovery at Zelten, Amal and Hofra oil was waxy and under-saturated (viscous), but sweet (low in sulfur) and light (low API gravity). For Mobil, these fields represented just two more sources to the company could add to its growing collection of overseas reserves that provided crude to European ports and German and Gelsenberg refineries. For Gelsenberg, however, the discoveries meant something much more. As *Der Spiegel* would later proclaim, the firm was on the path to achieving the long-standing German "dream of (acquiring) one's own petroleum base in North Africa"[173] This dream was as much a company goal as a national objective on the path to fuller integration into the global petroleum trade and greater control over its energy source-base.

Resource security of course was no longer a question of strict autarky as it had been for the National Socialists, or even merely of restricted regional spheres of influence. The latter was part of the concern, but only when embedded in its petroleum-globalization context. Gelsenberg Libya is a case in point. The success of the Mobil-Gelsenberg venture linked the German company's upstream fate with that of Libya, at least for the foreseeable future. This, however, was hardly bilateralism, although it was dependent on Mobil's participation as operator and investor. It therefore linked Gelsenberg's activities to Mobil's, a situation that became all too clear as Muammar Gaddafi began to assert greater control over the Libyan oil industry (Chapters 5 and 6). At the same time, the Mobil-Gelsenberg venture was only a small but symbolically significant part of broader trade patterns that brought Libyan oil through ports in Rotterdam, Marseilles, Wilhelmshaven, and Trieste

[172] Gelsenberg would acquire an additional ten percent stake in the venture in 1966.

[173] "Erdöl: Groβe Unbekannte", Der Spiegel, Nr. 37, 8. September 1969, 109.

to Europe and West Germany. It was one more thread in a much more expansive and intricate net that wove Libya into the western economy. This process had ramifications that extended beyond the supposedly non-political sciences economics and finance.[174] When trade, investment, and infrastructure they reach across borders and join the up- and downstream of the industrial feedstock chain, they reveal their energy-political and geopolitical natures. This is a fact with which West German companies and government had to wrestle, and one which became most forcibly pronounced in the oil crisis in 1973. Before this, Libya's western trade orientation promoted western geopolitical alignment as well as an interdependency between western firms and European markets and the near totality of Libya's national income. As Chapter 4 shows, this interdependency would pose particular problems for the Idris during critical points of German-Arab and Israeli-Arab tensions in 1965 – the year after Libya joined NAM albeit as a definitvely economically and commercially West-aligned country - and 1967. Moreover, it would provoke the ultimate challenge to Idris' regime in the September 1969 coup. Gelsenberg was not the cause of any of these crises, but it was both a witness and, as a producing company that sustained these North-South ties, a participant.

Although pervasive, these tensions between imagined and realized independence, popular representation and social dislocation, and disorder and authoritarian rule adopted different forms in different countries. The forms these assumed were dictated by numerous factors: the ethno-political composition of society; eastern, western, or Arab-nationalist (or other) geopolitical alignment; historical experience of colonization; geographical location; and, especially in MENA, the country's relationship with the domestic and international petroleum economy. This is as true in the case of Idrisian Libya as in any other Arab state. More than elsewhere, in fact, the relationship between the Libyan government and population revolved around oil and the distribution of petro-dollars in exchange for political quietude and acquiescence to conservative monarchical rule. Only half a

[174] Tim Schanetzky makes a compelling argument against such apolitical pretensions in his account of the politicization and failures of economic expert committees in the Ministry of Economics in, *Die große Ernüchterung: Wirtschaftspolitik, Expertise und Gesellschaft in der Bundesrepulbik 1966-1982* (Berlin: Akademie Verlag, 2007).

decade after Libyan fields were proven, Libya had become the world's sixth largest producer. By 1969, it even temporarily surpassed Saudi Arabia as the largest producer in the Arab world.[175] Although output would plummet due to government-imposed production restrictions over the next few years, this rapid sectoral expansion and the corresponding flow of money into Libya ignited an economic boom in the country. Between 1960 and 1969, the Libyan economy grew at a rate of twenty percent per year as per capita income rose from $50 to $2,000, marking a forty-fold increase.[176] All of this growth was predicated on petroleum.

Although this system initially contributed to sociopolitical stability and affluence, albeit unevenly distributed, it also served to exacerbate tensions between the West and the Libyan public as well as between the regime and its increasingly Arab-nationalist population. Dirk Vandewalle has argued this point cogently, particularly in his examination of the emergence of rent-seeking and wealth distribution in Idrisian Libya. The resultant rentier state depended not on domestic production and population taxation, but on rents, royalties, and oil taxes. Just as the petroleum was a boon, in other words, so did it also encourage rent-dependency.[177] Following works on the relationship between single-resource economies, rentierism, and non-democratic, authoritarian governance by Michael Ross among others, this study refers to this tendency of petro-providing states toward over-reliance on that single export and the foreign capital necessary to exploit as the

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[175] Yergin, 511.

[176] Vandewalle, *Libya Since Independence*, 50.

[177] Vandewalle has made a compelling argument that the term *rentier state* is too imprecise to apply to the Libyan case. Instead, he opts to call the Libyan state a *distributive state* as "the primary internal economic function (of the government) is to divide among (its) citizens revenues that accrue directly as rent from the marketing of a natural resource or asset under (its) control." Although the state's primary means of revenue generation is extracting rents, the state's *raison d'etre* and popular legitimacy lies in redistributing those rents among its population. In Libya, nearly all state revenue came from rents paid by foreign companies. Therefore, "neither taxation nor institutional development based on economic differentiation no political accommodation" between the government and the population took place. Vandewalle, *Libya since Independence*, 21-2. Although this study uses the term *distributive state* when speaking of the state's relationship with the population, however, it also uses the concept of the *rentier state* to describe the relationship between the Libyan government and those companies from whom it received rents and for whom the rent-royalty-taxation system facilitated economic and business relations with the state.

oil curse.[178] In recent scholarship, resources curses have been interpreted as things both quite limited and encompassing. Most prominently, the curse is taken to mean the Dutch Disease.[179] More broadly, the curse refers to the host of paradoxical and potentially destabilizing ills that accompany valuable resource deposits in otherwise economically underdeveloped and sociopolitically unintegrated states. In these cases, resource dependency grows in tandem with rent-dependency and, when not actively parried, insufficient development outside of the primary raw material sector. These negative effects appear in their most destructive forms in non-unified states wherein local, tribal, regional or religious factions identify the natural resource rather than the government or nation as the source of its economic and political sovereignty. This can promote struggles over resource deposits, infrastructure, and territory which can burgeon into outright civil war. At the same time, dissatisfaction with the ways resources are exploited and the resource-derived wealth is allocated can lead to social instability that, with a deficit of trusted and effective governmental institutions, falls to military coups and authoritarian rule.[180] This curse is evident today in the particularly chaotic condition of the petro-providing, rentier states most affected by the

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178 Michael L. Ross, *The Oil Curse: How Petroleum Shapes the Development of Nations* (Princeton: Princeton University Press, 2012).

179 The Dutch Disease is the tendency for resource-rich states to overinvest in the few raw material sectors of the economy that initially prove most profitable. The influx of income then contributes to inflation, which damages the competitiveness of manufactured items in international markets. It is named after the experience of the Netherlands after discovering the Groningen and Bergen gas fields in 1959 and 1964 respectively. Growing gas exports brought masses of foreign currency into the country and cause the Dutch guilder to inflate in value. This suppressed exports in other sectors, stifled investment in less profitable exports, and contributed to a rise in unemployment and arrested the expansion of the overall economy.

180 Leif Weinar argues for this definition while focusing primarily on sub-Saharan Africa and questioning the legitimacy of authoritarian regimes' claims of ownership over national resources, such as oil. Leif Wenar, "Property Rights and the Resource Curse" *Philosophy & Public Affairs*, Vol 36, No 1 (2008), 3-7. Stephen P. Reyna and Andrea Behrends echo this interpretation, arguing it "is the triple conjuncture in petro-states of stagnating social development and poverty; high conflict, often violent; and a tendency towards authoritarian regimes" who exercise control over the sources of oil, if not over the entire state itself. Stephen P. Reyna and Andrea Behrends, "The Crazy Curse and Crude Domination: Towards an Anthropology of Oil," in *Crude Domination: An Anthropology of Oil,* ed. Andrea Behrends, et al. (New York: Berghahn Books, 2011), 6. For a compelling study on how the foreign quest for oil has introduced the resource curse – hardly a foreordained condition or conclusion in itself - into sub-Saharan Africa, see: Douglas Yates, *The Scramble for African Oil: Oppression, Corruption, and War for Control of Africa's Natural Resources* (London: Pluto Press, 2012).

Arab Spring: Syria and Libya.[181] It was a present but nascent force in the social and political instability in Syria described in Chapters 2 and 3. In the case of Libya the petroleum paradox is practically undeniable.

The oil curse, of course, is a pattern rather than a certainty. All (primarily) single-resource dependent states have not succumb to it.[182] In Libya, Idris tried to escape the dependency trap. He avoided overwhelming reliance on a single company or consortium to exploit Libya's petroleum wealth. He likewise attempted to build a centralized, modern state, even as he actively worked to subvert popular participation and party development. It is no coincidence that these efforts to reign in a decade-old system of regional autonomy came on the heels of the first exports. The first exports and the surge that followed convinced Idris that the Libyan state needed to function in a more orderly fashion, coordinated from the governmental center. In 1963, Idris introduced a new constitution that did just that. It centralized political power and the mechanisms of taxation and wealth distribution in hands of the state.[183] It abolished provincial legislative assemblies in favor of a greater role for the central government in economic and political affairs across the country. In doing so, the amended constitution marked the transition from a loose federation to a unitary state and for that reason was a watershed moment in Idris' rule.[184] At the same time, it perpetuated a period of

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[181] Although the Syrian economy had diversified considerably since the IPC pipeline issues of the 1970s and early 1980s, petroleum continued to play an important role in Syria and, indeed, petroleum infrastructure and fields were a primary target of nearly all major parties in the Civil War. For interesting early reporting on this question, see: Sakhalinsk, April 24, 2013, "Syrian Oil and… What Caused the War," *The View from the Mountain,* https://grandemotte.wordpress.com/2013/04/24/syrian-oil-and-what-caused-the-war/l; Sakhalisnk, July 17, 2013, "More on Syrian Oil and the War," *The View from the Mountain,* https://grandemotte.wordpress.com/2013/04/24/syrian-oil-and-what-caused-the-war/l; "Isis, Iraq, and Oil" posted July 19, 2014 https://grandemotte.wordpress.com/2014/07/16/isis-iraq-oil/. For more coverage continued crisis, see: the "Syria Pulse" section on the website *Al-Monitor,* including Massoud Hamed, April 25, 2016, "Syria's Kurds Take Control of Oil Fields, Now What?," *Al Monitor,* http://www.al-monitor.com/pulse/originals/2016/04/syria-rojava-kurdistan-isis-oil-wells-kurdish-federation.html.

[182] Take, for example, Norway, whose Statoil is often viewed as the prototypal success story of state oil companies.

[183] Vandewalle, *Libya Since Independence*, 51.

[184] Ibid.

petro-development and economic boom and facilitated the critical Petroleum Law amendments of 1961 and 1965 that transitioned royalties to posted prices, removed tax perks aimed at attracting independent company investment, and generated additional state revenue.[185] To the extent that they affected Mobil-Gelsenberg's venture and imports to the Federal Republic, these topics are examined in Chapter 3.

These efforts to centralize power and construct a functional government wherein the state's relationship with its people was mediated through the distribution of petro-dollars and –pounds, rather than political participation, however, ultimately succumbed to the oil curse. In the end, Idris' inability to tame the unchecked corruption that such a system encouraged and to find a suitable mediator between an increasingly vocal populace and an increasingly reclusive and detached government created the conditions for the downfall of his regime in 1969. The increasing upstream petro-dependency brought wealth to the country. But this was hardly a source of long-term stability. The same process also, in the words of Vandewalle, "provoked a cultural polarization that found its roots within regional Arab nationalism, corroding further the already tenuous links between the monarchy and civil society, and weakening whatever political legitimacy the state possessed."[186] This discontent was manifest in anti-Idris (and anti-West German) demonstrations in Libya and Bonn that broke out after the Federal Republic's opening of official diplomatic relations with Israel and Idris' decision to maintain relations with West Germany in 1965. They appeared even more forcefully in the strikes and protests that accompanied the 1967 Arab-Israeli War. When confronted with an amateurish putsch two years later, the monarchy had few domestic defenders and was swiftly replaced by an authoritarian government that would spend the next several decades as the poster child of another paradox of the petroleum curse: tentative and often violently imposed social

[185] These developments will be explored in Chapters 4 and 5.

[186] Vandewalle, *Libya Since Independence, 58*

quietude and continued economic and industrial underdevelopment in the midst of enormous resources wealth.

Gaddafi's coup and subsequent social revolution nevertheless introduced changes in Libya's geopolitical orientation and, indeed, in the type of modernity to be transposed onto the country.[187] An admirer of Nasser, Gaddafi introduced a Libya- (or, Gaddafi-) centric brand of Pan-Arabism cum "autochthonous socialism"[188] that spoke to the many Libyans discontented with a monarchy considered weak, corrupt, West-friendly, Israel-tolerant, and insufficiently Arab-nationalist.[189] Gaddafi's first acts in power involved closing the Wheelus and Al-Adem bases, expelling the remaining Italian and Jewish populations, shuttering Catholic churches, and nationalizing major industries (excluding the oil sector). As Chapter 4 describes, the new government likewise struck out against oil interests and posed considerable challenges for independents such as Gelsenberg. These actions at first focused on increasing posted prices, the price at which states determined tax rates. Soon after, they turned to more radical objectives that wavered between frequent unilateral posted price increases and mandatory majority government participation in all companies operating in Libya. These demands were often backed by threats of the nationalization of uncooperative companies. The government periodically acted upon these threats. The ways that Gelsenberg navigated these tortuous attempts to achieve national resource sovereignty are examined n Chapter 5.

Adapting to the new Arab-nationalist government was no easy or straightforward task. Nor did it conclude with the posted price increases and announcement of new LIbyanization measures for the oil industry in 1972. The final chapter of this dissertation follows Gelsenberg Libya and West Germany through the price wars at the end of the year and into the oil crisis of 1973/4. Although it

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[187] Gaddafi would outline this vision in his Green Book published in 1975 and his establishment of the Libyan Arab Jamahiriya in 1977.

[188] Westerhausen to Cipa, September 30, 1969, Betr.: Besuch in Libyen- Eindrücke und Informationen. montan.dok/BBA 55/5684.

[189] Yergin, 559.

offers some reflections on the broader geopolitical effects of it, Chapter 6 focuses primarily on Gelsneberg's experience at the epicenter of the crisis and the repercussion the crisis had on the security of West German energy flows emanating from Libya. These moves after all posed a direct threat to a West German energy economy still reliant on Libya for 40 percent of its crude imports. And Gelsenberg, West Germany's only company producing abroad, played an important national-symbolic as well as practical role in all of this. It held the foothold that was considered an essential to achieving energy autonomy. This was the very concept that was most strained by the crisis and, as I argue, misinterpreted. In the end, direct German control over sources of crude was not essential to the country's energy security. Even as prices rose precipitously during the worst of 1973/4, supplies temporarily fell short only of meeting stockpile quotas. There was no lack of petroleum for immediate consumption. These events and the wider Libyan and Syrian cases examined below make clear that energy security was actually a matter securing flows through the companies of other western countries. In the end, source diversification, rather than direct control over crude in the earliest upstream stages of production, would form the resilient backbone of the German petroleum economy.

Chapter 2: The Promise and Risk of Discovery: The Deutsche Erdöl AG's First Years in Syria

"Oil. That is the great adventure of our epoch. For a long time and henceforth, the fate of the world...hangs on oil. War and peace, trade and technology. Oil is the blood of the modern economy. And the pipelines that let his valuable juice flow through Arab deserts to the ports of the Mediterranean are the arteries of our economice organism."[190] It was in these terms that PC Holm described the still unrealized possibilities of the Deutsche Erdöl-Aktiengesellschaft's (DEA) recent concessionary acquisitions in Syria. For Holm and DEA, petroleum was the key to West Germany's future geopolitical relevance and Syria was the chain that tethered the fate of the western nation to the Middle East.

Although Holm's description may seem dramatic considering DEA had discovered nothing at the time of publication and, indeed, had only modest expectations about the promise of its holdings, his assessment nevertheless conveys a feeling of relief that many Germans felt as their country rebounded from the duldrums of military defeat and occupation and cast off the constraints of the autarkic reliance on dwindling domestic supplies of coal. In 1957, DEA had found itself on the crest of a wave of energy-political change driven by industrial needs for *the* modern feedstock and the Federal Republic's own push for participation in MENA.

As Holm continued, Syria was, of course, more than the sum of its markets, pipelines (namely the IPC pipeline that brought crude from Kirkuk to the Mediterranean coast), and potential reserves. An Arab state with some of the oldest traceable roots into western antiquity, a reputation as the birthplace of Arab-Nationalism, and a location at the convergence of the Baghdad Pact powers, Israel, and the unaligned Egypt, Syria was at the "political heart of the Arab world"[191] and was, therefore, deeply embedded in broader regional developments that defined postcolonial

[190] PC Holm, "Deutsche suchen Öl in Syrien: Das große Abenteuer hinter den alarmierenden Berichten aus einem der ältesten Ländern der Welt," *Kristall* 1395 (1957), 12.

[191] Holm, 12.

struggles.[192] Arab, eastern and western officials were quick to recognize this fact, as well as the country's strategic value in the broader Cold War conflict.[193] The Soviet Union had actually met early success courting Syrian favor and closed numerous military and economic deals by the mid-1950s.[194] In addition and in part a parry to the West German *Wiedergutmachungspolitik* toward Israel initiated in 1953, Syria had also begun deepening its ties with the GDR. In 1955, the two countries signed their first cultural exchange and economic treaties. The following year, East Germany upgraded its trade delegation in Damascus to a general consulate and continued its press for diplomatic recognition.[195] Although East Germany came up short of achieving official recognition, this incident revealed how easily a state such as Syria could challenge the West German *Alleinvertretungsanspruch*[196] and force the Federal Republic to choose between its diplomatic relations with individual Arab states and its quest to delegitimize the GDR. Fears that East Germany

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[192] Or, as Patrick Seale explains, "It is no accident that Syria should reflect in her internal political structure the rivalries of her neighbours since…whoever would lead the Middle East must control her." This is as much because of historical accident and location as it is of Syria's "claim to have been both the head and the heart of the Arab national movement since its beginnings at the turn of the century, both the generator of political ideas and the focus of countless dreams and patriotic fantasies. Part, at least, of this heritage falls to whomever rules her." Patrick Seale, *The Struggle for Syria: A Study of Post-War Arab Politics, 1945-1958* (New York: Oxford University Press, 1965), 1-2. There has as of late been a surge in scholarship looking at the Third World in the context of and as an agent in the Cold War. For a paradigmatic example of this that draws out the effects of the Cold War in the developing world well beyond the end of the Soviet-US conflict, see: Odd Arne Westad, *The Global Cold War*: *Third World Interventions and the Making of Our Times* (New York: Cambridge University Press, 2007). For a more "bottom-up" account of the post war Third World in the context of East-West as well as North-South tensions, see: Vijay Prashad, *The Darker Nation's: A People's History of the Third World*, New York: The New Press, 2007.

[193] Oellers, Ber.Nr. 3080/57, November 15, 1957, Betr.: Analyse der syrischen Krise: PAAA, B01 112.

[194] Responding to an Israeli military incursion into the Gaza strip in 1955, the Soviet bloc initiated arms shipments to Syria, a move which also brought military advisors into the region. The USSR and Syria closed a trade and payment agreement soon after in November 1955 and an economic agreement in August of 1957. The latter included significant development aid for industrial projects. In return, Syria's trade with the entire Soviet bloc grew steadily into the 1960s. Pedro Ramet, *The Soviet-Syrian Relationship Since 1955: A Troubled Alliance* (Boulder: Westview Press, 1990), 16.

[195] Ramet, 242.

[196] The *Alleinvertretungsanspruch* is the claim that the Federal Republic is the sole representative of the German people regardless their residence in East or West Germany. This principle provided rationale to the Hallstein Doctrine of preventing international recognition of the East German government and therefore its right to speak for any portion of the German population.

was nevertheless making progress toward international affirmation invested the West German mission in the region with particular urgency.

The Federal Republic nevertheless had recourse. West German economic ties with Syria were still much more extensive than those of East Germany and could be leveraged and deepened in two primary ways. The federal government could offer development aid in the form of loans, in-kind goods, and expertise to contribute to the construction major prestige projects such as the Euphrates Dam. Indeed, the Federal Republic pursued this route as a primary means of asserting soft power throughout the Third World.[197] Second, West German companies could pursue Syrian contracts and invest in more modest and practicable infrastructural projects: in roads, bridges, pipelines, oil fields, and refineries. This latter option would allow German businesses to expand their operations abroad and clear new paths for more trade with Syria while offering these same companies the chance to promote western versions of a technocratic, liberal modernity through these same investments and activities.[198] Though valuable, it was feared that too much direct state aid would muddle the free-market message the country sought to promote.

Although the West German private sector was eager to engage in the developing world, there were nevertheless serious obstacles that could make such engagement complicated. First, there was the mainly western competition from the waning colonial powers France and England and

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[197] For new and influential studies of West German Entwicklungspolitik as directed at developing nations, see: Bastian Hein, *Die Westdeutschen und die Dritte Welt: Entwicklungspolitik und Entwicklungsdiesnte zwischen Reform und Revolte, 1959-1974* (München: R. Oldenbourg Verlag, 2006); Young-Sun Hong, *Cold War Germany, the Third World, and the Global Humanitarian Regime* (New York: Cambridge Unviersity Press, 2015); Heide-Irene Schmidt, "Pushed to the Front: The Foreign Assistance Policy of the Federal Republic of Germany, 1958-1971," *Contemporary European History*, Vol. 12 No. 4 (November 2003), 473-507.

[198] Although West German aid served in part as the carrot and the stick to the Hallstein Doctrine (it could be offered in exchange for the non-recognition of the GDR and withdrawn at the threat of recognition), it was much less ideologically motivated than the American conception of development aid. Likewise, the modernity that West Germany sought to export was less dictated by the ebbs and the flows of the Cold War than it was by the basic goals of promoting liberal markets as the quickest means to economic growth and offering technical cooperation in the form of aid, investment, and expertise as a means of constructing the physical and bureaucratic infrastructure necessary for developing nations to compete in global markets. See Massimiliano Trentin's description of the West German model of development in Trentin, "Modernization as State Building: The Two Germanies in Syria, 1963-1972", *Diplomatic History*, Vol. 33 No. 3 (June 2009), 489-490.

the ascendant neocolonial US. Then, there were the twin issues of cost and risk. Given the uncertainties of the sociopolitical and economic lay of Syria, large-scale investment seemed impractical without the possibility of a significant pay-off. Deepening trade was one thing; direct investment in money, technology, expertise, and time was another. It may not be surprising, then, that West Germany's largest oil company was the first to invest significantly in Syria's unproven fields. It was not, however, the first company to explore Syria and, in fact, met opposition even in these early stages from Menhall Prospecting and Exploitation Company, a rival American independent. Despite a press campaign that explicitly associated DEA with Israel and a last minute bout of hesitation by the Syrian Prime Minister, the German company secured concessionary rights for exploration in 49 fields and a total of 16,000 square kilometers in northeastern Syria in September 1955 [See Figure 2.1].[199, 200]

The deal itself seemed unremarkable as far as concessions went. At little expense to Syria, the government of President Shukri al-Kuwatli had granted rights to survey and even drill for oil in the northeastern corner of the Al-Hasakah governate to a company that had a modest history of production in Germany but no competing upstream production in the region rights to survey and even drill for oil in the northeastern corner of the Al-Hasakah governorate. The company, moreover,

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[199] An oil concession is an arrangement by which a legally sanctioned entity (landowner, state) sells the rights to explore, develop, or exploit a potentially productive field in exchange for fixed-sum or revenue-derived payments. The terms of the concession dictate the amount, timing, and recurrence of payments as well as the duration of the contract. In an extracting concession, the extracted crude becomes the property of the entity which holds the concessionary lease, albeit beholden to certain conditions dictated by the lease.

[200] Niederschrift über den Empfang des Vorstandes der DEA durch den Herren Bundesminister von Brentano, 4. Dezember 1956, 17 Uhr, December 4, 1956: PAAA, B01 065; Aufzeichnung, March 8, 1958, Tgb.Nr. 164/58, Betr.: Errichtung vom 8 March 1958: PAAA, B12 708. According to one report from the West German Embassy in Damascus, for instance, Menhall, an American firm that had purchased several concessions in Syria, promoted a press campaign against DEA's recent acquisition of its own concessions. "The press campaign directed itself in part against the government, in part against DEA in Hamburg, which was portrayed as a philo-Semitic company…The attempt, to mislead the public opinion through polemical pronouncements, took place under the motto: 'A black side in the history of Syria: now Syria will pay reparations to Israel.'" As part of this effort, the Syrian publications "Al Fayhaa" printed a letter from Menhall in August, advising the Kuwatli government to review the DEA deal, to ensure that the opening of these fields to interests other than Menhall might work against Syrian interests. Van der Esch, Tgb.Nr. 1952/56, September 7, 1956, Betr.: Erdölkonzessionen für die Concordia G.m.b.H., Damaskus, Tochtergesellschaft der Deutschen Erdöl-A.G., Hamburg: PAAA, B66 IIIB6 205.

was not a major, but a moderately sized independent with investments in refineries and outlets but little crude at its disposal. Its downstream was supplied by limited domestic production and agreements with foreign firms, most importantly the American Continental Oil Company (Conoco).[201] Although such deals were common in postwar Germany and indeed composed an increasingly critical fuel of the continued West German economic recovery, many feared they left the well-being of the industry to the trustworthiness and goodwill of the majors. This system may have worked in the short-term, but according to many it hardly seemed a strong basis on which support an industry and society with growing demand for oil. DEA was eager to start decoupling at least some of its crude supply from American intermediaries. The Syrian concessions seemed a promising way to achieve this.

Although there were suspicions that Syria rested on oil deposits, however, there was not yet any proof that these were significant. Time, money, and labor would be expended first on exploration. Then, if the firm had good fortune, the same would have to be expended on exploitation. As I argue below, the DEA venture was lofty and expensive and from the beginning there was every reason to assume it would be. Although a major discovery would make the investment worthwhile, there was great uncertainty over whether the fields would produce a marketable discovery, let alone one that could feed a significant portion of DEA's needs and make a real contribution to the broader West German oil economy. The economic prospects, however, were not the only factor in DEA's expansionary pursuit. Although the prospective crude would flow in one direction from South to North, the effect of its production would be reflexive. Success would of course feed DEA refineries and coffers and, just as importantly, generate further interest and investment in the Syrian upstream. It would promote deeper ties between DEA and the Kuwatli government and the energy economies of the Federal Republic and Syria. A DEA foothold, moreover,

[201] According to this 15 year supply agreement, Conoco would supply one to three million tons of crude per year. Much of this would come from its Oasis fields in Libya. Dirk Bavendamm, "Die Geschichte des Unternehmens," *100 Jahre RWE-DEA 1899-1999* (Hamburg: RWE-DEA Aktiengesellschaft, 1999), 235;

would offer West Germany a stable point of entry through which to deepen its involvement in Syria and promote its own energy, trade, and diplomatic interests.[202] Trade between the two countries had already increased fourfold between 1952 and 1956. This upward trend would only be furthered more active German involvement in growing Syria's oil industry.[203] And the more expansive the ties between the Federal Republic and Syria, the less room there would be for Soviet involvement.

The concessionary deal in itself already struck a forceful blow to Moscow's interests by replacing Soviet experts who had been exploring the northeastern reaches of the country since the early 1950s.[204] Discovery and exploitation would likely buoy the Kuwatli government and continue the exclusion of Soviet interests. As I argue below, however, this agreement was not free of complications. One of the most formidable of these difficulties was embodied in the ambiguous role DEA played as a private company pursuing national energy-political goals. It is likewise important to emphasize that this first agreement between DEA and Syria covered only one stage in a multi-phased plan for exploiting Syria's yet unproven oil fields. DEA, in its own words, had "purchased the right and adopted the duty" to explore for petroleum. The "right" of this deal was rather straightforward. DEA was to actively explore the plots ceded in the deal. In the case that they were successful and made a find of any value, the Syrian state and DEA agreed to work out a new production deal, in

[202] Ba'thist Salah al-Din al-Bitar expressed similar sentiments from the Syrian perspective, claiming the good relations with DEA to be a stepping stone toward deeper Syrian-German economic ties and Syrian-western relations. Hassan Sulaik, "Syrien sah diese Gäste gern: Damaskus möchte über Deutschland Westkontakte verbessern" *Die Zeit*, Nr. 50, December 12, 1957, 17; Niederschrift über den Empfang des Vorstandes der DEA durch den Herren Bundesminister von Brentano, am 4. Dezember 1956, 17 Uhr, December 4, 1956: PAAA, B01 065.

[203] Trade between West Germany and Syria increased fourfold between 1952 and 1956. Berggötz, 295.

[204] At the same time that DEA was working to close a deal on the Souédie and surrounding concessions, the Soviet Union had been making its own inroads into Syrian oil fields. Schlicht himself was well aware of Soviet activities and successes in Syria and even travelled to Damascus at the end of 1957 with the express purpose of countering a deal under negotiation between the USSR and Syria, which gave the Soviet Union the rights to begin dealing exploratory wells in an area of approximately 50,000 km^2. Nevertheless, "leading officials in Damascus" assured Schlicht "that the oil concession awarded to DEA would remain untouched by the Russian-Syrian cooperation." "Die deutschen Erdölinteressen in Syrien: Eine Betrachtungen zur Lage in der arabischen Welt", *Bergbau und Wirtschaft,* Vol. 11, No. 3, March 1, 1958, 4: PAAA, B66 IIIB6 205.

which DEA would develop and exploit the fields and the Syrian government would be entitled to a share of the profits to be determined once a discovery had been made.[205] The duty, however, was something beyond contractual obligations. It included particular points of interest for this study. The first is the most litigiously straightforward: upholding the contract which was an obligation both to and of the Syrian government. The second, however, spoke to the national service of achieving a foreign source of crude and maintaining a physical petroleum presence in the country as long as financially justifiable.[206] It was a national as well as a private-sector quest not just for oil, but for contracts, markets, and influence. And it was above all the national dimension – the duty to promote West German influence in large part by drawing Syria into deeper economic relations with the Federal Republic while sating West Germany's own thirst for petroleum - that invested and burdened the endeavor with particular significance.

Despite signs of improving economic and trade relations that might point to the contrary, political relations between the Federal Republic and Syria had begun faltering since late 1956. The immediate cause of these strains lay in Egypt's growing influence. On July 26, Nasser issued a radio address that ordered the seizure of the Suez Canal. The announcement and the ensuing failure of a British-French-Israeli military occupation to gain international support marked a major victory for Arab-Nationalism and the end of any hopes that the imperial world order could survive the age decolonization.[207] It showed Nasser to be a capable leader, the West as a disunited bloc desperately clinging to the collapsing colonial system, and postcolonial Egypt as *the* regional power. After the October 29th invasion, large groups of demonstrators congregated in Cairo, Damascus and other major cities throughout the Arab world in support of Nasser and calling for the expulsion of the

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[205] Deutsche Erdöl Aktiengesellschaft, Geschäftsbericht 1957, 10: HK RWE, 5100/145.

[206] Ibid.

[207] England came to this realization by 1956. France, however, had been embroiled in its final colonial war in Algeria since 1954 that would not end until 1962. The war would result in French defeat, Algerian independence, and the expulsion of French residents. It marked both the birth of the Algerian nation and the death throes of French colonialism.

British, French, and Israeli forces from Egypt and the end of European hegemony. These demonstrations took the form both of peaceful public protest and more violent acts of sabotage. Aggravating the disruptions of the Egyptian blockade of the canal, a small group of "young (Syrian) nationalists in the army, in the Ba'th Party, and among oil workers" damaged the Kirkuk-Baniyas pipeline in Syria which had been carrying crude from the British-operated oil fields of Iraq.[208] If Egypt could not exercise control over one of the most important ports of petroleum transportation in its own territory, this show of solidarity seemed to indicate, the flow of oil from the entire Middle East could be compromised.

Although this act had little effect on German supplies, it nevertheless promoted a sense of insecurity. The primary issue, after all, was not just oil as a commodity, but petroleum flows and, more importantly, petro-infrastructure as a matter of geopolitics. In the face of near uniform Arab opposition, western responses to the crisis were divided. The US condemned the actions of England, France, and Israel. The West German government, however, maintained its neutrality publicly until Soviet threats of involvement and a muted American response convinced Chancellor Konrad Adenauer to support the British-French-Israeli action.[209] Adenauer's initial hesitancy to embrace the Euro-Israeli cause publically, however, is still notable and can be explained in part by concerns over West German access to petroleum. The Suez Canal, the IPC's Kirkuk-Baniyas pipeline, and the Trans-Arabian Pipeline (Tapline) had all been shut down during the conflict, cutting off more than two-thirds of Europe's oil supplies and thirty percent of West Germany's.[210] Saudi Arabia, the Middle East's largest producer, had compounded the pressure by embargoing exports to the belligerent

[208] Seale emphasizes the dissociation of this act from the political and military hierarchy and therefore its popular origins, explaining that "the sabotage of the oil pipeline and pumping station early in November was not carried out on the orders of the Syrian Government or of the chief of military intelligence, 'Abd al-Hamid Sarraj…No specific instructions were necessary in the climate of nationalist fervor which then existed." Seale, 262.

[209] Ralf Dietl, "Suez 1956: A European Intervention?" *Journal of Contemporary History*, Vol. 43, No. 2 (2008), 273-4.

[210] Rainer Karlsch and Raymond Stokes, *Faktor Öl: Die Mineralölwirtschaft in Deutschland, 1859-1974* (München: C.H. Beck, 2003), 297.

states. European supplies dwindled; France and England were forced to institute rationing measures. It looked increasingly likely that the Federal Republic would be forced to do the same, even as the government came under increasing pressure to take the side of the Europeans and risk alienating Arabs sympathetic to the Egyptian cause. In the end, it took close coordination between American and European companies to prevent European supplies from drying out. For West Germany in particular, it took increasing imports from the US and Venezuela funneled through American affiliates already operating in the Federal Republic.[211] The damage to the French and British interests in maintaining a colonial presence in the postcolonial world, however, was already done. Cairo would now be in charge of conducting or obstructing flows through the canal. Until 1967, it reliably opted for the former.

By March 1957, the crisis situation had abated with the withdrawal of western troops, the reopening of Middle Eastern pipelines, and the lifting of the Suez blockade. Real catastrophe in Europe had been averted, but at the expense of British and French dreams of maintaining hegemony in the region and Israeli hopes of weakening its southern neighbor while stemming the proliferation of Fedayeen attacks on Israeli soil. For its part, the West German equivocality seemed to have worked. Although it sided with the Franco-British-Israeli cause in the end, the Federal Republic avoided the same short term panic and rationing that briefly consumed France and England. It had survived the first significant petroleum disruptions of the postwar period and, confident in this accomplishment, it intensified its turn to crude. Non-involvement, it seemed, worked. The German petroleum supply had been at worst threatened, but never actually compromised. The West German faith in the adaptability and strength of its liberal-corporatist approach to energy security[212] grew

[211] For a lively account of these developments, see: Daniel Yergin, *The Prize: The Epic Quest for Oil, Money, and Power* (New York: Free Press, 2009), 461-480.

[212] The West German liberal-corporatism (later to evolve into the social-market economy) is a system wherein the federal government makes suggestions as to which industrial objectives would be in the national interest, in this case leaving the energy industry to figure out the best measures to achieve them. This system is in marked contrast to the English arrangements, in which the government held a large portion of shares in British Petroleum (formerly Anglo-Persian Oil Company), and the France system, in which the state owned the Compagnie Française des Pétroles (CFP). It also marked a sharp contrast between West

even more resolute as did its dependency on petroleum.[213]

The Suez Crisis, however, did not end at the Egyptian-Israeli border, but instead strained relations between Syria and the Federal Republic, two countries only tangentially involved in the conflict but deeply invested in the regional configuration of powers and petroleum flows. In October, Syria had responded to expressed West German support for international (Franco-British) control over the Suez Canal and consequential East German expressions of solidarity with Egypt by opening an East German trade mission in Damascus. This act notably contested the West German *Alleinvertretungsanspruch*. As the Foreign Ministry contemplated breaking relations with Syria in response, Gelsenberg Chairman Günther Schlicht intervened, petitioning Ludger Westrick of the Federal Ministry of Economics among others to convince the Foreign Ministry that these actions would harm West German geopolitical and economic interests as well as DEA's own recent investments and hopes of a marketable discovery.[214] Unpersuaded, the Foreign Ministry openly threatened to withdraw diplomatic recognition in October. Kuwatli expressed surprise at the severity of the West German response and immediately began to backtrack on the consulate arrangement. In a meeting with Ambassador Hans-Joachim von der Esch, he explained there would be no recognition nor consulate but instead a slight expansion of the East German trade mission. Von der Esch and the Foreign Ministry were satisfied. This incident marked a notable success of the newly

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Germany and the United States, which had strict import quotas and protections to protect its domestic industry until the 1970s. Karlsch and Stokes, 302.

[213] According to one 1957 report, "If almost every need can be covered without the regulatory rationing and without any decrease in power, if no noteworthy instance of a production decrease can be attributed to a lack of oil and nevertheless the price increase lags behind the other European countries, then this is a success" for government, society, and the oil industry. Deutsche Erdöl-Aktiengesellschaft, Geschäftsbericht 1957, 7: HK-RWE. 5100/144.

[214] According to Ambassador to Egypt Walter Weber, Westrick expressed great concern over the issue: "In his view, the energy supply of the Federal Republic will be greatly impaired, if it should come to a break in relations between the Federal Republic and Syria. The Deutsche Erdöl-Aktiengesellschaft (DEA) has already acquired large petroleum concessions in Syria, which may be of great importance for the German economy. A worsening of relations with Syria would seriously endanger these potential sources of energy supplies for us." Quoted in Berggötz, 139.

instituted Hallstein Doctrine in a key Arab state.[215] It also, as Sven Olaf Berggötz rightly notes, points to a convergence of the private sector work of DEA and the political objectives of the Foreign Ministry, a common cause that the company would repeatedly invoke as it encountered further political hindrances to its activities in Syria.[216] As I argue below, despite this overlap in public and private interests, these ties were not nearly as tight as Schlicht and DEA had believed.

Although access to the region's oil again seemed secure and East German recognition a less imminent threat, this compounded crisis showed that key parts of the Arab world were growing assertive over questions of territorial and economic sovereignty. It also indicated countries such as Syria were willing to cooperate with countries and companies that helped it achieve these goals, regardless of Cold War ideological allegiances. Despite the East German setback, the communist bloc continued to make inroads as the former colonial hegemons lost their foothold over the primary passageway of East-West trade and consequently over regional political-economic affairs. This is particularly the case in Syria. Between 1955 and 1958, the Soviet Union and its satellites concluded several significant treaties with the country. Among these was an agreement with the Soviet Union that contracted the construction of petroleum storage facilities and issued numerous exploratory concessions abutting DEA holdings.[217] This agreement alarmed DEA who soon after solicited assurances from the Kuwatli government that the agreement was preliminary, rather than final and that DEA's concessionary rights would be respected.[218] Nevertheless, the treaties gave substance to fears that the communist bloc was successfully wooing Syria into a clientilistic relationship by offering easy credit,[219] a suspicion that only grew with the success of a Czechoslovakian bid to build a

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[215] Gray, 67.

[216] Berggötz, 139.

[217] "Die deutschen Erdölinteressen in Syrien: Eine Betrachtungen zur Lage in der arabischen Welt" in *Bergbau und Wirtschaft*, Vol. 11, No. 3, March 1, 1958, 4: PAAA, B66 IIIB6 205.

[218] "Die deutschen Erdölinteressen in Syrien", 5.

[219] Although clientelism was neither fixed and unchanging nor particularly likely in a region hostile welcoming to Soviet aid but hostile to Soviet communism, the US and the Federal Republic indeed feared that the Soviet Union was making durable inroads into Syria that would enable it to exercise control over the

refinery at Homs. [220]

Syria had also recently signed a series of trade agreements with Poland, Romania, China, and East Germany, and trade and arms agreements directly with the Soviet Union.[221] Coupled with the establishment of the East German trade mission in Damascus, these developments painted a worrisome picture for West German observers. According to Schlicht, the Suez Crisis had precipitated a "cooling of relations" between the Federal Republic and Syria that was placing DEA's interests in jeopardy. Kuwatli had brought up the matter himself in recent meetings with DEA in which he lamented West German neglect toward its relationship with Syria while, at the same time, the Federal Republic continued to pay substantial reparations to Israel.[222] Although the president did not take any tangible actions specifically against the West Germans, Schlicht and others still feared the effects of further deterioration of relations would have on the company's prospects. As Schlicht averred, DEA's success meant more than company profits: "In the end it is not only about the work of our company, but instead about the overall possibilities for the development of German economic

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country's domestic and foreign affairs. For an interesting and alarmist explanation of this threat, see: Lincoln Landis, *Politics and Oil: Moscow in the Middle East* (New York: Dunellen Publishing Company, 1973). Some even feared that Soviet penetration could be so effective, that Syria might become a Soviet satellite. According to one article, only the presence of German petro-experts on the ground would prevent this eventuality. See: P.C. Holm, "Deutsche suchen Öl in Syrien: Das große Abenteuer hinter den alarmierenden Berichten aus einem der ältesten Länder der Welt", in *Kristall*, No. 1395, 1957, 14.

[220] This was particularly insulting to western interests. Several western companies including one from the Federal Republic had also been vying for the contract. Ringelmann, Ber.Nr. 671/58, November 10, 1958, Betr.: Zehnjahresplan für die wirtschaftliche Entwicklung Syriens: PAAA, B66 IIIB6 204; Von der Esch, Tgb.Nr. 552/54, April 15, 1954, Betr.: Deutsch-syrische Zusammenarbeit bei Industrialisierungs- und Forschungsvorhaben: PAAA, B11/1395.

[221] According to contemporary Arab officials, however, the purchase of Soviet weapons as well as other agreements regarding military and development aid were a result of necessity rather than an affinity for Soviet ideology. "Arab diplomats have further indicated that Syria had first asked for Russian weapons after they were denied them by the USA and that Nasser had put more influence into the hands of the Soviets through the acceptance of their help, after support for the Aswan Dam project was withdrawn from them." Oellers, Ber. Nr. 3080/57, November 15, 1957, Betr.: Analyse der syrischen Krise: PAAA, B01 112.

[222] Schlicht to Brentano, October 23, 1957: PAAA, B01 102. Unbeknownst to Kuwatli, Israel and West Germany had been working out conditions for an arms agreement, which was finalized in 1957. At the same time, the Ben Gurion government was seeking to realign from reliance on French support to greater cooperation between Israel and the Federal Republic. See the discussion of Israel's pivot from France to West German in Zach Levy, *Israel and the Western Powers, 1952-1960* (Chapel Hill: The University of North Carolina Press, 2011), 55-74.

activities in Syria."[223] A successful find would bring foreign currency into the country and open a market for German goods that might otherwise remain untapped and undeveloped. At the same time, deeper trade ties would increase visibility for German projects and investments in the country, it would promote the Federal Republic as a positive and, in a sense, aligned economic and geopolitical force. It would, according to Schlicht, reinforce the West German "positive position regarding Syria to sustain and once again to tighten (the Federal Republic's) ever-present good will."[224] And, most importantly, it would counter the Soviets. As one journalist celebrated, "Germans are looking for oil in Syria. Not Russians. German specialists, German mine supervisors, German salespeople, German mechanics, technicians, workers from Heide in Schleswig-Holstein and towns and villages in Niedersachsen."[225] The DEA venture was, in other words, a private sector project of national appeal and potentially great geopolitical consequence.

Still, as the correspondences introduced above indicate, DEA was already encountering troubles and often found itself operating from a position of weakness rather than strength. It was one of West Germany's largest oil interests and had been for some time. The company nevertheless had little experience operating outside of Europe - at least in peacetime – and had none in the newly independent Arab world. In part a symptom of Germany's hesitant and belated turn to oil, DEA likewise lacked the capital, clout, and state support that other internationals had amassed over the last several decades. To account for these deficits, DEA began to seek out federal loan guarantees. As Schlicht explained in a letter to Economics Minister Ludwig Erhard, the postcolonial Arab world posed considerable challenges for companies seeking to partake in exploration: "In all of these areas there appears an unusually high political risk in addition to the normal economic risks of every oil

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[223] Schlicht to Brentano, October 23, 1957: PAAA, B01 102.

[224] Ibid. The Economics Ministry recognized this relationship as well. In the midst of the Suez Crisis, for instance, State Secretary Westrick expressed concerns that a break in diplomatic relations between the Federal Republic and Syria could have a devastating impact on DEA's pursuit of concessions, "which may be of great significance for the German economy. A worsening of relations to Syria could seriously endanger these once potentially important sources of energy supply for us." Weber quoted in Berggötz, 139.

[225] Holm, 12.

exploration venture, (a risk) that right now is particularly recognizable in the pan-Arab movement and the war in Algeria." The major international oil companies were able to weather a great deal of sociopolitical turbulence and intermittent periods of financial loss. The German independents, however, were smaller and inexperienced abroad. In addition, they lacked federal financial support.[226] Were the Federal Ministry of Economics to offer some sort of subsidy – most pertinently in the form of federal export credit guarantees through the Hermes Kreditversicherung AG - DEA could acquire the capital and confidence to take on the nexus of risks that accompanied engagement in the international oil trade.[227]

The inter-ministerial committee (IMA) in charge of allocating Hermes funds,[228] however, declined the request, citing a lack of precedent for foreign investment guarantees residing outside of strict private sector import-export contracts and development aid. According to the committee, this Hermes program could only offer insurance for German exports to foreign states and credits to those same importing countries. It could not insure projects based on petro-development activities outside of Europe, even if they might ultimately result in exports to West Germany or function in the interest of German energy security.[229] Short of a change in regulations, there seemed "no possibility to accept federal coverage for German capital partnerships and financing abroad" of this kind.[230] The prospects for DEA receiving federal financial support were dim.[231]

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[226] Schlicht to Erhard, March 18, 1958: PAAA. B66 IIIB6 205.

[227] This sentiment was echoed in the letter from Schlicht to von Scherpenberg from March 18: PAAA, B66 IIIB6 205.

[228] This committee consisted of members of the Hermes Kreditversicherung, the Foreign Ministry, the BMWi, the Ministry for Finance (*Bundesministerium der Finanzen*), and, after its establishment in 1961, the Ministry for Economic Cooperation and Development (*Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung*, BMZ).

[229] This ultimately did not prove to be the case for DEA's concessions. The oil never made its way to West Germany, nor was it of a quality that West German industry could readily use.

[230] Graff, Betr.: Übernahme von Bundesdeckungen für die Absicherung politischer Risiken bei der Durchführung von Auslandsprojekten der Deutschen Erdöl-AG, March 31, 1958: PAAA. B66 IIIB6 205.

[231] It should be noted that this did not rule out guarantees for all oil companies operating abroad. DEA had been contemplating joining with Wintershall AG and a consortium of French companies to develop the fields of Algeria. As the territory was still part of France and therefore included in the collective market,

Despite these obstacles, DEA set about exploring its concessions. In accordance with Syrian regulations, the company established a local subsidiary and in 1957, the Société des Pétroles Concordia SARL (Concordia), headquartered in Damascus, to take over operations.[232] To help in the installation and operation of drills, derricks, and pipelines, the company enlisted the Hamburg prospecting firm the Gesellschaft für praktische Lagerstätten-Forschung (Prakla). Transporting this equipment from Germany to the fields of Al-Hasakah was no small feat. First came the tractor trailers carrying cables, rig components, and other equipment from Saxony to the Syrian port at Latakia. The deliveries were so copious they required the assistance of the Syrian military to carry onto land. From there, the materials were transported through Aleppo, across a military bridge with only a twenty-two ton capacity spanning the Euphrates River, and over nearly 450 km of unpaved desert roads to the sites of extraction. In total, it took 70 days to transport the nearly 2000 tons of equipment and material from sites as far away as Kiel to the concessions. Once the material arrived, Concordia technicians embarked on the preparatory work: surveying the terrain, conducting seismographic tests, and constructing the 20 kilometer pipeline that would convey water from a tributary of the Euphrates to the drill site. As one particularly pithy report emphasized, "Whoever is unfamiliar with the transportation conditions in the Middle East is not capable of measuring (these) achievement(s)."[233]

Hermes guarantees would have on the table. Dr. Günther Harkort, Betr. Besuch von Herrn Dr. Ing.eh.G.Schlicht bei Herrn D4 am 8.4.58, April 4, 1958: PAAA B66 IIIB6 205. In the end, this cooperation took place on a modest scale and yielded minimal crude for West German consumption. Moreover, the West German presence in Algeria was plagued by associations with the French, generating condemnations from the Algerian National Liberation Front (FLN) and embroiling its plans to prospect along the outskirts of the country in border disputes. Boker, Betr.: Arabische Demarchen wegen deutscher Unterstützung Frankreichs in der Sahara; hier: Schreiben von Herrn Dr. Günther Schlicht vom 12. April, May 23, 1958: PAAA B66 IIIB6 205.

[232] From this point on, my sources use DEA and Concordia more or less interchangeably and sometimes together when discussing the Syrian venture. I will use the term Concordia when speaking only of the operations in Souédie, and DEA when discussing the management headquartered in Essen and the negotiation teams which likewise consisted of representatives of the parent company. When quoting directly from sources, however, I will retain whichever label the original source employed when possible.

[233] Holm, 12.

By this time, the Concordia-Prakla workforce in Syria numbered over 200 men, 35 of whom were German, the rest Syrian and Armenian locals.[234] Since 1958, Concordia crews had been exploring sites such of El Bouâb and Souédie I in Al-Hasakah. This was tedious work. Teams would work in eight hour shifts prospecting for oil. Technicians and geologists equipped with seismic equipment and portable tools would survey the land by drilling ten to fifteen meter deep holes through which they generated seismic explosions. Measuring the speed of the waves as they rebounded, the teams painstakingly searched for underground liquid formations. Once the seismographic data identified something promising, the next step was to dig. The Concordia crews were, after all, searching for something that could not be discerned above ground with any certainty. Even the most advanced seismic technology could not determine the contents of the structures once they detected the potential deposits. That job was reserved for the drill.[235] Success rates had not been particularly high, especially in Syria.

Still, were it not ultimately elusive, the prize of a discovery would be worth the frustrations encountered along the way, though the precise benefits would become clear only once the discovery was assessed. The foreign-political pay-off likewise would be constructed gradually through the process of exploration, discovery, and extraction. The petro-infrastructure necessary for even the primary stages had to be imported directly from Germany's industrial heartland and therefore already served as an early linkage between metropole and raw material periphery.[236] At the same time, these technologies would be critical to integrating the Syrian upstream into DEA's downstream, thereby bringing both further into the globalizing petroleum trade, deepening West Germany's turn to petroleum, and converting Syria into a West-dependent and –aligned petroleum producing state.

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[234] According to company publications, relations were generally friendly between Germans and the local population in part because of positive associations with Germans reaching back to the Kaiserreich and in part due to the modern amenities offered at employee barracks. See: Dr. Delius, "Unsere Mitarbeiter in Syrian, *Under DEA Kreis,* Nr. 4/1947, 3; Erika Schlicht, „Ich besuchte die DEA in Syrien," *Unser DEA Kreis,* Nr. 4/1957, 3.

[235] Holm, 14.

[236] Holm, "Wenn Syriens Öl fließt", 12.

This was, of course, the German ideal. The question of whether Syria actually had such petroleum potential was still unanswered. And, even if it were answered affirmatively, there was still no certainty whether such a scenario would allow a strong enough bond between the company and the Syrian state to allow DEA to establish a lasting presence. Modernization would come in any petroleum sector, but would it in turn promote a modernity in line with the western version? Would the linkages formed in the process prove durable and controllable?

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By 1959, the West German oil industry had recovered from its postwar nadir. It had deepened its transition from wartime reliance on the intensive exploitation of domestic coal to international sources of petroleum. Riding the same hydrocarbon wave, DEA likewise built on its own international contacts, and secured a strong, steady supply of Libyan crude through a fifteen-year delivery contract with Conoco.[237] Although crucial to DEA's downstream operations, however, this supply agreement had a downside: it left the company dependent on an American firm to extract and deliver its petroleum, a situation which reflected the overall state of the West German oil industry.[238] The issue remained that neither DEA nor any other German firm had its own foreign (or major) source of oil. Until one did, West German energy supplies would stay in the hands – and potentially subject to the whims - of British and American concerns and foreign governments.[239]

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[237] Bavendamm, 235.

[238] As Manfred Horn notes, this situation pervaded the German petroleum sector and indeed posed an uncomfortable issue. On the one hand, the increasing exploitation of petroleum instead of coal allowed for West German industrial producers to compete in global markets. On the other, this left West Germany dependent on foreign companies to provide that crude and allowed for a thorough penetration of foreign-owned concerns into its petroleum industry. At the time, there were widespread fears "that, through this process of penetration, the unchecked growing dependency of the FRG's energy supplies could generate risks, which could not be 'covered' by the FRG alone, that that a politico-military dependency will develop or amplify." Manfred Horn, *Die Energiepolitik der Bundesregierung von 1958 bis 1972: Zur Bedeutung der Penetration ausländische Ölkonzerne in die Energiewirtschaft der BRD für die Abhängigkeit interner Strukturen und Entwicklungen* (Berlin: Duncker und Humblot, 1977), 106.

[239] The Federal Republic was dependent on the majors operating in Iraq, Iran, and Saudi-Arabia for the majority of their crude. In 1960, approximately eighty percent of West Germany's crude imports came from the Middle East: Saudi Arabia (30%), Iraq (23%), Iran (17%), Kuwait (10%). The rest came from Venezuela (16%)

Only two years after acquiring its Syrian concessions, however, a small, unassuming field in the northeastern corner of the Al-Hasakah governorate was about to offer DEA a chance to escape this predicament.[240]

On a summer day at the end of July 1959, Concordia oilmen once again took to the prospective site Souédie I. Concordia crews had carried out their seismic surveys months before, determining that the likelihood that oil lie beneath the Souédie sands was high. Then, on their sixth exploratory borehole and at a depth of over 1711 meters, the drill struck a large pool of heavy black liquid.[241] For the first time, DEA had a proven source of Arab oil at its fingertips.

The find was a potential turning point for the company's and Syria's own prospects for future in the international petroleum trade. The site lay within viewing distance of the massive gas-flare emanating from the massive Iraqi Ain Salah field just forty kilometers east of Souédie.[242] It also lay only fifteen kilometers south of Karatchouk, Syria's largest field at the time. Discovered by the American oil firm JW Menhall in 1956, Karatchouk produced oil that bore striking similarities to that of the Iraqi giant Kirkuk, which by 1958 had produced nearly two billion tons of heavy, sour crude. Further north of Souédie lay the Turkish field Garzan, which had just begun production and, with its neighboring Raman field – the largest in Turkey - was estimated to hold nearly ten million tons of petroleum [See Figure 2.1].[243] Unsurprisingly, initial tests showed that Souédie crude also

and the USSR (2%). Source: *Statistisches Jahrbuch für die Bundesrepublik Deutschland 1962*, (Stuttgart und Mainz: W Kohlhammer GmbH, 1961), 300.

[240] The Syrian concessions were not the only foreign concessions held by the DEA, but they proved to be the most promising. By 1959, DEA had full and partial ownership of concessions in Peru, Turkey, Canada, and, as will be addressed in subsequent chapters, Libya. DEA was also soon to acquire additional concessions in the Western Sahara and Dubai. Until its offshore concession in Dubai - of which DEA held only a 10 percent share – was proven productive in 1970, however, the fields in Syria were the only shown to have petroleum in economically exploitable quantities.

[241] Böhm, "Öl in Souédie", 6.

[242] Discovered in 1939 in northern Iraq and producing 1.2 million tons per year by 1956.

[243] "Die deutschen Erdölinteressen in Syrien: Eine Betrachtungen zur Lage in der arabischen Welt" in *Bergbau und Wirtschaft*, Vol. 11, No. 3, March 1, 1958, 7: PAAA, B66 IIIB6 205. Two German oil firms, DEA (since 1957) and C. Deilmann (since 1954) had concessions in Turkey, but these proved unproductive. The Turkish government continued to seek German participation in a new round of concession allocations through

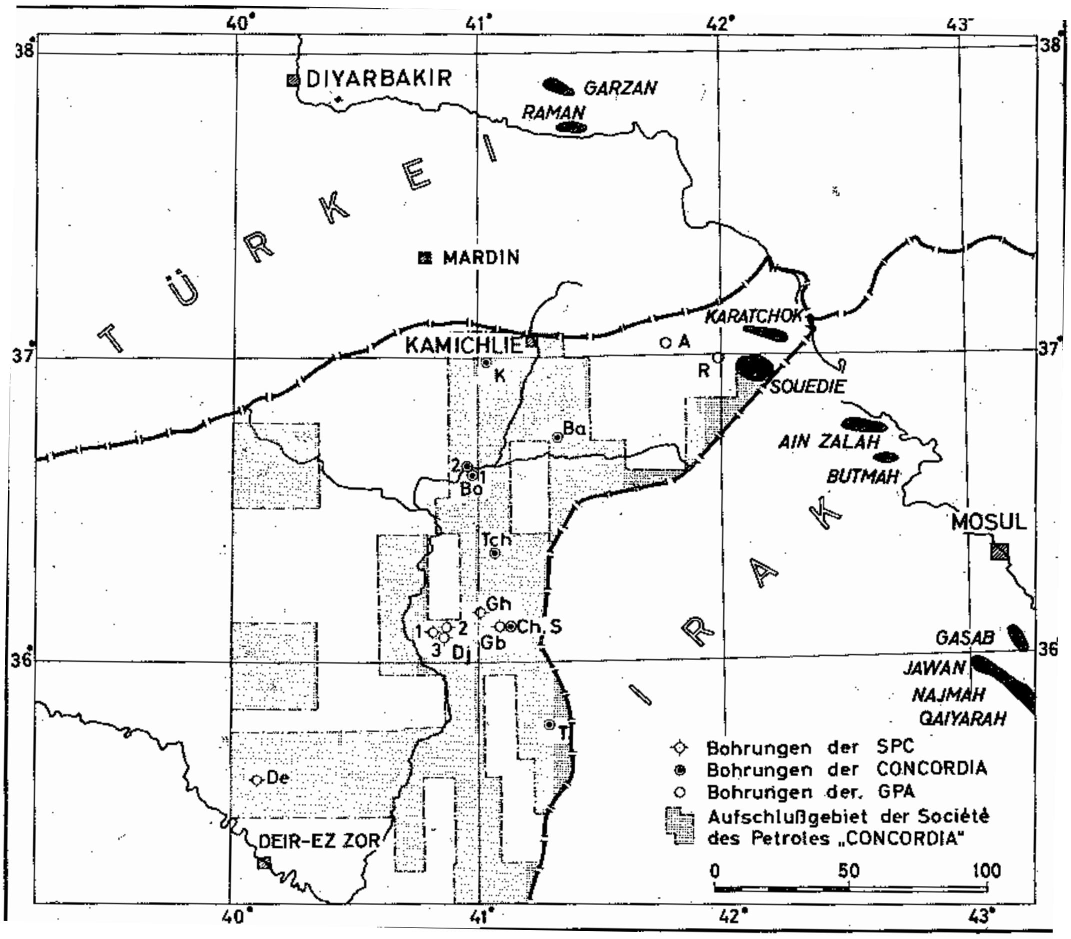

Figure 2.1: This map shows DEA's concessions, as well as the proven fields in and surrounding them. Notice the proximity of Souédie to Karatchouk in Syria, Ain Salah and Butmah in Iraq, and Garzan and Raman in Turkey. Image from: Hans Weber, "Ergebnisse erdölgeologischer Aufschlußarbeiten der DEA in Nordost-Syrien" *Sonderdruck aus „Erdöl und Kohle, Erdgas, Petrochemie"*, Vol. 16 (1963), 670: HK RWE, 5355/376.

resembled that of other fields in the area. It was of middle weight and had a high sulfur content of 3.55 percent, which made it difficult and expensive to refine and of limited use to German industry.[244] Estimated to hold 110 million tons, however, the Souédie find was indeed a discovery

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1958. Schlicht advised the federal government against promoting further activities on Turkish fields, however, as the promising concessions had already been taken and the terms for the remaining less promising concessions were unfavorable. Given the rift developing between west-aligned Turkey and unaligned Arab states, expanding West German operations in Turkey could likewise have a negative effect on German-Arab relations. Report for Adenauer, Betr.: Erdöl in der Türkei, undated (presumably from January 1958): BAK B136/2522; Schlicht to Adenauer, Oktober 28, 1958: BAK B136/2522.

[244] Letter from DEA management to the Oversight Council, Betr: Syrien, August 11, 1959: PAAA, B66 IIIB6 205. Initially, DEA had set a goal of securing a foreign source of domestic oil to feed growing demand in West Germany. The Souédie discovery, therefore, was important for the DEA, but would have little impact on

that could define DEA's and West Germany's presence in Syria for years to come.

Before DEA could begin developing its newly proven field, it needed to address several critical issues concerning the discovery's valuation. First, Souédie sat 700 kilometers from the nearest Mediterranean port. Despite the Karatchouk find the year before, there was no pipeline connecting northeastern Syria to the Mediterranean Sea. This posed an obstacle that, until the necessary transportation infrastructure were financed and built, called into question the feasibility of developing Souédie at all. Indeed petroleum wells, even proven reserves, are only speculation until they are recovered and taken to market.[245] Complicating the matter further, English companies had begun planning a pipeline cutting from the Persian Gulf to the Turkish port Iskenderun. Although not directed against the Syrian concession itself, this project introduced and closed the question of a larger, international network of pipes connecting Souédie and surrounding fields collectively to a major port.[246] The construction of a smaller, domestic pipeline to port would now be the unavoidable prerequisite to any further development.

The second major issue arose from the act of discovery itself. Although the company had secured the right to explore for oil in 1956, it had never acquired the rights to exploit the source once found. Instead, Syrian and DEA negotiators had initially agreed to put the question of exploitation on hold. Both parties had suspected the area contained deposits of crude, but were not certain of their location. As the quantity and quality remained indeterminate before discovery and

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German supplies even after extraction began. Deutsche Erdöl-Aktiengesellschaft, Geschäftsbericht 1957, 10: HK RWE, 5100/144.

[245] Or, as Timothy Mitchell explains, "A reserve of oil refers not to the entire geological deposit but to the part that can be brought to the surface. It cannot be measured directly, not only because it lies underground but because reserves are estimates of future production, whose calculation requires assumptions about future costs and levels of demand, and estimates of the technical feasibility of projects to extract the resource. It is an estimate of geological, petrochemical, economic and political factors." Timothy Mitchell, *Carbon Democracy: Political Power in the Age of Oil* (New York: Verso, 2011), 244.

[246] "Die deutschen Erdölinteressen in Syrien: Eine Betrachtungen zur Lage in der arabischen Welt" in *Bergbau und Wirtschaft*, Vol. 11, No. 3, March 1, 1958, 12: PAAA, B66 IIIB6 205.

field mapping, so did the logistical considerations of costs of extraction and transportation.[247] Indeed, even after discovery, the character and value of Souédie's contents would remain a point of contention and serious hurdle to closing a final agreement. A deal based on a false estimation of the contents and locations of oil-fields could very well limit DEA's own ability to profit from the enterprise, granting Syria higher rents, royalties, and taxes than the independent producer could afford. [248] Were things to turn out the other way, the company would win little favor in the region. A deal based on an over- or underestimation of the fields, in other words, could doom the enterprise from the start. Still, it is important to note that in agreeing to delay discussion of extractive terms several years (and with the end-date itself undetermined), both sides assumed not only the good faith, but also a high degree of coherence in the other party's terms and ideological continuity.

In fact, the Souédie find came just as the independent Syria was giving way to the Egypto-Syrian United Arab Republic (UAR). The UAR came into being on February 1, 1958, a little less than a year before DEA's discovery at Souédie. Although accompanied by social and political tumult, the merging of the two states had little initial impact on Concordia's immediate exploratory activities. Company geologists and engineers continued surveying the concessions; its German and Syrian workers continued to drill. It was only after the successful boring in July that the UAR began to pose problems for Souédie enterprise. DEA had initially closed the exploration contract with the conservative Kuwatli regime and the Syrian Arab Republic. It now had to negotiate with Arab-socialist and -nationalist UAR commissions under the ultimate leadership of the figurehead the Arab-nationalist struggle: Gamal Abdel Nasser.

Although the UAR president was wary of western influence, he was also eager to begin modernizing the Syrian region and integrating it politically and economically as an Egyptian

[247] Even in negotiations several years after discovery, both sides retained this desire to wait and see what the field would turn up, and how profitable it could be, before coming to a final agreement on final terms on a production agreement. Anlage I, Fritz Staiger and Goethe, July 31, 1962, "Die Verhandlungen der Dea über einen Erdölgewinnungsvertrag in Syrien": BAK B102/185203.

[248] Ibid.

satellite.[249] This drive to develop offered DEA a chance to at last close a deal for the exploration of Souédie. What, however, could DEA offer that could overcome Arab ambivalence toward a firm incorporated in West Germany? What could they offer that the majors and state oil companies could not? Would DEA be able to produce profits for its shareholders, petroleum for West Germany, and the opportunity to expand the West German presence in and influence over Syrian markets? As I argue below, DEA had little exclusive knowledge or technology that could make their bids for the contract more attractive than others. At the same time, the government in Bonn remained reluctant to involve itself in this private sector petro-venture. Therefore, DEA had neither carrot nor stick to offer. Because of this as well as Syria's struggles to carve its own place in the postcolonial Middle East, talks between DEA and a series of Syrian regimes encountered obstacle after obstacle. The contract after all was not just a question of Souédie, but of trade and politics. The negotiations were not just over oil, but over resource sovereignty, regime legitimation, and geopolitical alignment. The challenges were formidable, complex, and – for the independent DEA - unfamiliar. Success burdened by such considerations would require the German firm to walk a thinning tightrope between national and business interests and regional politics. To succeed in such an unstable Syria, according to one observer, nothing short of a plastic, yet precise "Jiu-Jitsu-Method (would) suffice."[250]

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As one of his first major acts as President of the UAR on September 29, 1958, Nasser nationalized the Syrian oil field Karatchouk. He offered no compensation to Menhall, the company that had discovered the field, in return.[251] The field was large – holding an estimated nearly 50 million retrievable tons of crude – and proven. Its contents were heavy and sour (sulfurous), of even slightly lower quality than the deposit at nearby Souédie. More importantly for Nasser, the field had

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[249] Seale, 262. For the geopolitical significance of Syria for Egypt's plans and the evolution of unionist thought in Egypt, see Elie Podeh, *The Decline of Arab Unity: The Rise and Fall of the United Arab Republic* (Chicago: Sussex Academic Press, 1999), 27-30.

[250] Abteilung 7, July 25, 1958, Betr.: Krisenherd Naher Osten: Wurzeln, Probleme, Lösungen: PAAA, B01 113.

[251] Menhall continued to press for compensation in US courts through the 1980s to little avail.

been discovered and operated by the American firm Menhall Prospecting and Exploration Company. The concessions containing Karatchouk had originally been owned by the Iraqi Petroleum Company who had explored for petroleum before the war but made no significant discoveries. After the 1956 discovery, Menhall expanded its operations to neighboring fields including another prospective site known as Rumelan. It was at this time that the newly seated Nasser flexed his political muscle and expropriated the fields. Economics Minister (and Ba'thist) Khalil Kallas charged the company with illegally transferring operating rights, the "free exercise (of) control over resources reserved for storage without the prescribed attainment of permission," and other breeches of the concessionary contract. West German observers, however, feared that Nasser had merely reassessed Menhall's activities through a new, Arab-nationalist ideological lens. The real motivations for the strike against the American firm, according to this line of reasoning, lay not just in humbling an American company, but more far-reaching plans to nationalize Syria's oil industry completely.[252]

Coming hardly one month after the discovery at Souédie, the Karatchouk affair shook DEA's confidence in the security of its position. At the same time, however, it provided the company an opportunity to expand its holdings. The promise of expansion quickly overcame DEA's initial misgivings. Having seized Menhall's assets, after all, the UAR needed someone to put the field into operation. Estimates placed the combined annual production of Karatchouk and Souédie at 3 to 4 million tons. And given their proximity, size, and shared distance from the nearest ports and pipelines, combining the two projects under the leadership of a single operating company would allow for less expensive transportation and storage and fewer personnel as well as cut down on the costs of supplying such distant outposts.[253] It would likewise give DEA access to another significant deposit of crude at its source. What is remarkable about DEA's drive to combine the two projects is

[252] Ringelmann, Ber.Nr. 633/58, October 17, 1958, Betr.: Massnahmen der syrischen Regierung gegen das Erdöl-Prospektions-Unternehmen 'Syrian Arab Oil Company': PAAA, B66 IIIB6 205.

[253] Aide Memoire, Erhard, Betr.: "Erdölsituation in der Vereinigten Arabischen Republik und dortige Tätigkeit der Deutsche Erdöl-Aktiengesellschaft – DEA – Hamburg", December 31, 1959: PAAA, B02 082.

its rapid acquiescence to the nationalization of a western-held concession and readiness to abandon initial discomfiture with the precarious legal implications of the expropriation. Despite reservations voiced by the Consulate, DEA quickly concluded that the Karatchouk affair was a singular event rather than a pervasive policy of coordinated and expanding nationalizations. Whether because of naivety or necessity, this muted response to the expropriation set a precedent that would come back to haunt the company only six years later.

Nevertheless, DEA saw in the nationalization the opportunity to secure a comprehensive concessionary agreement for extraction that had so far eluded the company when negotiating just over the Concordia fields. In early 1960, company representatives met with agents of the Egyptian-Syrian General Petroleum Authority (GPA) to discuss just such a comprehensive deal. The GPA pursued a loose framework for an agreement based on the concept of company-government parity: "an equal corporation, security of equal financial obligations of both partners, the creation of legal parity of both parties, where necessary the intervention of an international arbitration court."[254] Although this type joint-enterprise was not DEA's first choice, there was reason to believe it was slowly becoming an international norm. Venezuela had already achieved such parity in profits and taxes in 1943. Saudi Arabia had in 1950.[255] As Chapter 6 shows, the next step to such profit sharing would indeed be direct government investment and participation. In this sense, the GPA's proposition can even be considered forward-looking and DEA's acceptance of tis terms even prudent. Especially for such a precariously situation independent, big compromises were a necessity to international expansion.[256] The GPA itself had initially pushed hard for a less-conventional 51:49 partnership with some justification. By the time of the Souédie discovery, the threshold of parity had

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[254] Schlicht to Erhard, 31 December 1959: PAAA, B02 082.

[255] These 50:50 profit sharing agreements inaugurated the end of the Red-Line Agreement agreed upon by the majors in 1928 that had previously governed western petroleum-related activities in the formerly Ottoman territories of the Middle East (excluding Kuwait). It likewise marked the beginning of a new configuration of petro-powers and companies in the region. See Chapter 22 in Yergin.

[256] Aide Memoire for Erhard, Betr.: "Erdölsituation in der Vereinigten Arabischen Republik und dortige Tätigkeit der Deutsche Erdöl-Aktiengesellschaft – DEA – Hamburg", December 31, 1959: PAAA, B02/082.

already been transgressed in Iran and, indeed, a majority share for the oil-rich state was no longer a taboo demand.[257] Iran, however, was not Syria. Iran had enormous proven and prospective reserves. Syria's deposits were smaller and less economical.[258] Syria's oil industry, moreover, was still nascent, whereas Iran's had been developing and prospering since the first major discoveries at the turn of the nineteenth century.[259] Syria was still, in a sense, a gamble. After the 1953 coup that removed the socialist Mohammed Mossadegh and reinstalled the West-friendly and autocratic Mohammad Reza Pahlavi, Iran offered greater guarantees of sociopolitical stability, stable flows, and reliable profits as well.[260] For DEA, any agreement had to be site specific and account for the precise conditions and situation source of oil in question. This meant not only geographical features such as location and the chemical properties of the crude itself, but also infrastructural logistics of pipelines, ports, and refineries. The GPA's most recent proposal, moreover, derived not just from the 50:50 production and proceeds balance – a compromise after the 51:49 proposal stalled - but more immediately from an Ente Nazionale Idrocarburi (ENI)-Petrofina-Oriental agreement with Egypt over a portion of the Sinai Peninsula. As DEA contended, however, there were critical differences even between the Sinai site and Souédie that made the fields and therefore the contracts incomparable. The Sinai field was located in an area already known to possess oil. The probability of repeating the success of the surrounding area was high and much of the necessary transportation infrastructure

[257] By the time Enrico Mattei offered Iran a whopping 75 percent of profit from ENI concessions in 1957, the previous benchmark of 50:50 ventures had been shattered. This offered simultaneously contributed to the decline of the consortium of companies known as the Seven Sisters that had dominated the international oil trade since the end of the Second World War. These companies were: the Anglo-Persian Oil Company, Gulf Oil, Royal Dutch-Shell, Standard Oil of California, Standard Oil of New Jersey, Standard Oil of New York, and Texaco. See the section entitled "Mattei's Greatest Battle" in Yergin. 485-487.

[258] Souédie crude has a specific gravity of approximately 24 degrees and a sulfur content of 3.9 percent. Compare this to Iranian crudes which generally range from 30 degrees to 34 degrees with sulfur contents of 1.9 to 2.5 percent.

[259] William D'arcy received his famous 60-year concession in Persia in 1901. Having discovered a large pool of oil at Masjed Soleyman, he founded the Anglo-Persian Oil Company (eventually renamed BP) in 1909. This marked the beginning of the rush for Middle Eastern oil.

[260] The Islamic Revolution of 1978-9 would prove that such guarantees were in fact more assumed than assured.

within relatively easy reach. The Souédie project alone, however, had already consumed nearly DM 40 million for its initial discovery and would require a good deal more investment to make it economical. Concerns over the balance between investment, ownership, and profitability were agitated by the "disappointing" quantity and quality of the Syrian oil. Coupled with its location, the high level of sulfur and elevated gravity of the Syrian crude rendered it particularly costly to refine and contributed to the relatively low projected return on investment.[261]

The talks yielded a promising, if still open-ended deal. Corresponding to certain points in the ENI-Petrofina-Oriental deal, DEA agreed to pay royalties of 20 percent of the first half of crude produced and 30 percent of the second half to the UAR. Though offering rates less favorable than the rates DEA had anticipated (15 and 25 percent respectively), this apportionment would allow enough early production for the oil firm to overcome the "quality, quantity, and transport-cost" problems of the field and move one step closer to recovering some of the large initial investment from the first few years.[262]

As was customary, however, the UAR sought a combination of rents and taxes in addition to royalties.[263] In the interest of expediting the field's development, the two sides came to a compromise that would once again postpone a potentially contentious debate over key details until a later time. DEA's favored scheme involved a Concordia-led consortium of German companies that would develop both of the northeastern fields and construct a major pipeline to conduct the extracted crude to the Homs refinery then the Mediterranean post at Baniyas. The consortium pay

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[261] Ambassador Ringelmann, Betr. "Fortgang der Verhandlungen der DEA/Concordia mit der VAR-Regierung über einen Erdöl-Ausbeutungsvertrag/Nordost Syrien", Ber.Nr. 131/60, 10 March 1960: PAAA, B66 IIIB6 278.

[262] Ibid.

[263] Royalties, rents, and taxes are common ways for governments in producing territories to generate revenue from the extraction and trade of those materials. In short, royalties are percentages of future yields (whether in terms of money or resources) that a state or owner claims in exchange for surrendering the rights of usage or production to a second party. Rents are likewise recurring charges attached to land in exchange for the rights to use the land and whatever materials it yields. Unlike royalties, however, rents are calculated independent of activities, production, and profit and tend not to fluctuate. Taxes, on the other hand, are charges levied by a state or municipality and, in the case of oil concessions, are generally based on income (rather than production).

would pay the government royalties (as detailed above), rents, and income taxes amounting to nearly 55 percent of the total profits.[264] The second option was the 50:50 partnership. The debate was over a tax plan that would produce higher revenue for the state early on, and a direct participation plan that would give GPA greater control.

Despite the lingering ambiguities in the final form the operating company would take, these negotiations yielded surprising success. DEA and the GPA signed a preliminary agreement (*Grundsatzabkommen*) granting Concordia production rights to both northeastern concessions and extending the exploration period through September 1964.[265] The GPA continued to favor the mixed-company option; DEA, the all-German consortium. As the official press release reads, "Hereafter will a mixed-corporation be formed under equal participation of the UAR and the DEA, as long as DEA expresses the desire to have it…(Otherwise) in the place of the mixed-corporation, work can be continued under still narrower conditions by a corporation owned completely by the Deutsche Erdöl Aktiengesellschaft."[266] This offered a framework rather than a final, binding contract, it nevertheless seemed a major accomplishment. Schlicht himself weighed in on the outcome, noting the significant strides that had been taken and labeling the next stages of negotiation merely "customary (*üblich*)."[267] The blueprints drawn, it seemed a final contract was now just a question of particulars.

Though facilitating progress initially, however, postponing discussion on the important details ended up working against the interests of DEA. Despite Schlicht's optimism, the residual unreconciled details plagued talks between the agreement in March and the next major round of

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[264] Ringelmann, Betr. "Fortgang der Verhandlungen der DEA/Concordia mit der VAR-Regierung über einen Erdöl-Ausbeutungsvertrag/Nordost Syrien", Ber.Nr. 131/60, 10 March 1960: PAAA, B66 IIIB6 278; Schlicht to Scherpenberg, 25 March 1960: PAAA, B02/086.

[265] Anlage I, Staiger and Goethe: BAK, B102/185203; Ringelmann, Ber.Nr. 189/60, April 2, 1960, Betr.: Vorläufiger Abschluss der Verhandlungen Concordia/DEA mit der VAR Regierung über einen Erdöl-Ausbeutungsvertrag in Nordost-Syrien: PAAA, B66 IIIB6 278.

[266] Anlage I, Staiger and Goethe: BAK, B102/185203.

[267] Schlicht to Scherpenberg, March 25, 1960: PAAA, B02/086.

talks the following year as the Syrian petroleum regime began to reassess the situation. Concordia had continued to prospect in and around Souédie throughout 1959 and 1960. Some 35-40 boreholes in Souédie proved productive as Concordia pressed forward with mapping out the boundaries of the deposit. Meanwhile, Menhall had failed in yet another attempt to retrieve its concessions.[268] Since the nationalization, the GPA had undertaken the day to day operations of Karatchouk. Using worn and outmoded equipment, however, they met limited success and, as noted above, beckoned DEA to get involved, thereby putting the West German concern in a rather uncomfortable and legally-ambiguous position. Pressuring DEA to cooperate, the GPA noted that the American company Getty Oil had expressed interest in the venture, introducing competition into the region and DEA's calculations while simultaneously offering the potential of a wealthy, experienced ally in the region.[269] Although DEA was willing and even eager to take over the Karatchouk operations, it was reluctant to do so without a formal contract. Recent developments, however, indicated DEA might not have the luxury to wait for contractual particulars to be resolved.

Alarmingly, the Soviet Union was once again showing itself an important player in the region. Despite assurances to the contrary from the Syrian Minister of Industry and the GPA, Syria was actively engaged in negotiations with Moscow "over the question of deliveries of Soviet drilling instruments and the execution of further exploratory boreholes for the field development through Soviet experts (in northeast Syria)".[270] The presence of Soviet oilmen would not only threaten DEA's

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[268] Deutsche Erdöl-Aktiengesellschaft, Geschäftsbericht 1960: HK RWE, 5100/147; General Consulate to Ringelmann, Ber.Nr. 300/60, June 1, 1960, Betr.: Sowjetische Erdölbohrausrüstung; Situation der Concordia und Erdölverhandlungen mit den Amerikanern: PAAA, B66 IIIB6 278.

[269] Getty's subsidiary Pacific Western had been active in Saudi Arabia since the 1933.

[270] General Consulate to Ringelmann, Ber.Nr. 300/60, June 1, 1960, Betr.: Sowjetische Erdölbohrausrüstung; Situation der Concordia und Erdölverhandlungen mit den Amerikanern: PAAA, B66 IIIB6 278. The Soviet threat was becoming more menacing by the day. Despite Nasser's crackdown on communist activity throughout the UAR, the Soviet Union was deepening its economic ties with Syria, as Syria was slowly severing its relations with Egypt. In February, the Soviet Union announced that it had sent several teams of petro-experts to begin exploratory work in the Syria. By September, the Soviet Union and the UAR agreed on a loan of 275 million rubles for projects in Syria, indicating both that the Soviet Union was willing to work with non-communist and even anti-communist countries and that they still viewed the UAR as two countries, rather than a unified Arab state.

own activities but could also undermine some of the progress the Federal Republic had made in regional relations and its broader diplomatic goal of East German containment. With these new considerations and the apparent willingness of the GPA to entertain offers from DEA's foreign competition, Chief Counsel Dr. Hasso von Wedel would later emphasize, this may very well have been the last, best opportunity for DEA to secure the production contract.[271]

The obstacles standing between DEA and the contract were not limited to the increasing competition from other western and eastern concerns. They were also questions of profitability. These included the lingering disputes about the quality of the crude, and the lack of physical infrastructure to transport the crude to market. DEA had already attempted to make the pipeline a feature of the deal and, indeed, the Consulate had agreed that the pipeline was essential to the project and Syria's own petroleum future.[272] A projected three to five million annual tons of petroleum were at stake. In the grander scheme of regional petroleum flows and German demand, this was not of great importance. But, for a company with no large crude sources of its own and a country still working to rehabilitate its image and exert its economic influence in the region, these quantities possessed important symbolic and integrative significance.

There was, however, another economic concern with which both sides still needed to come to terms. The quality of the crude was poor. Even if further exploration yielded finds of lighter, cleaner crude to mix with the heavy, sour oil already discovered, the quality of the product would still have questionable demand at market.[273] In an effort to guarantee one outlet, DEA expressed a new willingness to take some of the oil into its own refineries. Although the crude would hardly satisfy even company petroleum needs, its purchase could generate much needed foreign currency

[271] Dr. Hasso von Wedel, *Zur Firmengeschichte 1952-1974*, 9: HK RWE, 8000/336.

[272] Fechter, Ber.Nr. 269/91, June 9, 1961, Betr.: Bevorstehende Ausschreibung einer Pipeline von Nordostsyrien zum Mittelmeer: PAAA, B66 IIIB6 278.

[273] According to Fechter, "For all intents and purposes, there lies in the realm of possibility, that one or two other fields or deeper productive zones in the current two fields will still be developed, which will additionally contribute to an increase in annual production, whereby it must not be overlooked, that lighter oil might also be produced." Ibid.

for a Syria suffering strained relations with neighboring Iraq, on whose oil it relied for the majority of its annual revenue.[274] According to more optimistic appraisals, the infusion of money from German buyers would not only benefit DEA's interests but would help stabilize an otherwise vulnerable Syrian oil industry and economy through diversifying the bases of economic and political growth and deepening Syrian-German trade ties. It would, moreover, pump foreign currency into the Syrian economy, strengthening its ability to purchase goods internationally and alleviating its unfavorable trade balance with the Federal Republic.[275] As this logic suggests, the Souédie deal was never just a question of oil, but of international trade, foreign currency circulation, economic stability, and geopolitics. In turn, DEA's mission bore more than the weight of its own success or failure; it was also laden with the additional burden of foreign and energy political ambitions.

With this political-economic matrix in mind, DEA turned back to its home government and pressed the case for federal credit guarantees and subsidies. The company had already been denied Hermes guarantees several years earlier. As the stakes grew higher and competition more imminent, however, so grew the push for federal aid more urgent. This time, the Consulate in Damascus openly supported DEA's position. After all, in the words of Consul General Rudolf Fechter, it was in the Federal Republic's own interests to shore up DEA's already sizeable (DM 50 million) investment and ensure that the "development of Syrian oil fields does not go over to foreign hands," whether those of the Americans or Soviets. Losing one piece of the project to a foreign firm, Fechter argued, might

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[274] In July 1958, Abd al-Karim Qasim seized power from the last Hashemite ruler of Iraq, Faisal II. This came only five months after the founding of the UAR. Although initially embracing the Egypto-Syrian merger, the leftist Qasim quickly routed his pro-union counterpart Colonel 'Abd al Salam 'Aref started publicly promoting Iraqi nationalism over Arab-Nationalism. Nassir and his Syrian supporters were displeased. Colonel 'Abd al-Hamid Saraj, one of the most powerful officials in the Syria at the time, orchestrated a plot to overthrow Qasim in favour of union-friendly forces. The failure of the coup on March 9 marked a decisive break in Iraqi-UAR and Iraqi-Syrian relations. Qasim was later removed and subsequently executed during Iraqi Ba'thist coup of February 1963, just one month before the Ba'th seized power in Damascus. For an assessment of Iraq's role in the decline of the Arab-Nationalist Movement, see: Dawisha, Chapter 9: "Arab Nationalism's Downward Slide, 1958-1967".

[275] Fechter, Ber.Nr. 269/91, June 9, 1961, Betr.: Bevorstehende Ausschreibung einer Pipeline von Nordostsyrien zum Mittelmeer: PAAA, B66 IIIB6 278.

put the entire project in jeopardy. [276] And that might also deter other companies contemplating expanding abroad but wary of taking on such investment risks on their own.[277] Although sympathetic to the argument, however, the Economics Ministry – the ministry with primary jurisdiction over federal energy policy - remained recalcitrant in its liberal energy and trade policy. The Concordia enterprise was a private-sector venture for private gain, even if it was in the public interest. The economics of Souédie and the threat of foreign involvement (and potential concessionary expropriation) aside, the Economics Ministry refused to budge. As economics, not foreign policy, provided the rationale for the federal loan program in the first place, the Economics Ministry opinion held.

Constrained by a lack in federal financing, the DEA-GPA negotiations slogged on into August and once again produced little of note. The German firm came to the table expecting to discuss terms for a final production contract. In the end, however, DEA and the GPA could not even agree to the immediate purpose of the talks and the extent to which the UAR delegation was empowered to carry them out. According to Syrian negotiators, Nasser had not invested the delegation with the power to address additional issues. Instead, their mission was to create a framework for a final deal, revisiting certain points that, according to DEA, had already been settled while proposing vague, non-binding solutions to others. [278] This meant that the specifics that had been left open in the agreement from March 23 would remain open until Nasser himself expressed otherwise. Given the apparent lack of clear communication between the GPA and Cairo, the prospects that Nasser would explicitly consent to a final contract anytime soon seemed scant.

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[276] Ibid.

[277] At the same time that DEA was negotiating its future in Syria, Gelsenberg AG – a subsidiary of the Gelsenkirchener Bergwerks AG and one of the largest energy concerns in West Germany – was take steps toward securing its own place in the fields of Libya. Having closed oil-supply agreements with Mobil Oil in 1951 and 1958, Gelsenberg began to push for active involvement in Mobil's Libyan ventures. As later chapters will show, Gelsenberg proved successful in this pursuit and acquired joint control over Mobil's fields in 1959. It succeeded, in other words, as DEA's efforts continued to stagnate.

[278] Anlage I, Staiger and Goethe: BAK, B102/185203.

The dysfunction of these negotiations reflected more than the GPA's own reluctance to close a deal. It was also emblematic deeper systemic problems that had haunted the UAR since its inception and would soon precipitate its collapse. First among these was the Egypto-centric vision of Pan-Arabism promoted by Nasser. In its early days, the UAR commanded significant support among the non-communist political classes of Syria. This includes the Ba'th which, like Nasser, promoted Arab-Nationalism and Arab-Socialism, and was "the most significant force that supported the union" in its earliest days.[279] Once the elation of the pan-Arab achievement wore off, however, it became clear that superficial if actual political union did not translate to ideological unity. The Nasserian vision diverged from that of the Ba'th. As Nasser's plans from the outset envisioned a Cairo-centric sphere of influence that incorporated Syria, Ba'thist visions were based on local autonomy, inter-state cooperation, and ideological if not direct Ba'thist influence over national domestic and foreign policy. They had hoped that Nasser would share power with Syrian officials and forge a unity government in which Syrian and Egyptian officials held equal sway.[280] What Nasser offered, however, was Egyptian hegemony.

Nasser had made these terms quite clear early on. As a prerequisite for accepting union, he demanded that Syria conform to Egyptian politics. This meant, above all, the dissolution of all parties and the dissociation of the military from political matters. The Ba'th had accumulated significant force in the military by this point, and indeed the military was a primary mover for Ba'thist calls for unification. The second condition, therefore, struck a blow to Ba'thist expansion and its continued ideological consolidation. The former demand, moreover, threatened Ba'thist influence even more directly. The party apparatus which had driven the achievement of Egyptian-Syrian unity - a significant piece of the Ba'thist platform and a widespread Syrian dream – would have to be

[279] Podeh, *Decline,* 110.

[280] Kahlid Bakdash, head of the SCP, remained sceptical of the union. According to Ismael and Ismael, however, this was more because he was left out of the government rather than because of any deep ideological conflicts. Nevertheless, when Nasser demanded all parties be dissolved (a measure he had already taken in Egypt) the Ba'th and communists both reluctantly conceded. Ismael and Ismael, 51.

dissolved and its recruit efforts curtailed. Nevertheless, in the face of overwhelming popular support for the union as well as out of a fear of appearing insufficiently committed to Arab unity, the Ba'th complied with these conditions. A National Assembly consisting of 400 Egyptians and only 200 Syrians convened. The sidelining of the Ba'th and the erosion of Syrian autonomy had begun.

The fact that Nasser was alienating the Syrian province and even his most prominent political allies did not go unnoticed. Although it is beyond the purview of this study to explain these policies in depth, it is important to note that the particular policies of agrarian reform and industrial nationalization not only contributed to the decline in Syrian support for the union, but also produced ruptures in Syrian society and politics that would eventually open the path for Ba'thist rule. The first of these was a land distribution scheme that cut maximum holdings for landowners by half and drastically cut interest rates for small-scale farmers. Popular among the rural peasantry, these reforms alienated the traditional landholding elites and did little to encourage industrial farming techniques. Exacerbated by a three year drought, these reforms likewise did little to increase agricultural production and indeed left Syria short on foodstuffs in a time of growing need. The second major initiative was an industrial nationalization campaign that stripped Menhall of its fields but fell notably short of touching Concordia's concession. It was followed by a campaign in July 1961, wherein Nasser nationalized the cotton industry (hitherto Syria's largest industry) and import/export firms. Soon after, banks, insurance companies, and heavy industry fell under state control. In an effort to appeal to the working class, Nasser at the same time levied a 90 percent surtax on all income over £S 10,000, and mandated worker representation on company boards. Unsurprisingly, social justice for Syrian's workers translated to a strike against the growing influence of the merchants and manufacturers. This in turn eroded support among the small but vocal middle class. Almost invariably, policies such as these that endeared Nasser to one section of society alienated him from another.

Politically left, the Ba'th had initially embraced many of these policies in principle. But the discontent and resentments they churned up as well as the authoritarian manner in which they were carried out led to criticisms of Cairo-imposed rather than Damascus-led reforms.[281] The Ba'th soon distanced itself from the Union project as Nasser piece by piece converted Syria into a de facto police state.[282]

As much as he alienated much of the political class and public, Nasser also made himself blind to widespread discontent in Syria. In August, he made a last-ditch effort to shore up his grasp on Syria by dissolving local Syrian governments and further concentrating power in a single regional governing council. The purge was pervasive. It affected not just district and local offices, but also national bodies such as the GPA, whose representatives were suddenly recalled from unproductive negotiations with DEA to Cairo in the fall of 1961.[283] This effectively ended all company-government talks over the Souédie-Karatchouk concessions until the crisis was past. A month later on September 28, a group of disillusioned Syrian officers took advantage of Nasser's seemingly divested attentions and initiated a coup. With success came the dissolution of the union, the restoration of Syrian autonomy, and, at least for the time being, the collapse of the pan-Arab dream. For DEA, this meant its own aspriations to become West Germany's first producer in the Arab world would remain out of reach. When it resumed talks after the coup, the company would be confronted with an emboldened GPA that once again sought to renegotiate along lines DEA deemed economically unviable, or politically unpalatable. Little did either negotiating party realize that the secessionist

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[281] Abdel Hakim Amer, for instance, was the Egyptian Vice President and Minister of Defense and had a particularly close relationship with Nasser since his support of the 1952 coup in Egypt. He was likewise sent "with instructions to brandish a carrot rather than a stick" which did little to ingratiate him to the Syrian officer corps and populace. Col. Abdel Hamid al-Sarraj was an early Syrian supporter of Nasser who was appointed one of his most powerful representatives in the province and, in this post, hardly ingratiated himself to the local population. Malcolm H. Kerr, *The Arab Cold War: Gamal 'Abd al-Nasir and His Rivals, 1958-1970* (New York: Oxford University Press, 1971), 21.

[282] See Podeh's discussions of the Agrarian Reform Law, the emergence of the police state, and the July 1961 nationalization decrees, and the emergence of the police state in *Decline*, 75-79, 141-144, 146-147. Nasser had likewise enacted a policy to neutralize political opposition by relocating prominent potential Syrian rivals to government posts in Egypt. Among those moved were Ba'thist founder and future Syrian Prime Minister Salah al-Din al-Bitar and Ba'thist ally Akram al-Hawrani. By the end of 1960, many of these figures Bitar and Hawrani resigned from the government in protest. Hinnebusch, *Authoritarian Power*, 111.

[283] Anlage I, Staiger and Goethe: BAK, B102/185203.

government and therefore this round of negotiations would also prove short-lived, as would subsequent Ba'thist governments until the coup of Hafez al-Assad in 1971. By that time, however, DEA's opportunity to acquire an extraction concession would be long past.

Chapter 3: Extracting Concessions, Losing Ground: Dissolution, Revolution, and Petro-Politics

The fall of the UAR was not just a blow to Nasserian and Ba'thist aspirations of forming a large, powerful, and modern pan-Arab state. It also directly affected DEA's hopes in the once again independent Syria. DEA had thought it had found a long-term and therefore consistent negotiating partner in the GPA of the UAR. Nasser himself had clearly been eager to engage in big, industrial development projects. At one point, the Souédie-Karatchouk-Baniyas system seemed to be among the most important of these. By the time Nasser retreated to Egypt and, in a sense, left Syria – and the oil negotiations – to their own devices, talks had devolved. DEA nevertheless had had reason to believe that they would be reinvigorated in due time and the concession and pipeline contract would once again be within reach.

These assumptions faltered in the face of the secession. This chapter follows the aftermath of the 1961 coup as it impacted DEA's continued attempts to close a production contract. It argues that DEA indeed had lost its most stable and potentially favorable negotiating partner when Nazim al-Kudsi displaced Nasser as president. Indeed, al-Kudsi himself would succumb to a coup less than two years after he came to power. His successors, and primarily the Ba'thist Amin al-Hafiz, would serve longer terms and, in that sense, offer some of the continuity in leadership that seemed so important to DEA's chances. It did not, however, offer the continuity or consistency in contractual terms and negotiating demands. Under pressure from the radical wing of his party, Hafiz and the GPA continued their march to the left and eventually expanded on Nasser's previous nationalization policy with Decree 133. By fiat, DEA had been stripped of its concession which had already been suspended in legal limbo. And, as it turned to the Economics Ministry and Ministry of Economic Cooperation and Development for assistance, the company was also revealing just how precarious its situation had become. Introducing the Euphrates project into its calculations was, in a sense, a last gasp at trying to secure the hitherto absent state aid and propping up its own fading enterprise with the seemingly stronger West German bids for a development project. DEA's own situation, however, was worsening by the day. Calls for a concession became calls for a contractorship, which then became calls recompense for its expropriated property. In the end, left primarily to its own private funds and negotiators, it achieved none of these.

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Just as the UAR marked the high-point of Arab-Nationalism, so did its collapse mark the failure of pan-Arab aspirations for regional political unity. Nasser's charismatic lead failed to gain lasting traction in the face of socialistic measures that, however effective they may have been in Egypt, were misapplied to a land whose population was as politicized and geographically dispersed as Syria.[284] Then of the unity government also worked to the detriment of DEA and West German interests. Although Nasser's neutralist and Arab-socialist ideology hardly made him a friend to the West, his rule had offered the potential of a politically stable Syria. Negotiations had yielded little as of late, but the Union government had offered hope of a relatively stable negotiating partner whose demands were persumably scrutable (if not completely clear) with whom DEA could hammer out a deal. Nasser at times had even seemed eager to close the concession, to commence pipeline construction, and to start exploiting Syrian oil, rather than relying on Iraqi rents and royalties. Even with the recent uncertainties over its mandate, Hasso von Wedel had noted, the GPA under Nasser represented the last, best chance DEA had to close a binding contract with a stable administration. Given the tumultuous existence of the UAR and the confusion among the government bureaucracy that it wrought, however, this observation reflected less the virtues of sitting across a table from UAR officials than the difficulties that lay in store after the Union's collapse.

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[284] The reasons for the failure of the UAR are many, although they tend to revolve around Nasser's own efforts to transform Syria into a depoliticized Egyptian protectorate. According to Adeed Dawisha, Nasser fundamentally misunderstood Syria from the beginning and continued to demonstrate this misunderstanding thorough the measures he took to depoliticize the Syrian population and socialize Syrian small business and agriculture along Egyptian lines, as well as purge the Syrian military. See: Adeed Dawisha, *Arab Nationalism in the Twentieth Century: From Triumph to Despair* (Princeton: Princeton University Press, 2003), 221-230. Raymond Hinnebusch offers a similar critique, arguing that Nasser had marginalized the Syrian political class (including the business class) to such an extent that his last bastion of support lay in the military whose goodwill he likewise eroded though purges of progressive, Ba'thist, and other potentially adversarial officers. Raymond Hinnebusch, *Syria: Revolution from Above*, (New York: Routledge, 2002), 43.

Talks resumed with a reconstituted Syrian GPA in November, a scant month after the coup. Souédie remained a priority for both the newly independent Syrian Arab Republic and DEA. Nevertheless, the negotiations floundered on questions of the new state's obligations to honor the agreements made by its predecessor and DEA's insistence that revisiting these old discussions were distractive rather than productive pursuits.[285] This round of talks is nevertheless notable for reasons beyond their proximity to the September coup and contribution to the pattern of disagreement and indecision. In addition to both Syrian and DEA negotiators rehashing old discussions on the virtues of a mixed Syrian-German company versus those of a German consortium, Syrian officials for the first time broached a third option: opening the bidding process "through obtaining competitive bids from all sides (i.e. other companies) to raise the terms for Souédie and Karatchouk in order to grant these fields to the highest bidders." [286] This suggestion had a major impact on the subsequent course of events. Up until this point, DEA had taken for granted that it would receive the Souédie contract in the end, even if would take time, patience, and compromise. Throughout the period of union, DEA had maintained that it still had a "duty" and "right" to exploit the fields it discovered. Under the UAR, GPA officials offered little overt resistance to this claim if certain conditions regarding taxes, rents, royalties, and participation were met. Now, however, DEA had even lost the assurance that post-union Syria recognized this "duty" and "right" to exploit the company's discovery.

Adding to this new uncertainty, DEA was in the midst of potentially disruptive change in leadership. Günther Schlicht, the man who helped steer DEA through the difficult postwar years, restoring it to profitability and expanding its operations beyond German borders, was forced to step down as chairman due to illness in 1962. His successor Ferry von Berghes had a tall order ahead of

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[285] The negotiations ended with little progress and the charge to once again gather a consortium to develop both fields, "through which to render the point of contention moot, whether the government is bound to the Cairo agreement, to create a mixed-company with DEAand to compensate them for the gathering of additional partners." Anlage I, Staiger and Goethe: BAK B102/185203.

[286] Ibid.

him when he assumed the chairmanship. He was taking over at a period of growth deceleration related to the acquisition of Rheinpreussen AG and the continued problems in the domestic coal mining industry.[287] Nevertheless, von Berghes made clear early on that the solution was not contraction, but continued expansion: "Either we must develop our own sources abroad," he explained, "or (we must) take part in foreign oil concerns or become the client of these concerns."[288] In the case of Syria, he chose the former.[289]

Although there remained a considerable degree of continuity in objectives, something tangible had changed in their calculations. Up to this point, the company's plans for Souédie involved limited outside participation; to the extent that other companies were to be involved, they were to be German firms under the leadership of Concordia. The recent GPA proposition to expand concessionary bidding process to other companies, however, had convinced DEA negotiators to change tactics. By request of the new government of Nazim al-Kudsi, the company now proposed an international consortium of independents. The Atlantic Refining Company, Clark Oil and Refining Corporation, and Portsmouth Steel - all from the US – and the Italian firm Ausonia Mineraria had already agreed to take part. This plan initially seemed to satisfy the Syrian negotiators. The two fields and the pipeline were still in play, the companies were lined up, and the GPA was back at the table with DEA.

Much was at stake particularly for the newly installed Kudsi. A favorable agreement would be a show of competence and accomplishment for a separatist government still trying to gain popular appeal beyond its rejection of the Union. A contract and the influx in investment and development it would initiate would demonstrate not only that the September coup was justified,

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[287] Dirk Bavendamm and Klaus Brüning, eds. *1899-1999: 100 Jahre RWE-DEA* (Hamburg: RWE-DEA AG, 1999), 241.

[288] Von Berghes quoted in "Manager: Deutsche Erdöl-AG: International lieferbar" in *Der Spiegel*, Nr. 39, September 26, 1962, 58.

[289] This includes the continued exploration in Western Sahara, Libya (with Wintershall), and Dubai (with Conoco) beginning the following year.

but also that Kudsi could succeed in places that predecessors had failed. What is more, bringing Souédie and Karatchouk on stream would be a highly visible infrastructural accomplishment that would simultaneously show DEA's good-will and industrial advancement and serve as a monument to Syrian autonomy and modernity. The symbolic stakes were high. Once again, however, political machinations and coups would get in the way.

Echoing a pattern that had plagued Syria since independence, a group of military officers stormed several key government buildings on March 28. Talks between the GPA and DEA ended abruptly. President Kudsi and his cabinet were forced to resign. Although the coup initially succeeded in seizing power, the conspiratorial coalition of Ba'thists, Nasserists, and nationalists found few points of agreement beyond the president's removal. The confusion and chaos that followed the coup were so intense and unworkable, in fact, that a Ba'thist faction attempted its own putsch against the new General Command only several days later. A result of the apparent internecine hostility within the Command as well as popular resentment toward it, the coalition soon crumbled; Kudsi reassumed the presidency by April 10.[290]

A rattled Syrian delegation soon returned to the table eager to make some show of progress. Again, it seemed, the stability of the government rested on its ability to effect a quick, visible success, such as a contract for a major industrial project. As far as the GPA was concerned, this could be achieved in large part by at last getting the oil buried in Al-Hasakah to market. Grand proposals of encompassing deals were moderated. If the latest talks did not succeed, according to the Syrian negotiators, they were prepared once again to scale back the purview of talks and renew negotiations over Souédie alone. Karatchouk could then be open to bids from other international contenders. Companies from the US and the USSR had already expressed interest.[291] Although a potential step toward a final deal, DEA considered the proposal – without a pipeline linking to

[290] For a brief study of the coup and the machinations of those involved, see: Itamar Rabinovič, *Syria under the Ba'th, 1963-66: The Army Party Symbiosis* (Tel Aviv: Israel Universities Press, 1972) 26-48.

[291] Anlage I, Staiger and Goethe: BAK, B102 185203.

adjoining fields - a return to the unworkable proposals of several years prior. It had already compromised on its plans to keep Souédie an exclusively German project. It had assessed and reassessed proposals, all the while investing time, money, effort and technology in the study of Souédie. Still, the company did not and could not offer, in management's own words, the "extremely favorable conditions" that the GPA was seeking.[292]

Time was running short for DEA. Both sides were anxious to close a deal, but, according to the company, the GPA's conditions were inconsistent and financially unfeasible. The firm had met initial success with its discovery, but in doing so had sacrificed its ability to compete against companies unburdened by prior investments in the field and backed by large amounts of private and public capital. The location and the contents of the fields were now widely known. DEA had no monopoly on the technology to retrieve and transport the crude. Nor did it have a legal rights to it. A 1962 report reveals how far hopes for a final deal had fallen. According to Director Hans-Georg Goethe and von Wedel, the situation at Karatchouk, still unresolved in the eyes of Menhall,[293] might actually be more similar to that of DEA find than previously acknowledged. "There exists the danger," they explained, "that the government lets the negotiations over Souédie break down in the face of exorbitant conditions, because of which DEA is forced to forfeit its rights. If DEA gives up its rights in Souédie, the government, unencumbered by a responsibility for the reimbursement of DEA's already dedicated, hefty initial investment, could award the field to the highest bidder."[294] In the eyes of Goethe and von Wedel, the immediacy of this threat was all too real. Syria had not been ready to concede "the quality and quantity of the discovered oil and the heretofore applied initial investment for the discovery of the field." Moreover, the Souédie deal was of renewed political significance for Kudsi. Per the report, "It seems that the government is attempting, in defiance of the

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[292] Ibid.

[293] And indeed Menhall continued to pursue compensation for the field into the 1980s in American courts. In the end, however, they're efforts were unsuccessful. See, for instance, Syrian Arabian Oil Co. v. Syrian Arab Republic, 791 F.2d 602 (7th Cir. 1986).

[294] Anlage I, Staiger and Goethe: BAK, B102/185203.

economic possibilities (of the field), to obtain conditions for extraction that, so strongly in favor the government, deviate from common international parameters, that the government *can exploit* the closure of such a extraction contract *as a political success throughout the Arab world* (emphasis in original).“[295] Had it not before, a deal would now also have to possess massive propagandistic appeal and gain the overwhelming support of the political classes and the anti-imperialist and strongly Arab-nationalist Syrian population. It was also at this time that DEA negotiators began to express to each other a resignation that the production contract might be beyond reach, and that the company would instead need to embark on the undesireable path of merely recuperating investment losses. Were no agreement attainable, DEA should at least be "subject to compensation from the government."[296] In the event that this were deemed an actual contractual breach and expropriation, after all, such claims for compensation would be in accordance with the recently adopted UN Resolution 1803 on resource sovereignty. Whether or not this fit the criteria for a "nationalization, expropriation or requisitioning" to which the resolution applied, however, was yet undetermined.[297]

Despite such lingering issues, Goethe nevertheless felt talks the following month had yielded some signs of progress. The Kudsi government had recently shown itself to be moderately business and West-friendly, promising to grant private enterprise "as much elbow room as possible" while leaving open the possibility for deeper economic ties between the Federal Republic and Syria.[298]

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[295] Ibid.

[296] Ibid.

[297] Article 4: "Nationalization, expropriation or requisitioning shall be based on grounds or reasons of public utility, security or the national interest which are recognized as overriding purely individual or private interests, both domestic and foreign. In such cases the owner shall be paid appropriate compensation, in accordance with the rules in force in the State taking such measures in the exercise of its sovereignty and in accordance with international law." "Permanent Sovereignty over Natural Resources, General Assembly resolution 1803 (XVII): Procedural History," *Audiovisual Library of International Law*, accessed online, http://legal.un.org/avl/ha/ga_1803/ga_1803.html.

[298] Central Bank Governor Dr. Izzat Traboulsi quoted in Wirtschaftliche Entwicklung Syriens in 1962, 8: PAAA, B36 IB4 054. Goethe and von Wedel even saw this steps toward economic liberalization as a potential entry point through which West Germany increase its influence through exporting liberal market ideology as a

Likewise to Goethe's relief, GPA negotiators had recently revealed that the government would be unable to finance its 50 percent share in the endeavor, thereby essentially ending its push for a mixed-company and freeing DEA from a proposal it viewed if not as hostile to its own private and national mission, than at least as financially unsound. At the same time, the GPA now proposed a grander bargain that would include Souédie and Karatchouk, as well as the nearby field of Rumelan. DEA was amenable. "As we see it," Goethe explained, "an association of all the fields can only improve profitability" for a prospective larger, several-field project. Souédie, then, could continue to serve as a viable though undesirable fallback option.[299]

What is most striking about this offer is that Syria was now offering real concessions of its own. This seemed to betray a newfound urgency. It had even requested a complete draft of a contract for the first time since the Cairo agreement established a framework for a deal nearly three years earlier. The burdens and frustrations of previous negotiations seemed to fade rapidly as DEA felt more empowered to extract more favorable terms. As Goethe expressed at the time, "In shaping the terms of the contract we are not bound to previous offers from the government, but instead have a free hand to propose economically sensible and for us sustainable terms."[300] Talk of eliciting compensation rather than a contract briefly subsided.

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Meetings between the GPA and DEA continued into the beginning of the following year. Having made some progress but still falling short of a final comprehensive deal, negotiations recessed in February with plans to reconvene later in the year. It was around this time that a group of Iraqi Ba'thists overthrew of the regime of Abdel Karim Qasim in neighboring Iraq. It was not long before ideologically-aligned conspirators in Syria initiated their own plan to seize of power. On the

viable alternative to Arab socialism. Memorandum, Goethe and von Wedel, July 31, 1962, Betr.: Die Gewinnungsvertragsvehandlungen der DEA in Syrien: BAK, B102/185203.

[299] Memorandum, Goethe über die Gewinnungsvertragsverhandlungen der DEA in Syrien vom 4. bis 27. Oktober 1962, November 6, 1962: BAK, B102/185203.

[300] Ibid.

evening of March 7, 1963, Ba'th-allied military units systematically occupied key military bases and nodes of communication. By the end of the following day, Kudsi and several top officials in his cabinet were arrested. Pro-Kudsi forces put up little resistance. A National Revolutionary Command Council (NRCC) was established and elected Amin al-Hafiz, a prominent Ba'thist, to the presidency. Once again, power had shifted from those with whom DEA had been negotiating to a cadre of elites skeptical of the actions and policies of previous governments. When talks over Souédie resumed in earnest at the beginning of the following year, the benchmarks of compromise had once again changed and Goethe's recently celebrated "free hand" was restrained.[301]

At first, however, the coup seemed to have ambivalent implications for West German economic and business aspirations for the region. The new leadership came down hard against the SCP, striking a major blow to Moscow's interests – most relevantly in Souédie - and tearing a rift between Syria and the East.[302] At the same time, Hafiz's regime continued to pursue a politically aggressive version of positive neutrality and Arab-Nationalism rather than eastern or western alignment.[303] This ambiguous geopolitical positioning led to concerns that Ba'thist domestic policy

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[301] Unrest and discontent continued to brew among the officer class even after the attempted coup in 1962. Kudsi continued in his staunch opposition to nationalizations and his roll-back of the agrarian reforms of the UAR, alienating both Arab nationalists – by now sympathetic to certain socialist redistributive policies - and those members of the population who stood to benefit from these socialist reforms. Having attempted to purge the military of political enemies including many who supported the schism with Egypt, Kudsi had pushed himself into fewer and fewer alliances with weaker and weaker allies. In addition, attempts to shore up power through the political purges of subversives – including those sympathetic to Nasser and the Communist and Ba'thist parties – had further alienated potential supporters and allies. Meanwhile and despite efforts to stem their influence, the Ba'thist elements in the military had been gaining in strength. Emboldened by a recent successful coup by the Ba'thist party in Iraq, the Ba'thists in the military allied with sympathetic unionists to overthrow the current government. Rabinovič, 27.

[302] This heavy-handed approach to communism "and other enemies of the revolution" did not occur in isolation. At the same time, the Ba'thist government in Iraq made similar threats and took similar measures to purge politics and the military of communist and anti-Ba'thist elements. It took Moscow and Syria nearly a year to mend their relations. By then, Moscow and the Eastern bloc were bidding on a range of projects and offering an array of military, economic, and technological aid to the Syrian regime. Nevertheless, by mid-1964, ties had tightened between the two countries in terms of trade and resource development to the extent that the USSR received contracts to build a network of oil tanks in throughout Damascus, Latakia, Homs, and Aleppo. See: Pedro Ramet, *The Soviet-Syrian Relationship Since 1955: A Troubled Alliance* (Boulder: Westview Press, 1990), 33.

[303] The new regime even sought Nasser's assistance once again in forming a pan-Arab union with Ba'thist Syria and Ba'thist Iraq. These plans collapsed under the weight of the failure of the Egyptian-Syrian UAR, mutual

would likewise straddle capitalist and socialist ideologies, if not tend towards socialist industrial policies that threatened to extend to the oil industry. These uncertainties caused the immediate departure of at least one prospective partner in the venture and encouraged the rest to reassess the risks of the investment.[304] The international consortium was quickly unraveling. Minister of Industry Noureddine Rifai – sympathetic DEA's situation but lacking political influence – relayed to the Embassy that the new government was ready to commence talks with DEA. Despite suspicions of Ba'thist socialism, Rifai argued, an agreement now could counteract the radical tendencies of the Ba'thist left and ensure that "nationalization could never come into question. Syria would continue to stand by the agreements, once established, and honor these."[305]

These assurances aside, a final deal once again proved elusive in part because of DEA's limited flexibility attributable in part the progressive ideology of the new regime, and in part because of broader regional realignment of company-government relations. The Ba'th leadership made clear that it sought sovereignty over Syria's natural resources, especially the newfound wealth of petroleum. To achieve this, they looked abroad for a model. In 1963, Stanvac (an Esso subsidiary) and the Indonesian government came to a compromise regarding fields nationalized in 1960. Similar deals were signed around the same time between the Indonesian government and Mobil Oil, Socal, and Shell. In the deal, Esso received new contracts to explore its previously appropriated fields. Moreover, as they sacrificed temporary ownership over the field (concessionary rights), they took on "financing the total exploration, development and exploitation of the fields at their own risk, (while) carrying out the extraction and selling of the raw oil autonomously and under its sole responsibility. The situation of the contractor was shaped independent of encroachment of

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distrust, and recent changes in the regional balance of powers. See: Malcolm H. Kerr's account in *The Arab Cold War: Gamal 'Abd al-Nasir and His Rivals, 1958-1970* (New York: Oxford University Press, 1971), 44-95; Elie Podeh, "To Unite or Not to Unite: That is Not the Question: The 1963 Tripartite Unity Talks Reassessed," *Middle Eastern Studies*, Vol. 39, No. 1 (Jan., 2003), 150-185.

[304] Memorandum, Dr. von Wedel, September 15, 1964, Stand der Verhandlungen der DEA über ihren Gewinnungsvertrag in Syrien: PAAA, B36 IB4 126.

[305] Fechter, September 16, 1963: PAAA, B66 IIIB6 351.

the state and against divestment or worsening through far-reaching guarantees," such as the right of either party to bring grievances to an international court of arbitration.[306] To make the deal work, the parties agreed on a novel taxation and royalty schema. Indonesia was to receive 60 percent of net profits, the Esso-Mobil consortium 40 percent.[307] What was more striking, however, was the new role the exploiting company was to occupy. As one DEA representative noted, not only were the taxes and royalties higher than previous agreements, but the operating companies were effectively surrendering all control. These new agreements produced "not the granting of a concession, but of the role of contractor," and company acceptance of additional capital risk with diminished control and prospects for a profitable return.[308]

After years of unsuccessful talks, DEA reluctantly came to terms with its weakened bargaining position and conceded to the GPA on several points. This seemed the only way to maintain any significant interest and presence in the northeastern fields. According to a modified deal, the company would accept the title of "sole contractor" in exchange for a modified version of the Stanvac Agreement that took into account the quality, size, and location of the Souédie find. These modifications included the division of profit share to 55 percent for Syria and 45 percent for the consortium led by DEA. Moreover, DEA successfully pushed to include a pipeline connecting the fields in Syria's northeast into the agreement, a development that was likely quite welcome to a GPA eager to integrate Syrian oil into the quantities that were flowing from Iraq to Baniyas.[309] In May, a DEA delegation led by Goethe and von Wedel, met with the Syrian Minister of Industry, Minister of Economics, and an advisor on questions of oil and submitted a revised Stanvac Agreement. As a

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[306] Gabriel, April 3, 1964, Betr.: Stanvac Vertrag: PAAA, B66 IIIB6 398.

[307] Section 1, "Indonesia and Caltex Pacific Oil Co., P.T. Shell Indonesia, and P.T. Stanvac Indonesia: Heads of agreement for petroleum working contracts" in *International Legal Materials*, Vol. 3. No. 1, January 1964, 81.

[308] "Keine Konzessionsvergabe, sondern Kontraktortätigkeit(en)." Gabriel, Betr.: Stanvac Vertrag, April 3, 1964: PAAA, B66 IIIB6 398.

[309] Outline of responsibilities for deal between DEA and Syria, May 2, 1964: PAAA, B66 IIIB6 398.

report from Ambassador Hans-Joachim Mangold – who had actively supported the negotiations[310] - noted, although nothing was set, the deal initially looked promising. Both sides had expressed interest in at last turning the Syrian fields over to production and profitability. Moreover, according to Mangold, the post-coup timing might be conducive to a deal, "while it may not be unwelcome for the Syrian government in its currently rather tarnished position to be able to present to the public an economic success."[311] At the same time, an optimistic Erhard Gabriel, Director of Concordia, posited that even were the Ba'thist government to prove fleeting, a deal closed with the party leadership could offer "political advantage" to the company because of the party's "reputation for Arab-Nationalism." As related through the US Embassy in Damascus, moreover, "A contract concluded with the Ba'th would offer some protection to possible future, more conservative governments against charges of reaction or submissiveness to 'imperialistic oil companies."[312] A deal would therefore not only prove a major step forward for an aspirant German oil company, but could even contribute to reorienting the balance of powers in the region if not away from Arab-Nationalism, then at least away from the most radical, anti-western aspects of the ideology.

President Hafiz's political vulnerability, however, ended up working against DEA's interests. In the face of discontent among Syrian businesses and unions over the weak economy and the government's unpredictable although increasingly socialistic measures taken to improve it, the Hafiz regime did offer assurances that private property would be legally protected and that it "cannot be appropriated, unless it happens in the public interest and against a fair recompense". These

[310] Excited about the prospects of a final deal, von Berghes praised Mangold's efforts: "Ambassador Dr. Mangold was in thankworthy (*dankenswert*) active form for the negotiations in Damascus and accompanied our men to a greeting by Syrian Vice President General Umrann. I do not want to neglect to extend a heartfelt thanks to him for the effective support of our concerns through Dr. Mangold, while I am of the strong opinion that this cooperation has greatly increased our chances of success." Von Berghes to StS Lahr, May 8, 1964, Betr.: Syrien-Unsere Schreiben an Sie vom 6.11.62 und 5.1.63: PAAA, B66 IIIB6 398.

[311] Mangold, Ber.Nr. 391/64, May 13, 1964, Betr.: Erdöl-Interessen der Deutschen Erdöl-AG Hamburg (DEA) in Syrien: PAAA, B66 IIIB6 398.

[312] Airgram, John H. Tobler, No. A-37, August 2, 1963, Subject: Status of Consortium Offer to Develop Syrian Petroleum: NARA, RG59 CDF SYRIA B 3614.

promises, however, offered little comfort considering the president's own growing desperation in the face of a growing leftist opposition calling for the nationalization of industry and sovereignty over the country's natural resource.[313] Fitting the confused and hodge-podge economic policy of the government, Syrian negotiators began conveying mixed messages regarding precise terms and the GPA's own willingness to agree to legally-binding terms. The GPA's General Muhammed Omran, for instance, continually assured DEA that the government was eager to close a deal and set the northeastern fields into operation as quickly as possible.[314] Meanwhile, however, the government had solicited bids from a host of firms from across the North.[315] It was feared these were either serious contenders to DEA's claims or would soon be deployed by the GPA to gain more negotiating leverage that, according to the bleaker assessments, would produce an overwhelming propagandistic victory rather than an economically equitable agreement.[316] Despite Omran's assurances, the GPA and the government seemed to be making a clear leftward pivot. It now seemed a question of the point – moderate or radical – at which the pivot would end.

These uncertainties and the government's own equivocations on the petroleum question continued into July. It was at this time that, seeking to produce an agreement beyond leftist reproach, the GPA countered DEA's reluctant acceptance of a contractorship with an additional demand: a 25 percent share in production. Frustrated by yet another burdensome condition that evoked the mixed-company proposition the company had resisted several years prior, DEA was unwilling to concede. Von Wedel contended that this last demand would doom negotiations.[317]

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[313] Mangold, Ber.Nr. 345/64, April 28, 1964, Betr.: Syrische Wirtschaftspolitik am Scheidewege: PAAA, B66 IIIB6 398.

[314] Mangold, Ber. Nr. 391/64, May 13, 1964, Betr.: Erdöl-Interessen der Deutschen Erdöl-AG Hamburg, (DEA) in Syrien: PAAA, B66 IIIB6 398.

[315] These included firms in England, Italy, and Japan, as well as those previously noted from the US and the USSR.

[316] Telegramm, Mangold, Nr. 135, May 29, 1964: BAK, B102/18503.

[317] Heipertz, Ber.Nr. 555/64, July 8, 1964, Betr.: Fortsetzung der Erdölverhandlungen mit den Vertretern der DEA-Concordia: PAAA, B66 IIIB6 398.

Nevertheless, the Syrian reaction seemed to indicate that DEA – likewise a novice to these types of negotiations and the big compromises they required – was overreacting when it could have been bargaining. The company had already privately acknowledged the new government needed to make a big show of these negotiations. A big show and formidable even impractical demands, however, did not necessarily imply intransigence. Hafiz himself encouraged DEA to continue negotiating, expressing "that the Syrian government holds the accomplishments of Concordia in high esteem and would like to fully honor their role in the exploitation of Syrian oil reserves not only morally but also financially."[318] This idea of honoring moral and financial obligations recalls DEA's original argument over its right to Souédie upon discovery. However, the Syrian interpretation of what these moral obligations entailed differed significantly from that of the DEA. As talks continued, the general feeling of compromise and optimism subsided. The 25 percent petroleum sharing clause proved a substantial point of contention, as did the lingering issue of valuation. The GPA advocated a high posted price as a means of calculating taxable value decoupled from the price achieved or achievable at market. DEA, meanwhile, insisted on valuations linked to going market rates and nearly dismissed the Syrian proposition out of hand.[319]

By the beginning of November, the negotiations had degraded to the point at which the trope of "moral obligation" had ceased to carry much clout, if it ever had. Hafiz showed little perceptible favor for the West German company that had repeatedly refused his calls for a national share of production. Instead, the leftward bent of his government deepened as he reimagined its

[318] Ibid.

[319] Von Wedel addressed these methods of calculating dues in a rather derisive report from September, arguing, "Calculations of taxes after posted-prices, which are never achieved in markets, or a right to co-determination in the pricing are not anticipated in the Indonesian agreement, and are not customary internationally. After the experiences with the production contract we should not expect that the government - from its claim for control over the sale price – will reasonably manage in its own economic interests. We should fear that such a price control, while at the same time the contractor bears all of the economic risk, will make a successful sales policy - a prerequisite to steady advancement through political anxiety and government distrust - impossible." Memorandum, von Wedel, „Stand der Verhandlungen der DEA über ihren Gewinnungsvertrag Syrien, September 15, 1964": BAK, B102/1851203.

doctrine of positive neutrality as a charge to pull the country from the western "imperialist" bloc into closer economic and political cooperation with the East. Unconfirmed reports had indicated that a company from Czechoslovakia had been courting the Syrian government for a contract to exploit the crude deposits in Al-Hasakah and that Syria had been contemplating dividing the rest of the region into concessions for sale to the highest bidders.[320] Adding to the worrisome situation, the GPA now confronted DEA counterproposals and talking points with an evident "unfounded mistrust" and maintained a hard line on production sharing, field valuation, and therefore questions of ownership, profits, and taxes.[321]

DEA had had trouble acquiring a production contract since the beginning of its work in Syria. It first secured exploratory rights. Then, after discovery, it had pursued the contract with several governments of various ideological persuasions. Apart from a few fleeting moments of promise particularly during the period of Egypto-Syrian union, the company met little success. It would therefore be erroneous to claim that talks failed solely because of the Ba'th's newfound affinity for left-wing socialism and its subsequent turn to the Soviet bloc. Although there may be some legitimacy to DEA's claim – after all, it had invested in the project under the pretense that it would be able to reap its hydrocarbon fruits – the company did not have the exclusive petroknowledge, skills, experience, and equipment to convince enough Syrian officials under any regime to close the contract on terms favorable enough to DEA and at the exclusion of other bidders.

Just as the Hafiz was not the only official to drag his feet on the matter, moreover, nor was the Ba'th irrevocably set against the deal from the beginning. Instead, the practiced positive neutrality of successive Syrian governments gave ideological room for maneuver. At times, DEA found favor with the Syrians. At times, it seemed to fall out of favor with the very same counterparts. Although the leftist reformation of the ruling Ba'th indeed dictated the course by now

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[320] DEA Vorstand to Lahr, November 3, 1964, Betr.: Verhandlungen der DEA über den Gewinnungsvertrag in Syrien: PAAA, B66 IIIB6 398.

[321] Ibid.

and all but ensured Concordia would not play a prominent role in the exploitation of Syrian crude, it did so less from leftist and Arab-nationalist leanings than from an understanding that the oil-supplying Syria had the advantage and DEA had little to offer and even fewer options for recourse. The prospects for a production concession had been beleaguered from the beginning by contested valuations, slow compromises, and DEA's own inability to accept less agreeable terms with expectations a final deal would pay off incrementally. For an independent of moderate size and with little financial support from its home government, doing so would have been a gamble, albeit one many majors and state companies were able and willing to take when pressed.[322] In short, DEA was losing its battle for the contract. Although Souédie and Karatchouk were more symbolically and strategically than economically important to DEA and the Federal Republic, they were even more critical to Ba'thist designs for a Syria aspiring to assert itself as a major Arab-socialist power. And the Syrian government accordingly.

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As DEA was grappling with new realities on the ground in Syria, so was it also dealing with an evolving petroleum regime back in the Federal Republic. The coal crisis that had begun in 1958 deepened as the Federal Republic came into closer compliance with trade criteria outlined in the Treaty of Rome.[323] A major step toward integrating Western Europe economically, this agreement continued the push for a common market sparked by the ECSC and called for the end of tariffs among member states as well as the end for price controls over domestic raw materials. Although this had overall positive effects on those industries reliant on oil, it did little to help those engaged in the foreign petroleum upstream.

[322] See Chapters 6 and 7.

[323] Signed in 1957 by Belgium, France, Italy, Luxembourg, the Netherlands, and West Germany, this document was an extension of the ECSC agreement of 1951 and founded the European Economic Community, the precursor to the EU. The treaty entailed the further erosion of trade barriers among signatory countries which, as argued below, had significant implications for domestic energy policies.

At the end of 1963, the Federal Republic had finally passed a new Law for the Adjustment of Duties on Petroleum (*Mineralölsteuergesetz*). The impact of this law was manifold and exposed the West German energy industry more directly to the challenges of European integration and market liberalization. As well as exacerbating the decline of German coal, the new law promoted a deepend reorientation of the oil industry to seek sources and contracts abroad. It drastically reduced tariffs on crude and petroleum product imports which encouraged the "flood(ing) of cheap oil from the Near East and North Africa as if from a breach in a dike into the fully liberalized West German markets." It not only marked a boon for consumers and the petrochemical industry in the form of price breaks, but also pressured oil companies who had been exploiting marginally-profitable domestic fields to invest, rationalize, and grow.[324] Having expanded into Syria as well as numerous other MENA states by the late 1950s, DEA had been the harbinger of the wave of foreign exploratory expansion that would follow.[325] In this role it also had experienced quite intimately the travails of entering foreign fields with little experience and federal support.

The law sought to rectify this situation. To increase competitiveness, it offered temporary transitional aid for domestic oil exploration and production ventures who needed advances of capital to reorganize and expand their operations. Potentially relevant to the Souédie enterprise, Article 6 of the new law also extended support to German companies exploring for oil in foreign lands so long as the companies met two criteria: the company had to have extracted petroleum on German soil between 1959 and 1962 and it had to have refined five percent or more of its crude in refineries on German soil.[326] Although DEA-Concordia seemed an ideal candidate for this aid, the law came too late for the company's prospects in Syria. The company was already tens of millions of

[324] Bavendamm, 232-233.

[325] Early exploratory ventures included concessions in Algeria (with French operators), Canada, Dubai, Ethiopia, Iran, Libya, Morocco, Peru, Somalia, Turkey, and several national blocks in the North Sea

[326] See: Artikel 6, „Gesetz über die Umstellung der Abgaben auf Mineralöl vom 20. Dezember 1963," *Bundesgesetzblatt*, Teil I, Nr. 68, December 31, 1963, 1000, *Bundesgesetzblatt* (Accessed online), https://www.bgbl.de/.

Deutsche Mark deep into its activities with a moderately economical find, but little beyond the potential of revenue from future crude production to show. Although the Kreditanstalt für Wiederaufbau (KfW)[327] did extend some loans to the company in 1964, these funds were earmarked for ventures that seemed more promising.[328] By the time DEA received this assistance, moreover, it was past the time for short-term and last measure credits and loans, especially when these offerings aimed to encourage exploration and restructuring rather than producing crude of questionably marketable quality.[329] The law likewise offered too little in terms of aid to give the company an edge over the increasingly left (and pro-Soviet) ideological leanings of the Ba'th. Despite objections, the Souédie contract *was* political. Economic concerns constituted only one thread in a tangle of issues that included domestic and geo-political pressures and considerations. The initiatives introduced by the new Mineral Oil Law offered little DEA could deploy to its own advantage in Syria.

[327] Founded in 1948 and funded by Marshall and revenue from bond sales, the KfW was charged with extending loans and credit to finance the reconstruction of West Germany and the growth of the export industry. For more, see: Heinrich Harries, *Financing the Future: KfW – the German Bank with a Public Mission* (Frankfurt am Main: Fritz Knapp Verlag, 1998).

[328] The KfW recalled these loans after Texaco acquired DEA in 1966. According to the DEA, the funds were necessary as it was "important for the economic policy aspect that German companies have concessions abroad any crude oil DEA would find abroad, would be available to the German economy in case of any crisis. Furthermore, we believe that such crude oil would mainly be DM crude oil and, as such, should be of major interest to the Federal Government as a foreign exchange asset." Syrian crude, however, was of a quality that would hardly meet the first qualification and, given the continually stalled talks, might never reach the point where it could meet the second. The sale of the company to a foreign major, moreover, negated the rationale posited by the DEA, as well as the company's argument that it needed the loans to compete with better funded foreign companies. Airgram, McGhee (American Embassy in Bonn) to the Department of State, No. A-510, October 26, 1966, Subject: Petroleum: Government Terminates Exploration Loans Granted DEA: NARA RG 59 PET 6 GER W B1386.

[329] As Manfred Horn notes, many of these loans were directed at companies "without their own oil basis... and in fact only when recourse to additional financing possibilities were not possible." The largest energy concern in the Federal Republic, DEA did not meet these later qualifications. At the same time, the law failed to live up to its promise. By 1966/7, when the law should have been fully implemented, it was only able to loan DM 899 million out of an anticipated amount of 1240 million for adjustment assistance (*Anpassungshilfe*), and only DM 255 million out of an anticipated 800 million for oil exploration. Manfred Horn, *Die Energiepolitik der Bundesregierung von 1958 bis 1972: Zur Bedeutung der Penetration ausländische Ölkonzerne in die Energiewirtschaft der BRD für die Abhängigkeit interner Strukturen und Entwicklungen* (Berlin: Duncker und Humblot, 1977), 252.

Part of this difficulty lay in the relative inscrutability of Syrian motives and objectives at the time. Hafiz's socialist tendencies were undeniable, but their nature and sincerity remained unclear. DEA's von Wedel surmised three potential rationales behind Syria's recent positions. It could be the case, he began, that Hafiz himself had become vulnerable and feared associating Syrian crude too closely with western companies and capital would open his government to criticism from the anti-imperialist, Arab-nationalist, and leftist political blocs. Already, he noted, this fear had undermined earlier negotiations over an investment protection agreement between the Federal Republic and Syria.[330] Second, von Wedel posited once again that Hafiz hoped to leverage negotiations with other companies against DEA and exploit the latter's primary vulnerability: its continued lack of a significant source of crude.

There was a degree of validity to both of these claims. Hafiz and DEA were both vulnerable. This nevertheless gave Hafiz the upper hand, as he felt compelled to demand more from the company with confidence that it had little recourse. DEA could certainly accept or reject Syrian proposals. Cognizant of a growing radical faction in the government and wary of yet another coup, however, the company felt its best chance for a contract lay with the current regime. The company had little room in which to maneuver and few chances to make substantial demands of its own. Despite the dismal implications of the above suspicions, von Wedel's third theory seemed even more menacing. "It is also possible," he continued, "that socialist, foreign private capital has penetrated the hostile tendencies of the government and the circles that harbor (those tendencies), in order to hinder successful negotiations with the DEA."[331] Were this to be the case, DEA would have only roadblocks in its future with scant hope of payout in the end.

Although this first claim remained unsubstantiated and likely a product of confusion rather than a measured, informed assessment of the situation, the first two of von Wedel's propositions

[330] Memorandum, von Wedel, "Stand der Verhandlungen der DEA über ihren Gewinnungsvertrag Syrien, September 15, 1964": BAK, B102/185120.

[331] Ibid.

nevertheless showed insight. Despite efforts to appease dissenters and in part because of this failure to make progress on any major development or petro-project, Hafiz was embattled by internecine party conflict. Increasingly composed of Alawites, Druze, and Ismaili and openly hostile to the traditional "feudal" authorities of the Syrian countryside as well as the emergent urban bourgeoisie, the Ba'th had only limited popular support among the majority Sunni populace. Indeed, Hafiz lost even more political capital when he rejected a re-union with Egypt, promoting a statist rather than international Arabism.[332] This move alienated the Nasserist right and even some on the idealistic unionist left expressed hostility.[333]

To further concentrate economic power in the hands of the state and put the populist-socialistic dimensions of Ba'thist doctrine on display, the new regime moved to nationalize the country's heavy industry and banks. Even if earlier measures could be explained away as temporary or isolated, this move hit too close to the petroleum industry at a time that DEA was particularly uncertain about its prospects in Souédie and Karatchouk. Ambassador Mangold reassured DEA that these measures were nothing new. Instead, according to Mangold, they represented not a deep ideological turn, but "the pragmatic policies of improvised socialism," taken to appease the radicals but soon to be abandoned once the current government consolidated power.[334] Hafiz, in Mangold's construction, was acting to shore up support rather than to institute a socialist revolution. He still offered the company its best chance to gain the extraction concession. Even though these moves

[332] In his influential text on the subject, Dawisha goes to lengths to trace the bifurcation of pan-Arab ideologies promoting qawmiya (Arab nationalism in favor of political union) and of al-wataniya (nationalism based on the territorial unit which, over time, became associated with the nation-state). See: Dawisha, *Arab Nationalism.*

[333] According to Raymond Hinnebusch, the regime had embarked on a campaign of coordinating Syrian politics, government, and military, according to Raymond Hinnebusch, into a centralized "Leninist-style 'popular democracy' with a single 'vanguard' party run on democratic-centralist lines and linked to (the) mass political organizations" of the Ba'th. The party, in other words, was the vanguard and the state and acted in the name – rather than with the direct and periodically reaffirmed consent - of the Syrian people. Raymond Hinnebusch, *Authoritarian Power and State Formation in Ba'thist Syria: Army, Party, and Peasant* (Boulder: Westview Press, 1990), 124.

[334] Mangold, Ber.Nr. 340/64, April 22, 1964, Betr.: Syrien nach dem Aufstand in Hama: PAAA, B36 IB4 125.

may have been a power play taken from a position of weakness, however, they marked no change of course. By October, losing support to the radical wing of the Ba'th,[335] Hafiz expanded the nationalizations.[336] On December 22, 1964, he announced Decree 133, which appropriated all of Syria's oil fields.[337] For DEA, this was a strike not just against the company itself, "but the entire German economic policy, which has set for itself the goal to overhaul the current German oil economy, to have control over its own foreign sources of oil."[338] According to DEA, this was particularly provocative because of federal developmental aid still being offered to Syria. "It is regrettable" according to one report, "that a developing land, that has demanded such great help for the Euphrates Dam has, at the same time, thwarted the goals of German government policy in this way."[339] Rather than supporting West German interests, the silence on the nationalization question in the Euphrates translated into tacit consent.

It is difficult to overstate the impact Decree 133 had on DEA. The law effectively liberated Hafiz from prior implicit or explicit commitments to grant production rights to Concordia. Now, the

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[335] See Chapter 3: "The Ba'th Revolution from Above (1963-70)" in Raymond Hinnebusch, *Syria: Revolution from Above* (New York: Routledge, 2002), 47-64.

[336] Speaking of Iraqi threats to nationalize the IPC, Mitchell argues, "While manufacturing depends on complex human-mechanical processes that are vulnerable to sabotage, giving large industrial workforces the ability to make effective political demands, national control of oil would place its revenues in the hands of the state, gradually strengthening the powers of government and reducing its initial dependence on popular forces." Timothy Mitchell, *Carbon Democracy: Political Power in the Age of Oil* (New York: Verso, 2011), 146.

[337] This was followed in March 1965 by Decree 57, which nationalized distribution companies. As Concordia had yet to produce or export economical quantities, however, Decree 133 had the most immediate impact on the company's activities. For a more comprehensive list of Syria's agricultural and industrial nationalization policies - including those noted above - during the period examined in this and the previous chapter, see: Yusuf A. Sayigh, *The Economies of the Arab World: Development since 1945* (New York: Routledge, 2015), 273-275.

[338] DEA Board to Westrick, January 11, 1965, Betr. Unser Vorhaben in Syrien: BAK, B136/7710.

[339] These actions had far reaching implications for Syrian industry and foreign companies operating in Syria, as well. As part of transformation, Hafiz nationalized nearly 85% of Syrian industry, all foreign trade, and petroleum and gas facilities. Massimiliano Trentin, *Engineers of Modern Development: East German Experts in Ba'thist Syria: 1965-1972* (Padova: Clerp, 2010): 79.

GPA could claim its own rights to “exploit the oil sources in the northeast of the country itself”.[340] And, indeed, frustrated with the perceive hesitancy of DEA to submit acceptable terms and compromises, the GPA showed its own tactical flexibility and began openly soliciting international bids for the exploitation of the country’s northeastern oil fields, including Souédie.[341]

In this climate, the renewed talks over DEA’s claims had different substance than those before. Rather than focusing on questions of valuation and taxation, they now dealt first and foremost with compensation. By company accounts, DEA had invested in the Souédie venture under the impression it would receive the concession for exploitation. Syrian officials initially acknowledged the charge – although contesting the precise figure – and expressed their willingness to compensate DEA for the fields, equipment, and operating expenses through the end of 1964.[342] Now many among the DEA, including Goethe, feared that just securing compensation could pose a major challenge in itself.[343]

This did not mean that all opportunities to gain rights to Souédie were lost. Hafiz’s leveraging of DEA’s loss against bids from other companies actually allowed the German firm the opportunity to submit its own bids, albeit now from a severely disadvantaged position. Undersecretary of the Ministry of Industry Sawaf assured DEA that Syria was still quite interested in German and DEA participation in the fields, building the likewise long-awaited pipeline from Souédie through Homs to the coast, and upgrading a refinery at Homs finished only five years earlier and already overloaded with Iraqi crude.[344] Although appealing in themselves, participation in these

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[340] Pfeiffer, January 4, 1965, Betr.: Ölinteressen der DEA in Syrien: PAAA, B66 IIIB6 457.

[341] The undersecretary of the Ministry of Industry specifically named disappointment in the outcome of the July meetings in particular as a motivation for the nationalizations, blaming a lack of concrete offers from “German and foreign companies” and the “delay tactics” of the DEA. Ibid.

[342] Ibid.

[343] According to Goethe, there was reason to doubt the promises of the Hafiz government regarding compensation, not just because of a political climate adverse to DEA’s interests, but also because of problems with foreign currency calculations and, as we will see below, deficiencies in reserves. Telex, Goethe to Lahr, No. 1349, December 29, 1964: PAAA, B66 IIIB6 457.

[344] Pfeiffer, January 4, 1965, Betr.: Ölinteressen der DEA in Syrien: PAAA B66 IIIB6 457.

petro-development projects held particular sway over DEA actions for reasons more complicated than those that initially drew the company into Syria.

What now kept DEA negotiators in Syria, was not just the pursuit of profit and influence. Instead, it was a composite of goals. As before, the company sought participation in the petroleum upstream, the maintenance of a West German presence in the region, and, as much as possible, the exclusion of eastern experts and companies from Syrian fields. Now, however, they were also struggling to salvage compensation as well. As talks unfolded over the next several months, it became clearer how difficult balancing these goals would be. According to Goethe and von Berghes, Decree 133 was "greatly distressing not just for the DEA, but for the entire German economic policy, which has set itself toward the goal to overhaul the German oil economy, to have (its) own foreign sources of oil at hand."[345] What was more, with such an abrupt and decisive loss of Souédie, the company had few means with which to extract compensation, if not a production contract. In the face of such adversarial conditions, DEA once again turned to the federal government for assistance. This time, however, DEA was not looking for federal financing, which it had received belatedly and insufficiently at the end of 1964. Instead, it sought bargaining leverage to exploit what it saw as one of the few places German soft power could extract concessions of its own: a contract for the construction of the Euphrates Dam.

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Since independence, subsequent Syrian governments had been searching for a means to both claim a place as a technological and political leader in the modernizing Arab world and rapidly industrialize its rural, agrarian countryside. In 1955, the country turned to the World Bank to finance its chosen project: a dam along the Euphrates River at Youssef Pasha (Deir ez Zor) east of central Syria. The French had proposed the idea during its mandate over Syria, surveying sites at the end of the 1920s, and settling on Youssef Pasha by the early 1930s. The site had extensive land for

[345] Memorandum, Berghes and Goethe to Saches, January 7, 1965, Betr.: Unser Vorhaben in Syrien: PAAA, B66 IIIB6 457.

irrigation and was far enough upstream to control for unintentional flooding.[346] As had been the case with the northeastern fields before Concordia, the Soviets were the first to make headway on this project. The state-firm Technoexport had closed an agreement with the Kuwatli government in 1957 that assigned the company to complete a series of studies on the viability of a joint dam-irrigation-hydroelectric project. The Soviets turned over their preliminary findings two years later, naming Tabqa in north central Syria as the most favorable site for construction.[347]

By the late-1950s, however, the Federal Republic had reemerged as a global actor seeking to expand its public and private sector activities in postcolonial regions. In 1959, the UAR responded to overtures offering development aid, credit, and expertise and presented the Embassy with a list of projects that would contribute to Syria's infrastructural development. Seeing nothing on that met German expectations, the ambassador proposed that the Federal Republic help finance and German companies construct the Euphrates Dam.[348]

The project was to be something truly impressive. Stretching 300 meters across with room for expansion, the dam was to do much more than harness the flow of water. In addition, it was estimated that the dam's basin would collect enough water to irrigate between 200,000 and 600,000 hectares (500,000-1,500,000 acres) of surrounding land and open formerly desert landscapes to resettled Syrian and Egyptian farmers.[349] As Syrian and UAR negotiators would argue time and time again (especially when the practicality of resettlement and irrigation reemerged as a concern with the breakup of the Union), electrification was the primary objective. A hydroelectric plant according

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[346] Jean R. DeFargues and Neil Bass, "Preliminary Report on the Youssef Pasha Dam for Production of Electric Power and for Irrigation of the Euphrates Valley", Report No. T.O. 112 (1956), 3. (Accessed online) http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2002/09/12/000178830_98101903451415/Rendered/PDF/multi0page.pdf.

[347] Memorandum, Böttcher, April 26, 1961, Betr.: VAR (Syrien); Euphrat-Dam: BAK, B102 90496.

[348] Erhard to the State Secretary of the Chancellory, June 3, 1961, Anlage I to Report 823/61, Betr.: Gewährung von Finanzhilfe an die VAR: BAK B102/90496.

[349] Abkommen zwischen der Regierung der Bundesrepublik Deutschland und der Regierung der Arabischen Republik Syrien, Artikel II, February 5, 1963: PAAA, B36 IB4 054.

to planners would generate 200,000 kilowatts of electricity to power industrial development and illuminate the neighboring countryside. For subsequent regimes, the dam would continue to be a central pillar of Syrian modernization. Because of its great symbolic potential, the Federal Republic had identified it as a crucial development project that would, according to Minister of Economic Development Walter Scheel, serve “a kind of international social politics” set on expanding German goodwill and influence throughout the Arab world.[350]

Indeed, due to its prospective size and benefits, the project would be a highly visible propagandistic victory not only for the government but also for the companies and countries who financed and constructed it. What is more, it would come at the direct expense of a Soviet Union that had already surveyed the site and submitted plans for the project. Having won a bidding war with the Federal Republic over a similar project in Aswan, Egypt, and having reaped the regional renown of contributing to a prestige project of such vast scale and impact, the Soviet threat haunted West German activities in the region. The union with Egypt, however, rendered void a previous Syrian-Soviet agreement on Tabqa void and offered West Germany the opportunity to vindicate its prior loss. On June 14, 1961, Vice President of the UAR Abdul Latif al-Boghdadi met with a delegation from the Economics Ministry and – with substantial federal credits and guarantees from the KfW reserved for such development projects and hopes of supplemental World Bank financing -signed a deal formally granting the Federal Republic the project. In events that seemed to parallel those of DEA and its quest for Souédie, the fall of the UAR brought into question the legality of the deal in the eyes of Kuwatli’s secessionist government. This was not just a matter of one government refusing to hold to its predecessor’s agreements. The UAR deal was predicated on the relocation of settlers from the more populous Nile river banks to the nearly 500,000 acres of newly irrigated land along the Euphrates. Cairo itself had agreed to take up some of the cost and guarantee the repayments of

[350] Gespräch des Herrn Minister Scheel mit den syrischen Premierminister am 12.1.1963 in Damaskus, January 19, 1963: PAAA, B36 IB4 054.

loans.[351] After the separation, Cairo, of course, no longer considered itself bound to contribute to financing or settlers to such a project in independent Syria whose prestige and economic benefits would no longer belong to the UAR.

Affinities between the Souédie and Euphrates projects, however, only extended so far. Developing Syrian oil was clearly important, but it was from the top of the development hierarchy. After all, Syrian crude was in comparatively small quantities and of poor quality. Syrian oil, moreover, would be bound for export, as was the Iraqi crude that already flowed through the IPC pipeline and served as a primary source of government revenue.[352] Were Syria searching for energy autonomy and development that would work to the immediate benefit of the country (rather than its potential future economic benefit), the government would have to look elsewhere. That elsewhere was the massive river that was already a focal point of national significance and pride. Unlike the more modest plans for Souédie and Karatchouk, the sometimes grandiose and unrealistic plans for the Euphrates dam indicated just how much more Syrian officials valued its completion. Not surprisingly, questions of cost, scale, and scope would nevertheless plague the negotiations with the German authorities and companies, as well as those over Syrian oil.

Because of the considerable distance between German negotiators who sought to build something cautious and functional and Syrian officials who were prepared to risk disappointment for something grander, the two sides were only able to come to a tentative agreement by 1963. According to the plan, the Federal Republic would finance 350 million of the billion Deutsche Mark,

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[351] See, for instance, Dr. Grossart's discussion the repercussions of the UAR split on the validity on the Boghdadi agreement: Dr. Grossart, September 30, 1961, Betr.: VAR; hier: Selbstständigkeitsbestrebungen Syriens: BAK, B102/75686. These types of disputes over the validity of a prestige project of such magnitude for a country of such a modest population (4.5 million inhabitants) and economic potential continued for the next several years. This disjuncture between the plans developed during the period of unity and Syrian demands for a project of a similar scale afterwards continued to burden negotiations until the Soviet Union as awarded the contract in 1967.

[352] The IPC pipeline system running through Syria had a capacity of upwards 55 million tons of crude per year. Not surprisingly, transit fees remained a point of contention that would come to a head in the 1966 and 1972 temporary pipeline closures and the ultimate proscription of Iraqi crude in 1982.

seven-year project. As the Federal Republic and Syria debated the details – above all issues raised by the recent breaking of ground on a Turkish dam further upstream and Iraqi concerns over a loss of water downstream – DEA saw an opportunity to gain traction in its own negotiations by associating the two projects rhetorically if not contractually. Arguing for a more explicit coordination of talks, if not the joining of the two projects into a major development agreement, von Wedel noted that Syrian officials were already aware that failure to come to an agreement with DEA might result in the end of talks over the Euphrates contract.[353] Although it is unlikely Syrian officials saw the association as clearly as that, DEA had noticed the connection and was intent on convincing federal negotiators that they should operate under the same understanding. In the words of one journalist, the continuance of Euphrates talks despite the nationalization made the "hand full of sand thrown in the eyes" of both West Germany and DEA all the more painful: "To date, we have passed no laws, which join an 'open hand' to an 'open door', but there can be no doubt that state development aid should also protect our most effective private development aid if it wants to be more than a financial gift to the ruling class or to its prestige at any given time."[354] Fearing the politicization of development policy, the compromising of liberal-economic values, and a repeat of the Aswan debacle rather than a strengthened position on the Souédie question, the Economics Ministry and the Federal Ministry of Economic Cooperation and Development – the latter uninvolved in the private sector DEA venture - nevertheless echoed earlier federal reluctance to offer DEA financial or other tangible support. Souédie and Karatchouk, after all, were no longer the prizes the initially seemed. By now, moreover, a German firm had already established a more secure foothold over

[353] "The actual views of the government are also difficult to discern, because the government, due to the pending Euphrates Dam negotiations, is taking clear consideration of German interests and fears from the collapse of negotiations with DEA an unfavorable backlash against the Euphrates Dam [negotiations]." Memorandum, Von Wedel, September 15, 1964, Stand der Verhandlungen der DEA über ihren Gewinnungsvertrag Syrien: BAK, B102/185203.

[354] Günther Lönnecke, "Unsere Meinung: Bittere Erkenntnisse", *Oel: Zeitschrift für die Mineralölwirtschaft*, Vol. 3, No. 1 (1965), 11.

much richer deposits in Libya that were already feeding into West German refineries.[355] The Syrian oil project had encountered too many obstacles for its meager prospective returns. The Euphrates Dam, moreover, promised more geopolitical capital. It could, according to one assessment, "neutralize the prestige that the Soviets had won." If the deal were closed soon enough, it could even detract attention from the imminent completion of the Aswan Dam.[356]

There was also, however, an interesting economic argument for the Souédie-Euphrates link. An exporter of cotton, wool, and, more importantly, Iraqi oil, von Berghes and Goethe argued, Syria was a net-importer of nearly all other commercial and industrial goods. Trade balances, therefore, were skewed toward imports and therefore encouraged a severe shortfall in foreign currency.[357] This was a problem not just for the Syrian economy, but also for the financial security of the entire Euphrates project. "The loans," according to von Berghes and Goethe, "for which Syria is asking for the Euphrates Dam in the parameters of development aid require repayment and interests in foreign currency. The already scarce Syrian foreign currency holdings will be additionally burdened not only

[355] This company was Gelsenberg AG, the subject of the next three chapters.

[356] Although the dam project would pose a more direct challenge to the Soviet-constructed Aswan Dam were it officially in UAR territory, many within the Foreign Ministry (Fechter in Syria and Walter Weber in Cairo) and among the prospective contractors nevertheless considered the Euphrates project as a West German counterweight to the Aswan project. For instance, as Bendixen of W. Lahmeyer & Co., the consultants for the electrification plans, argued, "The financing of this project through the federal government could at least in part neutralize the prestige that the Soviets have won through taking over the Assuan project, even more so, if it actually worked out, that the Euphrates Dam could be completed before the completion of the construction of the Aswan Dam." Bendixen (W. Lahmeyer & Co.), December 7, 1961, Betr.: Bericht über eine Studienreise nach Syrien im Zusammenhang mit dem Euphrat-Projekt: BAK, B102/75686. According to Fechter and Weber, moreover, Nasser would hardly stand in the way of a project of such a scale that he considered a monument to the Arab nation. Notably, the BMWi, Hermes, and, later, the KfW, the organizations in charge of funding the project, would only partially agree. Ergebnisbericht der 26. Sitzung der Interministeriellen Ausschusses für Entwicklungspolitik am 18. Oktober 1961 um 9.30 Uhr im Saal 200c des Auswärtigen Amtes, 25. Oktober 1961, Punkt 3 der Tagesordnung: Finanzhilfe für VAR, hier: Verselbständigung des Landesteils Syrien: BAK, B102/75686.

[357] According to a report from the KfW, although the trade balance was shrinking throughout the early 1960s, it was nevertheless heavily balanced against Syria. In 1961, for instance, the balance was – DM 356.4 million, while in 1963, there was still a striking -160 million DM balance between Syrian imports and exports. The same report indicates that the currency holdings of the Syrian central bank changed little over the same period, rising from DM 128 million at the end of 1961 to 152 million by the end of 1963. In mid-1964, this balance was relatively stagnant at 156 million. KfW, Länderbericht Syrien: Kurzbericht, October 7, 1964: PAAA, B66 IIIB6 439.

by a compensation obligation regarding the DEA, but also through the necessity to finance the development of the fields discovered in northeastern Syria and the requisite pipeline."[358] State operation of Souédie and Karatchouk, moreover, would likely be inefficient. The GPA had little experience in petroleum production and marketing. Higher costs and costly, avoidable mistakes as well as overtly political calculations the agency would be pressed to consider could burden the venture with additional expenses. Additional expenses in production would translate to higher prices that would make the crude even less marketable than it seemed initially. This situation could thereby exacerbate the foreign currency deficit and send Syria into a spiral of economic recession, political turbulence, and ultimately to open Soviet arms. According to this line of reasoning, Syria needed some way apart from international development aid to acquire and circulate foreign currency. Otherwise, even German investments in the Euphrates Dam could fall into default, as could DEA's anticipated compensation. Whether the Euphrates commission acknowledged it or not, in other words, the projects were interdependent. DEA needed the dam for negotiating leverage. The Euphrates negotiators likewise needed to ensure Syria was more directly engaged in international trade and had consistent access to foreign currency to contribute its agreed share in the first place, let alone pay back the loans offered by the KfW.

This argument, however, fell on unreceptive ears in both Bonn and Damascus. German negotiators maintained the distinction between the two projects. In line with company fears over further obstacles to their claims over the Concordia nationalization, Syrian negotiators meanwhile made clear that there were other, preferable means of compensation which could speed up the process of reimbursement while protecting Syrian currency reserves. These were predicated on DEA accepting the heavy, sulfurous Syrian crude as payment in-kind. Were the company willing to accept these terms, the GPA proposed, it could then submit bids to take part in the production of this oil

[358] Memorandum, Berghes and Goethe to Saches, January 1, 1965, Betr.: Unser Vorhaben in Syrien: PAAA, B66 IIIB6 457.

and constructing the pipeline to bring it to Mediterranean ports.[359] These prescriptions were unpalatable to the DEA, a company looking to integrate its own operations upstream into the Middle East rather than close another supply contract. The company declined.

The company also retrenched. Acknowledging the difficulties DEA had faced as an independent with limited international experience and finite capital to invest, von Wedel emphasized the relationship between federally subsidized development projects in the country and DEA's own petro-development enterprise once again. The company had already invested DM 71 million in the discovery and mapping of the field and expected a full repayment in the German currency, rather than Syrian pounds. Without large-scale West German investment in Syria and the direct infusion of Deutsche Mark into its economy, how could Syria pay DEA back in the proper currency? According to von Wedel, at least, "compensation for DEA as well would have to be incorporated into the negotiations over Euphrates Dam aid." What is more, he continued, despite its commercial nature, the Souédie project has already made "an essential contribution to the development of the Syrian economy" and therefore was, at least in a loose sense, a development project. It was similar to the Euphrates project as it involved sizeable investments in German currency predicated on full repayment rather than long-term participation and profit. The loans and credits for the Euphrates Dam might be applied most immediately to that project, von Wedel suggested, but they could also be recirculated to repay the Souédie charges. This just needed to be made explicit in talks with Euphrates Commission and the GPA. In effect, the two "development" projects – one federal, one private - effected "each other both politically and economically" and needed to be treated as interdependent issues.[360] Although the projects themselves were not interchangeable, their funds could be.

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[359] Pfeiffer, January 4, 1965, Betr.: Ölinteressen der DEA in Syrien: PAAA, B66 IIIB6 457.

[360] Memorandum, Dr. von Wedel to Dr. Bockmeyer, February 26, 1965, Betr.: Die weitere Entwicklung der Verhandlungen der Deutschen Erdöl-Aktiengesellschaft wegen eines Gewinnungsvertrages in Syrien: PAAA, B66 IIIB6 457.

This marks a notable change in negotiating tactics, as well as logic, and it was contested from the start. In the face of critiques that the discursive entanglement of the two projects would doom both rather than aid reimbursement for Souédie, von Wedel's proposal was only hesitantly and partially put into practice.[361] What is more, DEA's plan revealed as much a strategic recalculation of prospect and risk as a tacit acknowledgement of the company's newfound or newly realized precarity and weakness. The company was no longer in the position to rely on its own alternating claims of legality and obligation. Decree 133 served not only to consolidate government sovereignty over Syrian oil but also to undermine DEA's legal claims to Souédie. As the company, according to the decree, no longer had rights (moral, legal, or otherwise) to the field, how could it claim that the government had any obligation to offer them a contract? As the field was now proven but contractually unassigned, how could any company assert a claim to its contents beyond what had been explicitly contracted? In the face of such questions, DEA increasingly but reluctantly turned to the prop of federal development policy. The link between development policy and the private-sector pursuit of petroleum, however, was never clearly delineated, was unsteadily deployed, and therefore proved wholly ineffective. The German Embassy in Syria promised its "full support" for DEA's ongoing plight. It followed the course of the negotiations closely. The public-private cohort negotiating the Euphrates contract were informed of DEA's continued travails and even broached the issue during talks.[362] In line with company logic, Adolf Sonnenhol, head of the Economic Division of the Ministry for Economic Cooperation, even argued that the financing of the dam could "be facilitated through the development of oil fields, and that, in this manner, the burden of the dam project could also be reduced with the compensation demand of the DEA."[363] He, however, was one

[361] See, for instance, Schneider's (BMZ) objection that associating the pipeline and Euphrates projects economically as well as discursively could burden the already uncertain Euphrates deal: Memorandum, Schneider, No. 36/65, May 13, 1965, Betr.: Syrien: Bau einer Ölleitung: PAAA, B66 IIIB6 457.

[362] Lahr, October 9, 1964, Betr. Verhandlungen der DEA über den Gewinnungsvertrag in Syrien: BAK, B102/7710.

[363] Letter for Dr. Keiser to State Secretary Dr. Neef, July 15, 1965: BAK, B102/75684.

voice among many who did not agree. Others remained reluctant to associate the two projects explicitly and confuse development aid with projects pursued for private gain, especially when only questionably in the interest of domestic energy security. They were wary of association the economic politics of the private sector with the expressly if not actually apolitical extension of foreign aid.[364] This seemed a prudent choice. According to President Hafiz, any association of the two projects "will not be accepted (by Syria) and will not materialize."[365] Fearing the loss of the Euphrates contract more than the loss of Souédie's oil, federal ministries took the statement at face value.

DEA and the GPA continued to debate the question of compensation largely without federal interference or coordination. In the meantime, the Hafiz government took another step toward asserting his authority over the fields under contention and began soliciting bids from rival companies to bring Souédie and Karatchouk on stream. Among those eager to take part were firms not only from Czechoslovakia (who had already constructed the refinery at Homs) and the Soviet Union, but also England and France. By the end of March, an English group became the first to submit a concrete bid on the pipeline project complete with a definitive plan for financing. At the same time, German firms Mannesmann and Phoenix Rheinrohr expressed their own interest in providing piping for the project. The Syrian government responded positively.[366] The two German firms in fact attempted to secure the contract with some of the DM 350 million aid already set aside for the Euphrates project, the measure proved too complicated and legally questionable to carry

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[364] As Young-Sun Hong has convincingly argued, this development aid was burdened with considerable geopolitical weight. This included the enforcement of the Hallstein Doctrine, the neutralization of East German foreign outreach, and the West German integration into the "white European" geopolitical bloc still intent on developing a pan-continental, European hegemonic Eurafrika. See: Chapter 7 in Young-Sun Hong, *Cold War Germany, the Third World, and the Global Humanitarian Regime* (New York: Cambridge University Press, 2015).

[365] Ambassade de la Republique Arabe Syrienne, Bad Godesberg, n.d.: BAK B213/21390.

[366] Mangold, Ber.Nr. 226/65, March 25, 1965, Betr.: Bau der Ölleitung zur Erschliessung der syrischen Erdölvorkommen: PAAA, B66 IIIB6 457.

out.[367] By May of the following year, DEA had approached the Hermes commission once again to secure credit guarantees for a consortial bid for the contract. Once again, they failed. The British offer looked increasingly secure.[368]

In the midst of all of this, Chancellor Konrad Adenauer exacerbated already fragile German-Syrian and company-government relations by taking a decisive step forward in German-Israeli and German-Arab relations. On March 14, he responded to Egyptian gestures toward heightening East Germany's status in the region by opening official diplomatic relations with Israel.[369] The move precipitated the immediate break in relations with numerous Arab states including Syria and struck a major blow to West German interests in the country.[370] Already in June, the left Ba'th had shored up support within the party and pushed Hafiz toward deeper cooperation with eastern states.[371] The GDR responded by sending a delegation to negotiate a variety of economic and technological agreements to supplement the treaties from half a decade earlier. Two months later, at the behest of advisor Nur al-Din al-Atasi and following Egypt's lead, the GDR was even invited to open a consulate in Damascus. Despite this pivot east, as DEA reported, the government had so far refrained from using the break in relations to disrupt talk over compensation. Although it had signed an agreement with the Insitut Français du Pétrole (IFP) over the exploitation of the

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[367] Dr. Bockmeyer, April 10, 1965, Betr.: Bau der Ölleitung zur Erschließung der syrischen Erdölvorkommen: PAAA, B66 IIIB6 457.

[368] Pfeiffer, Ber.Nr. 390/95, May 31, 1965, Betr.: Bau der Ölleitung zur Erschliessung der syrischen Erdölvorkommen durch eine englische Firmengruppe: PAAA, B66 IIIB6 457.

[369] In response to West Germany's recent financial support of US weapons deliveries to Israel, Nasser invited GDR General Secretary Walter Ulbricht to Cairo, which the Federal Republic considered a step toward establishing diplomatic relations. Ulbricht visited Egypt at the end of February to great pomp. Although Ulbricht and Nasser did not officially forge diplomatic relations, the GDR and Egypt did sign several major economic and technological treaties, in effect upgrading the East Germany's status and presence in the region.

[370] This precipitated the closure of the West German Embassy in Syria, and the relocation of the West German delegation to the *Schutzmachtvertretung für Interesse der Bundesrepublik Deutschland* (SIBRD) in the French Embassy.

[371] John F. Devlin, *The Ba'th Party: A History from its Origins to 1966* (Stanford: Hoover Institute Press, 1976): 221.

northeastern fields in the intervening period,[372] the Syrian government nevertheless expressed interest in having DEA join the IFP as a contractor.[373] This situation was nothing like that DEA had envisioned five years earlier. It was, however, worth considering. Contract work under the IFP would secure a continued presence for some company employees in the regions. It would likewise distribute the now undeniable risks of operating in a politically unstable country to companies that had experience in other postcolonial locales. What is more, DEA's involvement with the French company could facilitate the reimbursement of the German company's initial investment and subsequent losses. Any compensation paid by the Syrian government was dependent on revenues and foreign currency derived from its oil industry.[374] What better way to ensure the continued flow of petro-dollars and development Deutsche Mark than direct participation in growing this sector of the Syrian economy.

Although the terms of negotiation had changed from concession to contract and consortium to contractorship, the issue of federal guarantees remained an important continuity and a significant threat to any decisive agreement. With recent political and financial developments fresh in mind, DEA started to reconsider its previous association of development aid – above all the Euphrates project – and private investment in the oil sector. In fact, company management had recently begun

[372] Goethe and von Wedel, June 22, 1965, Betr.: Die Entschädigungsansprüche der DEA in Syrien: PAAA, B66 IIIB6 457.

[373] DEA envisioned its future role as providing the engineers and know-how to carry out "planning, order-processing, ordering, deadline supervision, certification (duties) and site management. Other German firms will carry out the delivery and assembly of necessary machines, apparatuses and materials, as well as the on-site management of construction in their own name." Even as a contractor and in cooperation with the IFP, in other words, DEA could lead a stream of German companies onto the oil fields. As per the wishes of the Syrian government and the DEA, however, all of these companies would need the export guarantees that had proven elusive so far. Memorandum, DEA, July 13, 1965, Betr.: Syrien-Ausfuhrbürgschaften bei Lieferungen und Leistungen an die syrische Regierung für die Entwicklung der syrischen Erdölfelder: PAAA, B66 IIIB6 457.

[374] As Goethe and von Wedel explained, "We believe, through these means we will not only increase the effectiveness of our claims to compensation. We are convinced, that as far as possible a German firm should take part in the start-up (*Ingangssetzung*) of the Syrian oil fields. Such a contribution would also effect a striking politically, comparatively quick improvement in the Syrian economic situations and with that lift the German prestige in that surround area." Ibid.

to suspect that rather than providing an incentive for deeper cooperation in petro-development, the prospect of the Euphrates contract was diverting Syrian attention and money away from compensation.[375] DEA therefore renewed its plea to the KfW for DM 50 million in credit guarantees. Without these funds, the company argued, it would be unfeasible to compete with the potentially unlimited backing of the renewed Soviet push or even the other European companies supported by years of experience in the region, large capital reserves, and federal guarantees with duration upwards of seven to nine years.[376] Legationsrat Gerhard Pfeiffer echoed these concerns in a letter to a skeptical State Secretary Rolf von Keiser. Denying Hermes guarantees, he argued, would not only doom DEA's quest to take part in exploiting Souédie, but would also hinder the company's ability to obtain due restitution for the nationalized fields.[377] These pleas had little effect. Although DEA's success would be welcome as a step forward in Syrian-German trade relations, according to von Keiser, Souédie crude would be of paltry value domestically and would certainly not warrant a rewriting of Hermes credit policy.[378] It was at this point that one exasperated diplomat averred that nearly all was already lost in Syria, and that "the oil fields will be exploited anyway, whether or not the German group takes part" in the endeavor.[379] Indeed, the northeastern fields were proven and the quantity and quality of its contents well-known and publicized. DEA could not match the coffers

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375 Ibid.

376 The IPF in particular was said to have received guarantees from the state-owned Compagnie Française d'Assurance pour le Commerce Extérieur (COFACE). Ibid.

377 Letter from Gerhard Pfeiffer to Rolf von Keiser, January 4, 1966: PAAA, B66 IIIB6 506.

378 It should be noted that there were three types of guarantees offered by Hermes. The first, the credit export guarantees, were the ones for which the Concordia project was repeatedly turned down. The second, the untied loan guarantees, were designed to facilitate imports into the Federal Republic. Given the qualities of Souédie crude, it was of limited use in German refineries and was likewise not a prime candidate for these. The third type were investment guarantees intended to protect "against political risks" in foreign countries. These could have been useful to DEA in these last stages of its venture. Senior Manager Andrea Isphording, PwC, email message to author, January 10, 2017. Given the circumstances, however, these would have likely come too late, if at all, for the company, as its assets had already been appropriated. I have found little in DEA and Economics Ministry sources about these later potential sources of insurance.

379 Dr. von Keiser to State Secretary Dr. Neef, July 15, 1965, Betr.: Syrien; hier: Ausfuhrbürgschaften zugunsten einer deutschen Firmengruppe unter Leitung der DEA für Lieferungen und Leistungen an die syrische Regierung für die Entwicklung der syrischen Erdölfelder: BAK, B102/75684.

of companies with state support. Nor could they offer much exclusive in terms of technology or experience. DEA's position was becoming weaker with every day negotiations dragged on – and stagnated. At the same time, any consistency in Syrian intentions and agreements that remained between the initial dispensation of the concession and the post-nationalization present had disappeared. In consequence, so had consistency in DEA's position and objectives.

By the end of August, the IFP responded to DEA's failure to secure federal to finance its participation in the Franco-German join venture by turning primarily to French companies to form a consortium.[380] "It is very regrettable," Goethe wrote in November, "that the newly arranged cooperation between a German and French group of firms for the development of the Syrian oil fields should now fail because of the denial of the corresponding guarantee proposal."[381] DEA in turn rushed to consolidate its own group of German companies and submit another bid for the Souédie contract.[382] Despite "overcautious" estimates about the worth and exploitability of Syria's fields, the new state-backed French consortium offered more favorable terms than DEA could.[383] Although one German firm, Mannesmann, was retained by the French consortium having received French guarantees from the Compagnie Française d'Assurance pour le Commerce Extérieur, DEA was once again left in a limbo, having no enforceable claim to its discovery and little to leverage for compensation.[384]

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[380] A previous consortium which included DEA had collapsed by mid-September, with the exit of the French firm Forex. Forenco, another French firm and member of the consortium, continued to pursue the contract.

[381] Pfeiffer, November 18, 1965: PAAA, B66 IIIB6 457.

[382] DEA, September 21, 1965, Betr.: Ausfuhrbürgschaft Syrien-Schreiben der HERMES Kreditversicherungs-Aktiengesellschaft Hamburg vom 22.7.1965: BAK, B102/75684.

[383] Pfeiffer, Ber.Nr. 579-65, August 26, 1965, Betr.: Ursprüngliches deutsch-französisches Angebot zur Erschliessung der syrischen Erdölvorkommen: PAAA, B66 IIIB6 457.

[384] At the same time, DEA became briefly involved in a scandal driven by the Egyptian press. Akram al-Hawrani, founder of the Arab Socialist Party which merged with the Ba'th in 1952 and vice-president of the VAR from 1958-9, had once again split with the Ba'th over the issue of Arab unification after the UAR had collapsed. He reestablished his Arab Socialist Party. He was exiled after the coup of March 1963. In 1965, Egypt launched a press-campaign calling for his and other opposition figures abroad "because of their contacts to a western power." The Syrian government added that this western power had oil interests in Syria, causing

By December, a consortium consisting of the British firms Costain and Press and Stewards and Lloyds, ltd. had finalized their contract to finance and construct the pipeline from the northeastern fields through the Mediterranean port at Tartous. The contract, once a key feature of DEA's plan for the comprehensive development of Souédie, was no small matter. The pipeline was to be 650 kilometers long and convey five million tons of crude – much of which emanating from Souédie - across the country. All in all, the British consortium promised to pay 80 percent of the DM 15 million project, an amount the West German firm just could not match.[385]

DEA suffered further setbacks the following year. Syria and the GDR were on the verge of closing a series of trade and aid agreements, a development that was particularly vexing in the face of the recent break in relations between the Federal Republic and Syria.[386] By the end of October, East Germany had not only signed a technical aid treaty with the country, but had also signed a treaty for economic and technical cooperation, making way for East German experts in economics, industry, agriculture, civil engineering, oil, electricity, and railways in Syria and thereby allowing West Germany's eastern rival a foothold in Syrian development projects and the economy.[387] After years of minimal presence, the GDR was making rapid and decisive inroads into the country. Additionally, as these deals took shape, the left-wing of the Ba'th party seized power in Syria and purged the party and government of "conservative" and anti-revolutionary elements. It seemed

the Syrian press to speculate that the Federal Republic had been collaborating with Hawrani as a reaction to the nationalization of DEA's fields. Hawrani had likewise published a treatise criticizing Syrian oil policy from the left, claiming above all that Hafiz had favored "capitalist" British bids over more favorable Soviet bids. In the end, however, this potential scandal faded as there was little evidence linking the Federal Republic to Hawrani's papers or activities. In fact, Hawrani had been a strong critic of West German involvement in the Syrian oil industry to the exclusion of the Soviets. For accounts of this development as it unfolded, see: Telex, Schwartze, No. 1271, October 22, 1965: PAAA, B66 IIIB6 457; Pfeiffer, November 18, 1965: PAAA, B66 IIIB6 457.

[385] Pfeiffer, Ber.Nr. 792/65, December 9, 1965, Betr.: Erschliessung der syrischen Erdölvorkommen; hier: Syrisch-britisches Abkommen zum Bau der Ölleitung: PAAA, B66 IIIB6 457.

[386] All of these were ratified by the end of July.

[387] These included 65 scholarships for Syrian students to study in the GDR. Vorndran, November 2, 1966, Betr.: Unterzeichnung eines Protokolls zum Abkommen über die Entwicklung wissenschaftlich-technischer Beziehungen zwischen Syrien und der SBZ: PAAA, B66 IIIB6 506.

Hafiz's recent embrace of nationalization and his "socialist transformation" was neither thorough nor rapid enough to gain sufficient support among the radical political and military ranks. Moscow capitalized on the stronger communist sympathies of the new government and moved to increase its own cooperation with the country.[388] Lacking the support of the masses and wary of its hostile relationship with the conservative and socialist Arab powers (namely the Egyptian UAR and Saudi Arabia),[389] the left-Ba'thist regime, in the words of Rami Ginat, "had no choice but to continue Syria's pro-Soviet orientation".[390] This was just one more in a string of recent setbacks for West German interests.

DEA, however, was not the only company to experience the negative effects of this change in leadership. The rise of Salah Jadid as Head of the Regional Command of the Ba'th – the de facto ruler of the country through the allied administration of Nureddine al-Atassi - brought yet another reassessment of petroleum contracts. In consequence, the agreements concluded with Constain & Press and Stewards & Lloyds fell through in favor of the Italian company Snam Progetti, apparently unburdened by association with Israel.[391] The Soviet Union was subsequently granted oversight

[388] The Salah Jadid regime realized early on that it would have to make peace with local communists as well as the communist international. To do so, it reached out directly to SCP, inviting direct participation in the government and ending the eight years of exile of party leader Khalid Bakhdash. These measures, it was hoped, would not as much lend legitimacy to the SCP as incorporate its membership into the Ba'th. Rami Ginat, "The Soviet Union and the Syrian Ba'th Regime: From Hesitation to Rapproachment", *Middle Eastern Studies*, Vol. 36, No. 2 (Apr., 2000), 159.

[389] The Egyptian province of the UAR remained the UAR even after the 1961 collapse of the Union, giving up the name only in 1971.

[390] Ginat, "The Soviet Union and the Syrian Ba'th Regime", 159.

[391] According to a West German report, the Ministry of Industry made this announcement over the radio on July 13. It was later confirmed in the government-paper "Al Thaura", wherein "The annulment…would come neither surprisingly nor unexpected. It took place at a time when the imperialist reactionary and Zionist pressure on the revolutionary powers, in particular on the Syrian Arab Republic, was understood to be consistently on the rise. Behind the fragile contract of the British consortium stood the international oil monopolies, which, however, Syria had replaced in one severe blow through its strong position and through the closure of contracts essentially favorable to the Syrians with the Italian company." In addition, the Italian firm SNAM Progetti offered a project time of 19 months, rather than the British 27, which would save a considerable deal of money and time. Vorndran, July 19, 1966, Betr.: Erschließung der syrischen Erdölvorkommen; hier: Annullierung des Vertrages zum Bau einer Erdölleitung durch ein britisches Konsortium: PAAA, B66 IIIB6 506.

rights over this project.[392] A contract for the modernization and modification of the refinery at Homs – a project that at one point played a role in DEA's bids for the pipeline project - was granted to the Technoexport, the same Czech company that had constructed the refinery only a few years earlier.[393] Indeed, according to Syrian pronouncements shortly after the conclusion of the contract, this project had great symbolic and propagandistic appeal as well, as it was planned "to become the most important refinery in the Middle East next to the refinery in Dahran," Saudi Arabia.[394]

By the end of the year, not only had DEA decisively lost the contract for the Souédie, but so had the French consortium that had outbid them. Syria and Soviets signed two agreements over the exploitation of Souédie and the surrounding fields. These apparently came to the surprise of a DEA that had otherwise been closely monitoring the situation. The first gave the USSR permission to develop twenty wells in Souédie, at a cost of DM 5.5 million, to be paid back after twelve years at the low interest rate of 2.5 percent per year. The second charged Soviet experts with surveying surrounding areas in search of another major crude deposit that would contribute to the anticipated three million ton annual production from the fields already discovered.[395] Not only had DEA lost

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[392] Pfeiffer, December 2, 1966, Betr.: Sowjetische Beteiligung an der Erschliessung der syrischen Erdölvorkommen: PAAA, B66 IIIB6 506.

[393] Despite such direct Czech involvement in the project, Syria had requested for the Federal Institute for Geological Research (Bundesanstalt für Bodenforschung, BfB) to send an expert to contribute to the expansion of the refinery and work with the GPA, as laid out in a technical and economic agreement from 1963. Due to the death of one candidate and the pre-occupation of another in Afghanistan, this request was still unfulfilled by 1965. And, indeed, according to one correspondence from the BMWi, this delay gave the BfB some time to consider, "whether it is advisable, to place an oil expert from German private industry at the (Syrian) government's disposal after the mandated nationalization of the oil sector at the beginning of the year and the exclusion of the DEA." Dr. Johne, March 5, 1965, Betr.: Technische Hilfe für Syrien: PAAA, B66 IIIB6 425.

[394] Plans called for expanding the plant to have an annual refining capacity of 2.7 million tons of crude. Pfeiffer, December 28, 1966, Betr.: Erdölraffinerie in Homs; hier: Ausbau mit tschechoslowakischer Unterstützung: PAAA, B66 IIIB6 506.

[395] "Syrien: Neuer Bohrkontrakt für die Sowjetunion," *Erdöl und Kohle,* Vol. 20. No. 3 (March 1967) 250; Vorndran, November 30, 1966, Betr.: Sowjetische Beteiligung an der Erschliessung der syrischen Erdölvorkommen: PAAA, B66 IIIB6 506; Generalkonsul Marter, Anlage 4, Die Entwicklung der Erdölproduktion from Bericht über Entwicklungsprobleme der SAR im Jahre 1968, January 29, 1969: MfAA, C/7608.

Souédie, but the Federal Republic – and, for a short time, the West (excluding the Italian Snam Progetti) - had lost its presence and influence in the Syrian oil industry. Moreover, they had been replaced primarily by Soviet and Czech experts at the same time that East German economic advisors were making their own inroads into space opened by Jadid's left-radical tilt and the Federal Republic's own departure from country.

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By the end of 1966, any residual hopes of reclaiming the Souédie contract had been dashed. Last-minute and seemingly half-hearted attempts of linking the oil field to ongoing negotiations over the contract for the Euphrates Dam[396] fell far short of their goal and indeed may have further soured relations between the two countries. The Ba'thist organ *Al-Thaura* claimed as much on the occasion of the dedication of Lake Assad – a corollary of the Soviet constructed dam at Tabqa – in 1973. One article covering the inaugural events even brought direct attention to West Germany's failure to secure the contract several years before. Negotiations had floundered because of the ongoing disputes with Turkey over the partially-German financed Keban Dam and West Germany's refusal to offer sufficient loans and credits as well as "the demands for exclusive concessions for the oil companies working in Syria at the time." [397] These unenumerated demands, however, were truly last-ditch and, by that time, ill-advised. By the time West Germany lost the contract, DEA had already been forced to cut its losses and withdrawn from the country without receiving any form of compensation. Having lost its DM 71 million investment, facing low domestic oil prices, and

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[396] Legationsrat Pfeiffer expressed the importance of this project for the Syrian government best in a report about an article in the government organ *Al Thaura*, explaining the article had distilled the significance of West German development policy in the reading to the simple equation: "socialism = the construction of the Euphrates Dam." Telegram from Pfeiffer, No. 10, January 13, 1966: PAAA, B66 IIIB6 535. This construction evokes a statement made by Vladimir Lenin, who proclaimed in 1920 that communism was the concentration of power in Soviet hands coupled with the widespread electrification of the country. See: V.I. Lenin, "Our Foreign and Domestic Position and Party Tasks Speech Delivered To The Moscow Gubernia Conference Of The R.C.P.(B.)", November 21, 1920 (Access online), http://www.marxists.org/archive/lenin/works/1920/nov/21.htm.

[397] Mirow, July 7, 1973, Betr.: Euphrat-Damm – syrisch-sowjetisches Verhältnis: BAK B102/182101.

considerable losses in its coal holdings, von Berghes was forced to cut dividends to six percent. Stocks changed hands rapidly, and prices plummeted. DEA's financial situation was dire; the company in turn was forced to seek allies beyond German and Syrian borders.

In response to the recent setbacks, an unsupportive federal energy policy, and domestic oil prices that allowed only marginal returns, von Berghes turned to the majors for help.[398] Counted among the Seven Sisters and holding a particularly valuable stake in the Arab American Oil Company (Aramco), Texaco had a wealth of capital and petroleum at its disposal. Indeed, in the face of bids from Gulf Oil and Conoco (who had been supplying DEA with crude since the 1950s), Texaco announced its intentions to purchase 51 percent of the company. This offer hit a sociopolitical nerve that ran far deeper than DEA's recent loss of Souédie and current financial plights. It activated a deep-seated skepticism of energy dependence and a fear of clientelism. As one of the largest oil companies in the Federal Republic, DEA reported its talks with a deliberately unnamed bidder to the federal government. Once Texaco was revealed as the interested party, the Bundestag responded by expressing its commitment to a liberal economic and energy policy, but requesting time to discuss the implications of the deal. This was not just a question of company acquisition, Economics Minister Kurt Schmücker explained in an interview: "The scale of this transaction is so large, that its effects will not remain in economic sector. They will spill over into the political. Every large economic action is at the same time in part political."[399]

This was a lesson DEA had learned well in Syria, albeit in quite different circumstances. The foreign-political and the energy-political were at times inextricable, as were the economic implications of any major private or public steps taken internationally. The West German press, on the other hand, saw this overlap of interests as something more threatening to the energy security of the Federal Republic and offered a less reactionary assessment of the situation. Some called the

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[398] Rainer Karlsch and Raymond Stokes, *Faktor Öl: Die Mineralölwirtschaft in Deutschland, 1859-1974* (München: C.H. Beck, 2003), 354.

[399] Schenk, Nr. 3365, May 2, 1962: BAK, B102/187251

deal the irrevocable advancement of the Americanization of West Germany. Others went further and claimed the invasion of American companies needed to be checked by government intervention. Still others provocatively inquired in words that one might have read in *Al-Thaura* about Syria right before the 1964 nationalization: "When will the selling-out of the German economy and industry to foreign countries finally end?"[400]

Despite these objections, DEA continued to push for a deal with Texaco. As Hasso von Wedel argued, the entire domestic oil industry continued to suffer from a lack of vertical integration predicated on a lack of major sources of oil. "There are numerous companies" he argued, "that have only small sources of crude at their disposal and primarily are shrinking their activities and sales." DEA was among these German firms. He continued, "The financial condition of these companies can be furthermore impaired, as they are dependent upon the majors for their supplies of petroleum and petroleum-products."[401] DEA, whose situation was emblematic of the entire German oil industry, would need to take drastic steps to continue to operate under these conditions. Short of major government policy changes or intrusion, this would mean selling out to an American major.

Two options lay before the Economics Ministry at this point. The first of these was to allow the DEA-Texaco deal to go through. The downsides to this option were obvious. The deal was unpopular and would only further erode the "German character" of its domestic oil industry. The press expressed anxiety at the prospect of such a major force with such deep roots and presence in West Germany's petroleum sector falling into American hands. As noted in a cabinet meeting in May, following this path could likewise spark an industry-wide scramble to consolidate under the

[400] Hans-Joachim Güllner, April 29, 1966, Betr.: DEA, Ausverkauf an Texaco: BAK, B126/187251; Telegram from Erich Dietrich to Schmücker, May 2, 1966: BAK, B126/187251; also quoted in Karlsch and Stokes, 355.

[401] Hasso von Wedel to Peter Wilhelm Brand (CDU/CSU), March 10, 1966, Betr.: Äusserung der Hohen Kommission zur Bestanderhaltung unabhängiger Verarbeiter und Verteiler, Anlage: Auszug aus Erste Aufzeichnung der Kommission an den Rat über die Politik der Gemeinschaft im Bereich von Erdöl und Erdgas: BAK B102/187251. Minister Schmücker would soon come around to this logic. Kabinettvorlage from Schmücker to the BMWi, May 6, 1966, Betr.: Deutsche Erdöl AG (DEA): BAK, B102/187251.

umbrella of several, major, foreign-owned concerns. In this scenario, according to Schmücker, "there would no longer be any German oil industry, while all capital would go into foreign, above all American possession."[402] The second option was to provide the DM 800 million in federal funds to outbid Texaco. The primary benefit of this option resided in keeping DEA German. The downsides, however, were too numerous to ignore. The money was not readily available. As the postwar economic boom had run its course and, exacerbated by the travails of the coal industry and the recent setbacks in the oil industry, had given way to recession, the government would likewise have trouble aggregating the funds to invest in the company. These funds, moreover, were much vaster than those sought for Concordia as late as a year earlier, albeit from different sources. After receiving assurances from Texaco that their intentions lay in turning "DEA into a flourishing company" in the greater interests of West Germany as well as the parent company, the session adjourned with the decision to avoid further entanglement in the deal. Instead, it was suggested that the Economics Ministry focus on preventing the rest of the domestic oil industry from falling into foreign hands.[403] By mid-year, Texaco had purchased nearly ninety percent of DEA shares. In 1970, DEA lost part of its titular German identifier just as it had lost its German ownership in 1966: it was renamed Deutsche Texaco. Even with its absorption by the major international, the company remained bereft of any profitable foreign oil-operations.[404]

At the same time that DEA was losing its German character at home, West Germany was losing the status and sway it once held in Syria. Diplomatic relations would remain severed until 1974 as Ba'thist Syria was taking steps toward establishing official diplomatic ties with the GDR.

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[402] 26. Kabinettssitzung am 11. Mai 1966, *Die Kabinettsprotokolle der Bundesregierung: 1966* (Berlin: Oldenbourg Wissenschaftsverlag, 2011), (Accessed online) http://www.bundesarchiv.de/cocoon/barch/0/k/k1966k/kap1_2/kap2_18/para3_12.html.

[403] Ibid.

[404] For more on the DEA-Texaco merger, see: Bavendamm, 242-260. This is not to say, however, that DEA withdrew completely from foreign ventures. It continued to drill and prospect in Dubai, Peru, Canada, the North Sea, Western Sahara, and Libya. Schmücker placed particular hope in the company's Libyan holdings, although they would soon prove largely unproductive. Kabinettvorlage from Schmücker to the BMWi, May 6, 1966, Betr.: Deutsche Erdöl AG (DEA): BAK, B102/187251.

Official recognition would take place in June 1969, in the middle of the period during which East German experts had the greatest presence and exercised the most influence in the country through their programs to place Syrian on the "non-capitalist road to development."[405] At the same time, the Soviet Union was deepening its own presence in Syria and, above all, its energy sector. The failure of the Souédie project was soon followed by that of the Euphrates bids. In April 1967, Syria and the Soviet Union had closed a deal on the Euphrates Dam, the project once seen as a jewel of West German development policy and a means of leverage in later negotiations over oil-contracts and compensation.[406] Through its petro- and development-projects in Syria, the Soviet Union would bring thousands of experts to the region over the next few years, constructing what the Soviets proclaimed as a "symbol of eternal friendship" with the Syrian people.[407] This, coupled with the disenchantment with Arab-Nationalism that followed the 1967 Arab-Israeli War, promoted the ultimate abandonment of Pan-Arabism in favor of territorial nationalism and a pro-Soviet positive neutralism that would eventually convert Ba'thist Syria into a *de facto* Soviet satellite.[408]

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[405] See: Trentin, *Engineers*.

[406] Telegramm, Dr. Pfeiffer, No. 72/66, April 25, 1966: PAAA, B36 IB4 254. The project failed in part because of the failure of loans from the KfW and the IMF to come through, and in part because Soviet negotiators offered a better deal, including a 2.5 percent (rather than 3.75 percent) interest rate and no political or economic strings attached. For a side by side comparison of Soviet and German offers, see: Beye, March 13, 1968, Betr.: Haltung des Gastlandes gegenüber der Bundesrepublik; hier: Euphratdammbau Bedingungen: PAAA, B66 IIIB6 608. Other reasons for the failure of the BRD's bid included the KfW's hesitancy to offer federal subsidies for the project as outlined in the 1963 agreement, the association of the project with the Souédie talks and the non-recognition of the GDR, and West German financing of a dam on the Turkish section of the Euphrates. Mirow, July 7, 1973, Betr.: Euphrat-Damm – syrisch-, sowjetisches Verhältnis: BAK, B102/182101.

[407] By March 1971, for instance, the number for the Euphrates Dam and Rumelan (near Souédie) projects was estimated at around 4,000. Mirow, Kontroll Nr. 151/71, March 15, 1971, Betr.: Meldungen über die Erschließung des nordostsyrischen Ölgebiets durch die Sowjetunion: PAAA, B66 IIIB6 706. The Soviet experience was not, however, all positive. The Syrian government had introduced curbs on fraternization between Syrians and Soviet petro-experts and technicians. Moreover, according to one report from Legationsrat Eduard Mirow at the SIBRD housed in the French Embassy, "deficiencies in Soviet materials and negligent attention have led to growing criticisms from the Syrian posts." Mirow, Control Nr. 151/71, March 15, 1971: PAAA, B66 IIIB6 706; Mirow, Control Nr. 115/71, February 9, 1971: PAAA, B66 IIIB6 706; Mirow, July 7, 1973, Betr.: Euphrat-Damm – syrisch-sowjetisches Verhältnis: BAK, B102/182101.

[408] Rami Ginat, *Syria and the Doctrine of Arab Neutralism*: *From Independence to Dependence* (Portland, OR: Sussex Academic Press, 2005), 8, 231.

Now in possession of a stockpile of Souédie oil, however, Syria encountered a paradox of its own policy. The northeastern crude proved plentiful enough, but heavy, sour, and expensive to extract, transport, and refine. Once the fields and pipelines went into operation in 1968, Syria was left with a glut of unprofitable oil which it could not absorb domestically and could not readily sell internationally.[409] The problem was not new. Syria had been suffering for years from an overflow of gasoline refined domestically from Iraqi crude. According to one report, Syria was already producing a 30-40,000 tons of excess gasoline which it was bringing to unfavorable markets. The problem grew so severe that the government forbade the import of diesel vehicles (manufactured primarily in West Germany) to encourage the use of gasoline. The over-supply only grew worse when its northeastern fields starting producing at the end of the decade. Syria soon found itself in possession of large quantities of heavy crude (nearly two million tons annually) which likewise had limited marketing potential despite deals with firms in Switzerland, France, Italy, and several other western European countries. Desperate to drain its stocks and hoping to close the lingering question of compensation for the nationalization of 1964, Syria seemed to tentatively, if inadvertently, acknowledge the restitution owed DEA as per Resolution 1803. Such a vague and contested admission, however, carried little weight in the end. According to company sources, the government offered compensation in the form of discounted petroleum rather than hard currency, valuing Souédie crude at \$1.43 per barrel, and Karatchouk at \$1.29.[410] With the ultimate loss of the Souédie contract, the failed West German bids for the Euphrates contract, and the rising stature of the Soviet bloc in the country, DEA had little leverage with which to bargain. Nevertheless, growing

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[409] For a description of the gasoline problem, see: Heipertz, Ber.Nr. 705/64, November 14, 1964, Betr.: Technische Hilfe; hier: Syrien, Expertise über gesamtwirtschaftliche Nutzung der Erdölvorkommen und Modernisierung der Erdölraffinerie: PAAA, B66 IIIB6 425; for information regarding the marketing of crude after Souédie and Karatchouk were put into production, see: Beye, Kontroll-Nr. 186/68, June 18, 1968, Betr.: Syrische Erdölwirtschaft: PAAA, B66 IIIB6 584; Beye, Kontroll-Nr. 640/68, December 12, 1968, Betr.: Syrische Erdölwirtschaft: PAAA, B66 IIIB6 584.

[410] Telegramm, Ernst, No. 120, September 4, 1968: BAK, B102/75684. This is substantially below the \$1.80 per barrel rate that characterized world petroleum prices throughout the 1960s.

weary of new schemes and confident in its access to new sources through its recent acquisition by Texaco, DEA rejected the proposal, but encouraged future talks,[411] affirming that "the recent start-up of production from the Souédie field provides a good basis for an amicable settlement of DEA claim for compensation."[412] The claim, however, was never settled. By this time the company had little clout with which it could exact compensation or concessions. It had lost Souédie, and West Germany had lost in its quest to secure a petroleum foothold in Syria.

[411] DEA and Concordia had at first expressed some interest in negotiating oil deliveries and compensation simultaneously. They, however, deferred the request to Texaco, who was "uninterested" in the deal, preferring to focus on more profitable ventures in Saudi Arabia instead. Telex, Pfisterer, No. 16, July 16, 1968: PAAA, B66 IIIB6 584.

[412] Letter, von Wedel und Macht an Dr. Sohban Tabbah, August 27. 1968: BAK, B102/75684.

Chapter 4: Petroleum Flows and Radical Streams: Gelsenberg and the German Foothold in Libya

The failure of DEA's venture in Syria was a major setback in the West German quest for Arab crude. The company itself had lost DM 71 million over the seven-year tenure of its exploratory concession and its ultimately failed bid to secure a production agreement marked a significant loss for the company. Although the crude of al-Hasakah was of insufficient quality to serve the fuel needs of the Federal Republic, it was in quantities great enough to be marketable. What is more, producing Souédie and Karatchouk would have provided the company and country a petroleum foothold in a state considered critical to western military and political objectives in MENA. It could have even offered a springboard for extending investments into neighboring countries that had recently shown hostility toward western expansion. The possibility of breaking the decades old pattern of German exclusion from the British and French colonial spheres while striking against Soviet and East German economic and political incursions, moreover, imbued DEA's quest a national significance. As the previous chapter attests, this possibility convinced many that the Economics Ministry needed to reconsider energy policy to allow for greater state involvement. It did not do so in time. The early promise of the Syrian enterprise slowly morphed into failure over a period of five years. That is, both for DEA – who never received compensation - and Ludwig Erhard's own non-interventionist foreign energy policy. Souédie became a lost cause and Syria entered the path to Soviet clientelism.

Syria of course was only one part of a larger German push into the recently sovereign MENA. In 1957, DEA itself had acquired eight exploratory yet ultimately disappointingly productive fields along the southern border of Turkey within sight of Souédie. Companies such as Deutsche Schachtbau- und Tiefbohrgesellschaft mbH had been active on French fields in Algeria since 1958. Prakla GmbH, Wintershall AG, and Gelsenkirchener Bergwerks AG (GBAG) were soon to follow with surveying and drilling contracts of their own.[413]

[413] According to Sabah Bouhsini, German companies expressed such interest in cooperating with French companies in Algeria for three primary reasons. First, they were acting in anticipation of the removal of protective tariffs on foreign oil that had made domestic exploitation possible. Second, they sought to reap the benefits of the investment-heavy Constantine Plan meant to quell unrest in the French Algeria. Third, in order to hedge their bets were the Algerian uprising continue despite the Constantine Plan, companies

In the late 1950s, DEA had also come into several concessions in Libya with Wintershall AG in other countries. Gewerkschaft Elwerath – partially owned by Wintershall - joined the two companies in several additional fields in 1959. By the mid-1960s, the DEA portfolio of foreign petro-ventures had expanded to include participation in concessions in Libya, Dubai, and Iran, a country whose reserves were so critical to West German petroleum supplies that the Embassy would install one of two regional petroleum advisors among its ranks. The other would be installed in Libya in 1971. None of these ventures, however, produced a marketable discovery.

This posed an issue. Establishing German control over the entire process of petroleum production was a primary objective of federal energy policy even though, as the previous chapter attests, Erhard in particular had been unwilling to institute the protections and other policies that enabled other western companies from France, England, Italy, and the US to compete internationally. This is particularly striking because of the foreign political and economic issues entwined with energy flows. According to Manfred Horn, writing in the aftermath of the first global oil crisis in 1974, this entwinement gave two primary causes of concern. First, nearly all of West Germany's crude came from the MENA. Even before Libya came on stream, Arab and Iranian sources already accounted for over 80 percent of West German imports.[414] There were good reasons for this. Countries such as Iraq, Iran, and Saudi Arabia had massive quantities of crude under foot. They were located just southeast of continental Europe and had relatively easy access to European markets via the Suez Canal and the Mediterranean Sea. And, they maintained close ties with the majors. These facts, however, did little to assuage fears that Arab-Nationalism - whether in Nasserian, Ba'thist, or other

sought to gain footing in the country "before a new Algeria achieved its independence and a new Algerian government tread on the plan." Sabah Bouhsini, *Die Rolle Nordafrikas (Marokko, Algerien, Tunesien) in den deutsch-französischen Beziehungen von 1950 bis 1962* (Aachen: Shaker Verlag, 2000), 228.

[414] In 1960, for instance, the top three exporters to the Federal Republic were Saudi Arabia with over 6 million tons, Iran with 5 million, and Iraq with nearly 5.5. That is out of a total of slightly over 23 million tons of imports.

forms - was sweeping the region and would disrupt these hitherto relatively stable relations.[415] Iran, of course, was unswayed by appeals to Arab unity and would remain a reliable primary supplier and swing producer. As I show below, however, even Iran it would likewise assert itself on questions of posted prices that could disrupt flows were the conditions right.

Second, proven sources of crude were concentrated in the hands of a few, mainly American internationals, who consequently controlled the near totality of West Germany's supply. Although this system of supply had been more than sufficient for slaking the Federal Republic's petroleum thirst in the near-term, it was, according to Horn, at first only tolerated "as every affront against (the American majors) would affect not only an economic, but – in light of the FRG's integration in the US-dominated NATO – military security risks."[416] The latter risks abated as the West German economy recovered and the foreign occupation waned into the early 1950s, but the presence of and dependency on the Americans remained a point of contention. Concerns the foreign companies would alternately dump cheap crude on German markets in times of surplus and reroute crude to a company's home country in times of crisis persisted. Absent domestically owned and presumably nationally allegiant companies with crude at their disposal, West Germany might then suffer either the continued erosion of their domestic foothold or, as potential corollaries, severe and uncontrollable shortages and price increases. This scenario in particular posed an apparent "permanent security risk."[417] This was a risk that a country recently experienced in devastating postwar privation in energy as well as other basic necessities was not enthusiastic to take.

Enthusiasm for or against a given option, however, did not produce petroleum. Indeed, only

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[415] The Suez Crisis was the only major exception to these otherwise steady petro-relations and even that lasted only several months and had only modest effects on global supplies.

[416] Manfred Horn, *Die Energiepolitik der Bundesregierung von 1958 bis 1972: Zur Bedeutung der Penetration ausländische Ölkonzerne in die Energiewirtschaft der BRD für die Abhängigkeit interner Strukturen und Entwicklungen* (Berlin: Duncker und Humblot, 1977), 141.

[417] Horn, 141. This latter fear in particular was common in postwar Germany, in part because of a lingering discomfort with reliance on global energy markets, and in part because of a uneasiness with the Americanization of the economy and society – not least evident in the continued military presence in the country and political pressure exerted on the country - that took place in the aftermath of the war.

one German firm would succeed in acquiring a major foreign source of crude oil through the early 1970s. That firm was Gelsenberg AG and it did so in a location that had seemed like an unlikely candidate to become one of the largest petroleum exporting states in the Arab world. Entering Libya's oil industry grew out of domestic business dealings over a crude supply contract with the American major Mobil Oil. The venture soon ballooned into Gelsenberg's primary exploration and production investment. This process of upstream expansion, however, introduced and sometimes exacerbated jurisidictional questions of sovereignty of action, sovereignty of economies, and sovereignty over resources rather than settled them in both upstream Libya and downstream West Germany. And it brought Gelsenberg and the Federal Republic into direct involvement in Libyan and broader regional issues in ways that the company and country had not anticipated. This forced both Gelsenberg and the Econmics Ministry to come to terms with the fact that petro-politics were not merely economic. Rather they were inextricably entangled with domestic political and regional geopolitical considerations. Therefore, the Gelsenberg venture and the Federal Republic's growing dependency on Libyan crude fostered new, closer relations between the two countries and economies, and generating a petroleum interdependency. This consisted of directing Libyan flows northward to feed West Germany's growing demand and Gelsenberg's own growing domestic network of refineries and other outlets while funneling petrodollars as royalties, taxes, rents, and investments into King Idris' Libya. As I argue below, the expansion of these bidirectional petro-relations also played a critical role in Idris' early successes and created a relatively stable petroleum production system. At the same time, however, these same German-Libyan linkages that had helped propel Libya from extreme poverty to relative affluence provided fodder for an increasingly Arab-nationalist and anti-Idrisian population. Gelsenberg and the North-South petroleum trade would survive these developments. Idris' regime would not.

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A mining firm still recovering from the wreckage of wartime autarky, GBAG fared surprisingly well in the early 1950s. Because of Allied-imposed coal-liquefaction restrictions and industrial dismantlement of the late 1940s, the reconstituted company was forced to cease its work on synthetic fuels. In their stead, the occupational authorities offered ERP loans. These operated on the premise that economic aid would provide the capital necessary to invest in expanding West Germany's (and the other Western European recipient countries') industrial production capacity. Their disbursal was likewise premised on the circulation of the dollars through European businesses back to the United States through the purchase of industrial goods and raw materials. Many would end up coming back specifically through German purchases of American supplied Middle Eastern oil at notably noncompetitive prices.[418] This system functioned in part out of necessity, as the Federal Republic lacked enough crude to properly feed its reconstruction programs. Moreover, given occupation policies that restricted liquefaction as well as its own chemical properties, German coal was severely limited in its ability to serve as an effective ersatz petroleum. The initial investment outlays, energy inputs, and operational costs were simply too high. The products, too few.

GBAG – the largest mining company during the war – received no exception to these occupation policies initially. Seeing an opportunity for a potential outlet for its Middle Eastern crude, however, representatives of Socony-Vacuum Oil Company approached the German company's management and, according to one account, "offered to affect the end of the dismantlement and secure new permission for production" from the occupying authorities.[419] This offer, of course, did not come free of strings. In exchange, GBAG would have to agree to a thirty-year contract guaranteeing that the company would purchase all of the oil it refined at its Gelsenkirchen-Horst plant from Socony at pre-determined posted prices. In addition, Gelsenberg would be obligated to supply Deutsche Vacuum (Socony's German subsidiary renamed Mobil Oil AG in 1955) with half of its refinery output. Given GBAG's postwar condition, the company was in no position to decline.

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[418] David S. Painter, *Oil and the American Century* (Baltimore: The Johns Hopkins University Press, 1986), 205.

[419] "Aral: Zebra oder rotes Pferd," *Der Spiegel* (5/1965), January 27, 1965, 42. This type of bargain, however, was not unique to Gelsenberg and Socony Vacuum. Deutsche Shell AG and UK Wesseling came to a similar supply and oil-refining agreement the previous year.

Still, the deal offered by Socony was not necessarily hostile to GBAG interests. Unlike other German firms such as the DEA, GBAG had no domestic crude deposits of its own and no prospects of acquiring any anytime soon. Moreover, even when companies had access to their own sources of domestic oil, the supplies were far from sufficient to cover more than a small fraction of West German demand. Even the productive German companies relied on foreign crude most often acquired through exclusive and near-exclusive supply contracts with a major internationals.[420] Again, GBAG was no exception. Soon after GBAG and Mobil came to agreement in 1948, the German firm received allied permission to resume operations at the end of May 1948. In 1949, the Petersburg Agreement went into effect, granting West Germany a considerable degree of autonomy (although not yet restoring full sovereignty to the state) and circumscribing further allied efforts to limit West German oil production.[421]

Gelsenberg Benzin – the petroleum subsidiary of GBAG - was able to bring the Gelsenkirchen-Horst refinery back on stream by 1950. It was the first hydrogenation plant reactivated after the war and, in line with occupation policy, had been modified to process crude oil instead of coal. Over the next five years, Gelsenberg and its parent GBAG expanded at a rate that would have been unimaginable in the late 1940s. Buoyed by the crude supply contract with Socony as well as product supply agreements with Socony's German subsidiary Mobil Oil AG, BP, and Shell, the Gelsenkirchen-Horst plant's refining capacity grew from 430,000 tons per year in 1952 to 720,000 in 1958. Only in 1953 was GBAG reincorporated as a holding company with mines in Bochum, Dortmund, and Gelsenkirchen, and interests in Raab Karcher trading company, Vereinigte

[420] This was the case for DEA and its Conoco supplier, as noted previously.

[421] As Raymond Stokes notes, the company agreements and permissions granted in May 1948 were hardly beyond challenge. After Gelsenberg received permission to restart operations, a representative of the French, English, and American occupation forces petitioned Washington to forbid above all Gelsenberg's and Scholven-Chemie's refining operations in the Ruhr. Moreover, it should be noted that the Petersburg Agreement had no effect on the continued ban on coal-hydrogenation. Rainer Karlsch and Raymond Stokes, *Faktor Öl: Die Mineralölwirtschaft in Deutschland, 1859-1974* (München: CH Beck Verlag, 2003), 285.

Holzgesellschaften mbH, and, of course, Gelsenberg Benzin. By 1956, GBAG had once again become the largest mining concern in the Federal Republic. Soon, it would contend as one of the largest oil companies as well.

It was during this same period that Socony first expanded its own global operations into Libya.[422] After the introduction of the 1953 Libyan Minerals Law for exploration, Mobil Oil Libya Ltd joined ten competing majors and independents in conducting geological surveys over a wide swath of the Libyan Desert. These surveys detected promising geological structures primarily in northern Cyrenaica and Tripolitania. Eager to capitalize on the additional interest in furthering these petro-ventures, King Idris convened a group of international officials and experts to draw up the Petroleum Law of 1955, a document that would provide the basis of Libyan oil policy up until the present. The end of that same year inaugurated Libya's first major round of concession allocations. In these Mobil acquired several concessions in the yet unproven Sirte Basin.

Gelsenberg meanwhile continued its recovery and, in the process, began reconsidering the terms of the supply deal with Mobil that they had closed under much less favorable conditions. These conditions were not just the improving state of the domestic refining industry or even Gelsenkirchen-Horst's own increased output.[423] World oil markets had also stabilized. Although the new price of $2.08 per barrel was favorable to consumers, it was not to downstream interests locked into 30 year supply deals based on prices calculated against unstable early postwar rates.[424] Moreover, after the price fluctuations associated with the Suez Crisis abated with the reopening of

[422] In 1950, Mobil already had commercial operations in Iraq, Qatar, Saudi Arabia, Indonesia, and Venezuela as well as North America. In 1954, they added Iran to this list.

[423] The Gelsenkirchen-Horst refinery was approaching its capacity of 3 million tons per year and was in the midst of a 50 percent expansion in 1958. Gelsenberg had likewise begun planning the construction of a 180 km pipeline that would directly connect the plant to its primary harbor at Rotterdam. Dr. Alfred Weidmann and Dr. Klaus Schwarz, Letter to Petroleum Commission, June 25, 1958: montan.dok/BBA 55/5738. For an excellent study of the centrality of Rotterdam to the refineries networked to the German Rhineland, see: Marten Boon, "Oil Pipelines: Politics and International Business: The Rotterdam Oil Port, Royal Dutch Shell and the German Hinterland, 1945-1975." PhD. Diss. (Erasmus Universiteit Rotterdam, 2014).

[424] Prices would fall further to $1.80 per barrel in 1961, and remain at that level for the rest of the decade.

the canal in March 1957, realized prices sank well below the predetermined posted prices throwing all previous fixed-price agreements out of balance.[425] Were Gelsenberg a vertically integrated company, this might not have been such a dire problem. Integrated companies had the luxury of making up losses in refining, for instance, with low expenditures at the site of extraction.[426] Profits at integrated firms derived from the difference between production costs and the ultimate price of crude sold to other firms and refined products. Companies Gelsenberg that had no upstream operations were unable to offset downstream costs with revenue from upstream operations. In other words, by 1958, Gelsenberg was paying an inflated rate for Mobil's crude and had nowhere to offset these effective increases in overhead expenses apart from elevating its own prices to uncompetitive rates.

Gelsenberg therefore set out to close a new deal wherein future crude prices would be calculated based on market rather than the higher posted prices. Although Mobil rejected this request, the two companies ended up negotiating an agreement that would prove far more consequential. In return for an extension of the original supply terms with only minor modifications, Mobil agreed to concede to Gelsenberg the right to provide 50 percent of its refining crude from its own sources. As Gelsenberg had no fields of its own, the major offered it a 25 percent stake in its yet unproductive operations in Libya.[427] Mobil would remain the operating partner. Gelsenberg would

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[425] Market prices in themselves were an issue. Most of the oil that came from Libya was either flowing from national companies to their mid- and downstream operations, or had already been sold to European and primarily West German refiners at prices pre-determined by supply agreements. In other words, there was little basis on which to determine a free on board price. From the beginning of 1956 to 1959, realized prices of crude transported through the Suez Canal dipped to nearly 50 percent of their pre-crisis peaks. Frank Waddams, *The Libyan Oil Industry* (Baltimore: The Johns Hopkins University Press, 1980), 48

[426] Waddams, 43.

[427] According to this deal Gelsenberg would be a non-operating partner, a role which would insulate the company from some of the financial burdens born by autonomous operators, while restricting its own activities in Libya. Principles of Agreement between Gelsenberg-Benzin Aktiengesellschaft in Gelsenkirchen and Mobil Oil AG in Deutschland in Hamburg, April 10, 1958: montan.dok/BBA 55/5738; Enno Schubert, *Von Bergmann zum Ölexperten: Stationen einer Karriere* (Frankfurt a.M.: R.G. Fischer, 2007), 34.

assume primarily financial and administrative duties. [428] Despite this imbalance and the incompleteness of Gelsenberg's involvement, the deal nevertheless served as the impetus for the company's entry into Libya.[429]

Although Gelsenberg welcomed the opportunity, it appeared that the company had previously shown little desire to expand abroad on its own. As Manager and Board Member Enno Schubert later recounted, "It is astounding that it never occurred to the Gelsenberg management to come to the idea, (that) it could also enter the business of exploration and recovery itself through appropriate restructuring. Up until this time, Gelsenberg had given no consideration at all to upstream-integration, meaning the construction of its own oil basis."[430] Considering the proactivity of such companies as DEA in expanding their extivities into MENA, this is striking. It may derive from Gelsenberg's roots in the GBAG mining firm that only recently made its first foray into the petroleum downstream. After all, other German companies had much deeper histories with petroleum exploration and production and had taken greater initiative to apply these experiences to fields outside of Germany. It seemed Gelsenberg's opportunity for expansion, however, had fallen into its lap.

For these reasons, it is important to view Gelsenberg's actions through the lens of West German oil policy that approached the question of expansion with striking equivocality. At least discursively, a German oil basis abroad was a primary national goal. But it was not initially the direct objective of any major petroleum policy or regulation. Even as coal was showing signs of frailty in

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[428] In the pithy words of Enno Schubert, "Mobil (retained) all rights; Gelsenberg all obligations." Schubert, 35.

[429] The government of Libya likewise had to agree to Gelsenberg's entry into the concession. And, having assured the Libyans that the company had plans and outlets for any production and "that the (company's) large shareholders are non-Jewish," the government readily agreed to the deal. Dr. Alfred Weidmann and Dr. Klaus Schwarz, Letter to the Petroleum Commission, June 25, 1958: montan.dok/BBA 55/5738.

[430] Schubert hints at the reasons behind this lack of expansive drive in his explanation of the 1950 Mobil-Gelsenberg deal, citing Gelsenberg's 1950 re-incorporation, its lack of manpower, and its risk-averse motivations for securing a consistent supplier rather than seeking out its own supplies. Schubert later argues that it was not just a matter of manpower and risk-aversion, but also a lack of expertise that discouraged grander visions of Gelsenberg's role in the global oil trade. Schubert, 34-35.

the mid-1950s, federal policy focused primarily on tax incentives for domestic rather than foreign exploration. This is particularly clear in the 1951 Mineral Oil Law - which sought to stimulate domestic production by extending import duties imposed – and even the amendments of 1953 – which further promoted the domestic industry as well as the retention of dollar reserves by replacing these duties with tax incentives.[431] These tentative measures, however, failed to make German oil competitive. The daily rate of a producing well in the Middle East was 500 times greater than its counterpart in the Federal Republic. Those production differentials translated into yawning differences in price. According to one study, the extraction and transportation cost for one ton of German crude was approximately DM 190 in 1951, while that of Middle Eastern crude was DM 108 including transportation costs. Domestic production of scarce German sources was simply uneconomical on a large scale. It remained so despite a doubling of domestic production from 2.2 to 4.4 million tons by 1958.[432]

The coincidence of the bleak prospects for domestic production, the poor market conditions for a non-integrated independent, and a clear offer to escape this increasingly restrictive cycle convinced Gelsenberg to accept the 25 percent share of Mobil's Libyan concessions even with stringent restrictions on activities and the uncertainty inherent in investing in yet unproven and unproductive fields. In the pithy words of Schubert, "Mobil (had assumed) all rights; Gelsenberg all obligations" and a considerable portion of the financial risk.[433] Still, this imbalance was outweighed by the fact the German company was getting a chance to integrate vertically, if only partially. The timing of the deal would prove fortuitous. In April 1959, geologists from Standard Oil of New Jersey struck oil near the Zelten Mountains in the Cyrenaica. This was the first major discovery in Libya and set off a wave of speculation and exploration in which Gelsenberg Benzin - through its newly incorporated firm Gelsenberg Libya - was now able to take part. Only a few months later in

[431] Karlsch and Stokes, 286, 310-314.

[432] Karlsch and Stokes, 287.

[433] Schubert, 35.

November, at a depth of 3,020 meters, the Mobil-Gelsenberg consortium made its first major discovery on concession 12 at Amal.[434] The field lay 800 kilometers from Tripoli, 350 kilometers from Bengasi, and 280 kilometers from the prospective port site at Ras Lanuf. Its oil was waxy, but sweet (low in sulfur) and light. Given its quality and accessibility to the Mediterranean Sea, the crude would prove to be highly marketable.

The find at Amal offered something to all parties involved. To Libya, the discovery offered more substance to suspicions that the Libyan Sahara had a wealth of crude even larger than that of neighboring Algeria and, contrary to earlier suspicions, in formations disconnected from the smaller and contested fields along the border the two countries shared.[435] In doing so, it encouraged more speculation and more petrodollars to flow into Libyan coffers.[436] And once oil began to flow, Libya's primary income no longer came from exploration and concession fees and foreign aid, but from rents, royalties, and taxes derived from exploitation. This stream of discoveries from Zelten to Amal and later to Sarir (discovered by British Petroleum in 1961) opened a steady stream of rent, royalty, and tax revenue to King Idris' government. The mechanisms constructed to collect and distribute this income - most notably the Petroleum Commission and the Ministry of Petroleum Affairs that would replace it in 1963 – arbitrated the relationship between the government and the companies. As I argue below, this position proved fateful as the population grew discontent with the perceived primacy of western over local interests and widespread corruption.

For Mobil, the find produced one more significant source that the company could now tap

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434 Already in August 1958, Mobil made a small but promising discovery on concession 11 near Hofra. The discovery at Amal, however, dwarfed this early find.

435 Small but promising pools of crude had been discovered at Edjelleh and Hassi Messaoud in eastern Algeria in 1956, initiating a wave of western investment in exploratory ventures in Libya's west.

436 Encouraged by Esso and Mobil-Gelsenberg successes, several West German companies joined in this wave of speculation and investment. Among these were the Deutsche Erdöl AG (who had recently made a significant discovery in northeastern Syria, for which they would never obtain production rights), Wintershall AG, Elwerath, and Scholven Chemie (Hibernia). Apart from the Mobil-Gelsenberg holdings, none of these other West German concessions produced oil in significant quantities during the period under examination.

for its growing markets in Europe and, most pertinently, it and Gelsenberg's own expanding network of West German refineries. Gelsenberg was still operating its plant at Gelsenkirchen-Horst. By the time Amal oil began to flow, however, Mobil had constructed its own refinery in Bremen and Mobil and Gelsenberg were jointly engaged in a refinery project in Neustadt (Bavaria) to absorb future excess production from their Libyan holdings.[437] The two companies were likewise already engaged in numerous cooperative ventures that benefited from the consoritum's production. These included oil processing plants, distribution companies, shipping companies, and, even, partially funded international pipeline ventures [Figure 4.1]. Mobil-Gelsenberg's success in Libya, in other words, mirrored and fed into Mobil's own expansion into downstream Germany and Europe.

As much as the discoveries promoted the interests of Libya and Mobil (and the latter possibly to the detriment of the Federal Republic's own quest for a greater German control over domestic markets)[438] they also promoted Gelsenberg's own growth and, in fact, encouraged the company's domestic as well as international expansion. Indeed, the venture facilitated the company's expansion into exploration and production. Moreover, it enabled the company to provide modest but increasing amounts of Gelsenberg-owned crude to Gelsenberg operated refineries, allowing the company to wind down its floundering though extensive coal investments. In addition to this clear economical rationale for Gelsenberg's involvement, the enterprise was also laden with considerable symbolic significance. According to one account, these fields offered the best opportunity yet for a West German firm to achieve the long-standing "dream of (acquiring) one's own petroleum basis in North Africa" a quest at which other companies - absent significant federal support or cooperation

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[437] In the mid-1960s, these three refineries took in upwards of three-quarters of the partners' Libyan production. England and France took much of the remaining crude. Judith Gurney, *Libya: The Political Economy of Oil* (New York: Oxford University Press, 1996), 107.

[438] As one article explained, even as Economics Minister Ludwig Erhard feared the majors were following a nefarious business strategy. "They wanted to ruin even the last German oil suppliers with dumping prices, only then to work the price back up (*in die Höhe zu schrauben*") and impose monopoly rents." "Erdöl: Platz an der Quelle," *Der Spiegel* (10/1969), March 3, 1969, 49.

with a major international – had failed.[439] The significance of this feat for a company and country severely damaged by a particularly radical articulation of autarky only fifteen years earlier and no history of control over foreign petro-resources beyond Europe should not be overlooked.

JOINT OPERATIONS OF MOBIL OIL AND GELSENKIRCHENER BERGWERKS AG (1963)

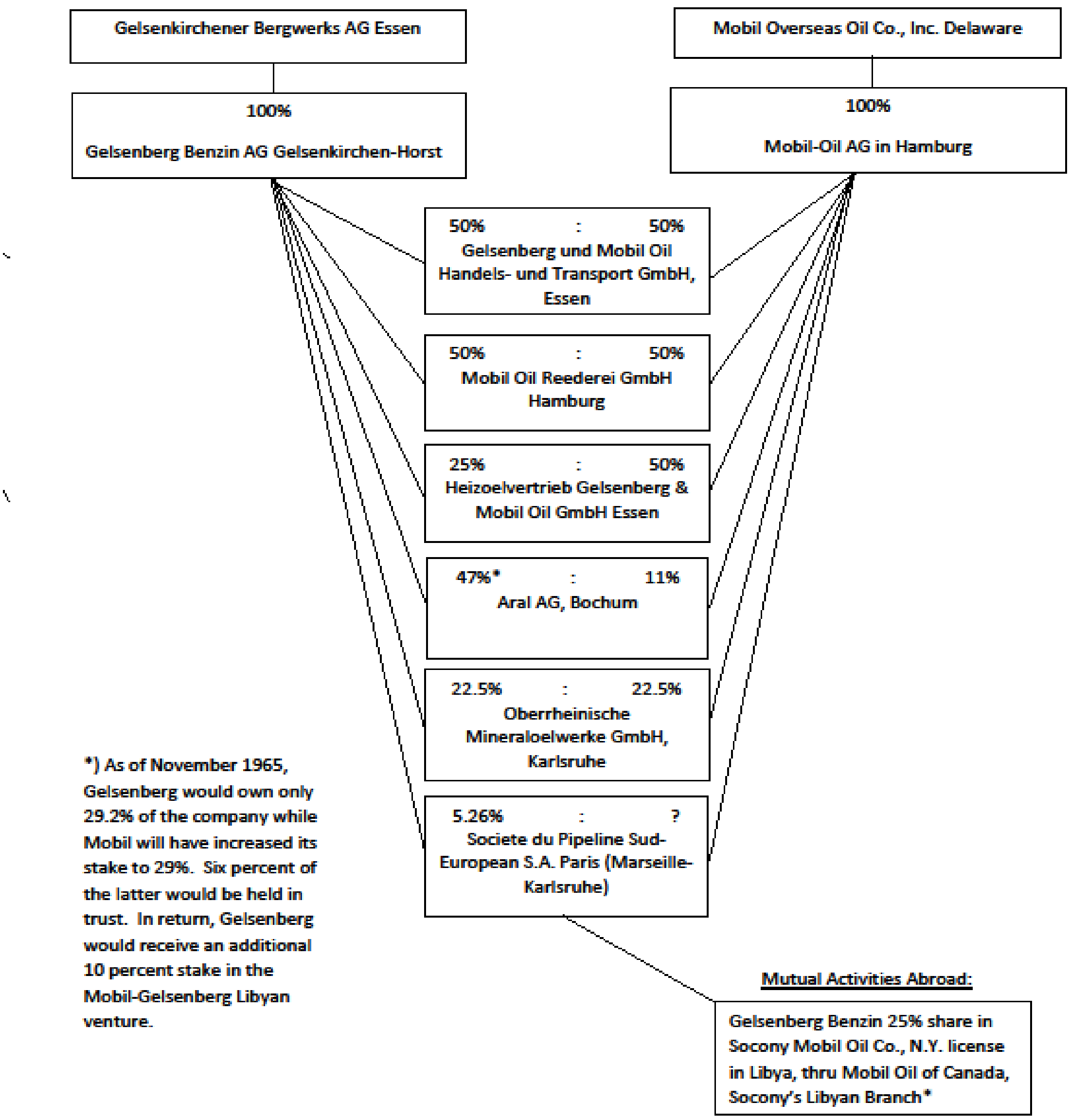

Figure 4.1: Adapted from Enclosure 3, Despatch from VL Merill, Desp. No. 1008, Januar 20, 1961, Subject: Critical Situation Developing for FedRep Independent Refineries: NARA RG59 CDF 1960-1963, B2666.

439 "Erdöl: Groβe Unbekannte," *Der Spiegel* (37/1969), September 8, 1969, 109.

Nor should the symbolic and economic value of the fields themselves, which increased dramatically for all parties as the contents became clearer. Extension wells to the southwest, northeast, and north revealed that Amal's deposits were among the largest yet discovered in Libya.[440] Further exploration also produced a series of sizeable discoveries in Mobil-Gelsenberg's Ora field in Concession 13 and the expansion of the Hofra fields (including a nearby find at Farrud) of several years prior. Collectively, these fields were producing 2,800 barrels of crude per day in 1961 and over 170,500 by 1965. Mobil-Gelsenberg was fast becoming a significant producer in Libya, and Gelsenberg the Federal Republic's largest domestically-owned supplier of crude.

As shown in Chapters 2 and 3, discovery is only an initial and sometimes even uncertain step. Unlike in Syria, the Libyan Petroleum Law had already set conditions for extraction and Mobil-Gelsenberg was therefore spared the plights that had afflicted the Concordia venture. The issues of the fields' location and the logistics of moving their contents to port, however, remained. To transport the oil from field to tanker, Mobil-Gelsenberg needed to finance and construct a series of pipelines to the coast. Eager to bring these fields on stream as soon as possible, the Idris government was quite open to these projects and offered less resistance, or obstruction, than had Syria. Yet, there still remained the primary logistical issues: what route should the pipelines take and to which port should they run?

The consortium had options. On September 12, 1961, the first shipments of Zelten crude left Marsa el Brega, Libya's first major oil shipping facility. One month later, the port opened publicly in the presence of Esso president JJ Rathbone, newly appointed Minister of Petroleum Affairs Fuad Kubazi, King Idris, and a number of other Libyan officials and Esso employees. Kubazi hailed the event as "the answer to the poverty, ignorance, and sickness that existed in Libya" and the key to the

[440] "Libyen: Eine Rohölbasis der GBAG: Die Entwicklung des Erdölfeldes Amal", *OEL: Zeitschrift für die Mineralölwirtschaft*, Vol. 4, No. 9 (1966), 288.

country "obtaining its economic freedom."[441] Meanwhile, Oasis had begun constructing its own pipeline from the Dahra field – the larger neighbor of Mobil-Gelsenberg's Hofra find - to its own port at Es Sider, which opened in June of the following year. It was through this later pipeline to the first oil from Hofra flowed 140 kilometers to the Mediterranean coast on November 11, 1963. The first tanker carrying 25,000 tons of Mobil-Gelsenberg crude left port on November 28 and was bound for Marseilles. The second, carrying 37,000 tons, departed on December 1. Its destination was the port at Rotterdam, Netherlands, then the refinery at Gelsenberg-Horst nearly 300 km away.[442]

Although there were benefits to renting space in the Esso pipeline, this route could only be a temporary solution. Flows from Hofra reached 200,000 barrels per day by the end of December 1963.[443] By the middle of 1964, Mobil-Gelsenberg conducted 134,000 tons of crude through the Oasis system. Es Sider may have been able to handle the first surge of Hofra oil. It was not, however, equipped to process the larger quantities of crude that would come once the Ora and Amal fields were connected. Mobil-Gelsenberg, therefore, submitted plans to construct its own pipeline to the preexisting yet underequipped trading port at Ras Lanuf. They received permission at the end of 1963.

Ras Lanuf lay only 20 kilometers to the east of Es Sider. Formerly a port of minor importance, it would require substantial improvements to become a viable port for exporting oil, including pumping stations, a power station, several 500,000 barrel holding tanks, and deep water berths to supply ships. The port would also require linkages to the consortium's Sirte concessions which lay between 120 and 220 km to the south. In total, it was estimated that upgrading the port

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441 John Dorman, Foreign Service Dispatch, No. 54, October 30, 1961, Subject: Official Opening of Esso Standard (Libya's) Marine Terminal at Marsa el-Brega: NARA, RG59 LIBYA B 2763. After an initial run of 5 million barrels, Marsa el-Brega processed 46 million in 1962 and 106 million in 1963. Waddams, 196.

442 Protokolle über AR-Sitzungen und HV der GBAG, 1360. Niederschrift über die 52. Aufsichtsratssitzung der Gelsenkirchener Bergwerks-Aktien-Gesellschaft am 4. Dezember 1963 im Hauptverwaltungsgebäude in Essen, 3: HKA RWE.

443 Airmail from Andrew L. Steigman, December 18, 1963, Subject: Petroleum: Recent Industrial Developments: NARA, RG59 PET 2 LIBYA B 3622.

would cost over $27 million, a small fraction of the revenues the fields promised.[444] To achieve this, the firms embarked on the construction of two primary pipelines. The first extended nearly 90 km south of Ras Lanuf, at which point it bifurcated into lines that reached 50 km to the over 30 producing wells in Hora, and 130 km to the nine proven wells at Ora [Figure 4.2].[445] Although this was a major development for Mobil-Gelsenberg in its own right, it also opened the Beda field of Amoseas for production and opened the pipeline project itself up to a 30 percent Amoseas investment.[446] The second reached the consortium's primary field at Amal.

[444] G.R. Lucie-Smith to the Ministry of Petroleum Affairs, Ref. No. 19/65, January 14, 1965, Subject: Pipeline Project-Concession 12: montan.dok/BBA 55/5700. Gelsenberg alone was responsible for DM 23.3 million (approximately $7 million). Protokolle über AR-Sitzungen und HV der GBAG, 1360. Niederschrift über die 52. Aufsichtsratssitzung der Gelsenkirchener Bergwerks-Aktien-Gesellschaft am 4. Dezember 1963 im Hauptverwaltungsgebäude in Essen, 3: HKA RWE.

[445] It should be noted that there was an intense bidding battle over which companies would receive the piping supply contract. In the end, the Italian company Siderexport was able to outbid the other competitors. In an effort to promote its own high-pressure, spiral weld pipe, however, the German company Hoesch supplied 1,000 tons of its own brand of piping at a price that, according to Hoesch representatives, was well below what was profitable. This, according to the company, would help the country expand in Europe and "would be very much appreciated not only by their company, but by the government and by the German public. It would also add a new competitor among the steel suppliers which would redound to the benefit of Mobil/Gelsenberg and the rest of the country." The consortium accepted the offer. Letter from JC Dean to Cipa, March 4, 1965: montan.dok/BBA 55/5700.

[446] Report from June 1964: NARA, RG59 Libya B 1394; Protokolle über AR-Sitzungen und HV der GBAG, 1360. Niederschrift über die 52. Aufsichtsratssitzung der Gelsenkirchener Bergwerks-Aktien-Gesellschaft am 4. Dezember 1963 im Hauptverwaltungsgebäude in Essen, 3: HKA RWE.

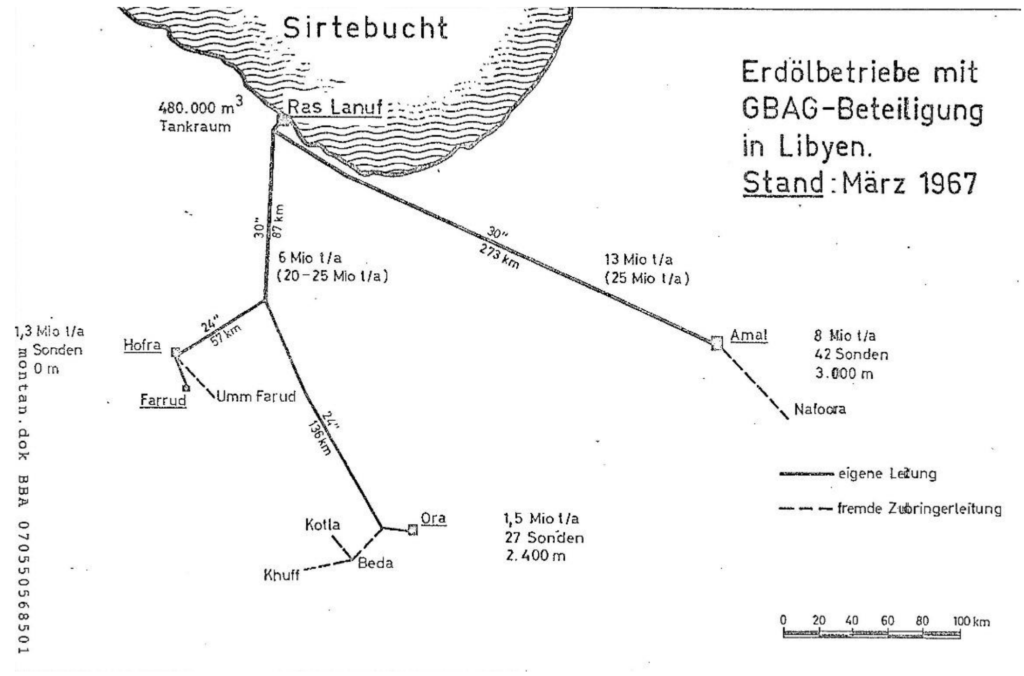

Figure 4.2: "Erdölbetriebe mit GBAG-Beteiligung in Libyen, Stand: März 1967:" montan.dok/BBA 55 5685.

On December 13, 1964, the first tanker of Hofra crude destined for Gelsenberg left Ras Lanuf – the third major petroleum port in the country - to little fanfare.[447] Over the previous year, the former commercial harbor that shipped Libya's meager agricultural exports and handled its meagre imports had been transformed into a large, modern oil port. When the first ships left its docks, the Ras Lanuf facilities included three tanks with a capacity of a half million barrels each supplied by a 48 inch pipeline.

Work on connecting the Amal system commenced in 1965.[448] When it came on stream in

[447] Plans for inaugural ceremonies intended to showcase Gelsenberg's role in the venture. Several West German journalist had been slated to come. The US Department of State thought it likely members of the chancellor's cabinet would likewise attend. Memorandum of Conversation, McClanahan, April 13, 1963, Subject: Socony Mobil Decision to Postpone any Plans for Inaugural Ceremonies at Ras Lanuf Oil Loading Port in Libya: NARA, RG59 Libya B 1394.

[448] After a period of intense bidding, the Italian firm Siderexport received the contract to supply piping for the project over competing bids from the German firms Hoesch and Phoenix Rheinrohr. Hoesch countered this setback by offering 1000 tons of spiral weld pipe at a price matching that submitted by Siderexport. Although Hoesch could not do this without suffering a loss, it did so to expand its operations in hopes that this would make it more competitive in future bids for contracts within Europe. In addition, according to Mobil, granting a piece of the contract to Hoesch "would be very much appreciated not only by their company, but by the government steel group and by the German public." Memorandum from JC Dean to Cipa, March 4, 1965, Subject: Purchase of Steel for Amal Pipelines: montan.dok/BBA 55/5700.

1966, the first trickles of Amal's estimated billion barrels of crude began to flow to port, then to Europe. Two years later, the consortium's fields were collectively pumping more than 225,000 barrels of crude per day through the Sirtica (serving Hofra and Ora) and Amal systems, making Mobil-Gelsenberg the third largest producer in the entire country. Nearly 35 percent of this was bound for German refineries. By 1967, these fields together would supply approximately one-third of the country's total refinery throughput and nearly half of Gelsenberg's.[449] Now, even the latecomer Gelsenberg was succeeding in the global scramble for oil, even as its German competitors struggled for a foothold in fields outside of German borders.

Gelsenberg's success fed into West Germany's own deepening turn to petroleum as it generated a German-owned basis from which to feed first Gelsenberg's own growing network of refineries an then, even those of other companies operating in the Federal Republic. Between the first shipments of Hofra crude in 1964 and those of Amal two years later, the portion of West German crude imports emanating from Libya increased from 26 percent to 39 percent. At the same time, Gelsenberg's take of the crude from the Libyan concessions grew from 550,000 annual tons in 1964 to over 2 million in 1966, or 4 percent to 7.5 percent of German imports from Libya respectively over the same period. Gelsenberg, in other words, had become the critical German link to a country that by 1964 had become the Federal Republic's primary German supplier.

This process was transforming Gelsenberg and its parent-company GBAG's domestic role as well. By the early 1950s, GBAG once again could claim to be Germany's largest mining concern. This distinction, however, had lost much of its appeal over the last decade. GBAG in turn focused more and more on its petroleum investments. Once the Amal-Sirtica-Ras Lanuf system came on stream, the company quickly attained the more enviable status as the largest domestically owned oil producer, as well. By 1965, GBAG had come to accept this new role so fully that it adopted the name

[449] Dr. Herbert Westerhausen, Die Entwicklung der Erdölindustrie in Libyen unter besonderer Berücksichtigung der GBAG in Gelsenberg. Vorträge gehalten anläßlich des Aufsichtsratsbesuches am 13. April 1967 in Libyen: montan.dok/BBA 55/5685 Teil II.

of its subsidiary. The *Bergwerks* that had been so critical to the company's first 90 years were dropped from its title, just as they would be from its portfolio in several years' time. Three years later, Gelsenberg would relinquish control over its mining interests to the newly-formed coal cartel, Ruhrkohle AG.[450]

Although its cooperation with Mobil had facilitated (or according to Enno Schubert, pulled) the company's rise to this position, Gelsenberg once again began to questions the terms of their cooperation around the time of this transistion. The agreements struck in years of alternately postwar desperation and reserved optimism during recovery were now encountering the dual realities of the growing crude production and demand and an exhausting domestic economic boom. According to Gelsenberg, the old agreements were once again unsuitable for the new conditions. Posted prices – the rate at which the German company had agreed to purchase crude from Mobil – had been set well above current market prices.[451] Even with the Libyan successes, moreover, petroleum was only beginning to flow from the Mobil-Gelsenberg fields. Mobil was still taking 75 percent of the consortium's production. Gelsenberg was still unable to meet its 50 percent refinery supply goal. At the projected rates, it would take Gelsenberg considerable time to reach a new 55 percent supply quota to which it aspired. Seeking autonomy over more crude at its source and thereby lower crude costs, Gelsenberg pressed Mobil for a greater share of their Libyan production.

The American concern responded amenably to the request. Although the consortium's fields were revealed to hold larger and more numerous deposits than anticipated in the 1959 agreement, Mobil was interested not just in acquiring crude in Libya, but in expanding further into the German downstream. The two companies had already engaged in numerous projects together ranging from supply-agreements to tanker chartering to refining. Most recently, the two companies

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[450] This gave Gelsenerg a 13.6 percent interest in the new mining company. Gelsenberg AG Bericht über das Geschäftsjahr 1969, 9: montan.dok/BBA 55/857.

[451] In 1963, the posted price was nearly DM 10 above market prices, and cost the company an additional DM 60 million per year. "GBAG-Aktien: Still eingekauft," *Der Spiegel* (46/1963), November 13, 1963, 64.

had brought online a 55,000 barrel per day capacity Mobil-GBAG Neustadt refinery, fed mostly from the companies' joint-venture in Libya. Although a significant inroad, the petroleum sector was large and, from Mobil's perspective, offered further room for expansion. In this case, Mobil was focused on the German-dominated distribution sector. Mobil had an interest in BV Aral - Germany's largest domestically-owned chain of gas stations – since the end of the war.[452] Indeed, securing Aral as an outlet if not direct investment had been a primary motivation of the 1950 Mobil-Gelsenberg supply contract.[453] Mobil had actually acquired an 11 percent interest in Aral in 1953, although it quickly sold this to GBAG under pressure from American anti-cartel regulations. With the cartel law modifications of the early 1960s, however, the issue of GBAG returning the shares to Mobil reared anew.[454] This time, moreover, Mobil sought additional shares as well. it had been unable able to gain wider control over outlets for its German refining. Therefore, Mobil proposed an exchange: a piece of Gelsenberg's 47 percent stake in Aral for an additional 10 percent share in the Libyan enterprise. This request proved highly controversial.

It was not a desire for autarky per se, but a continued unease with the outsized American presence in the West German petroleum sector that drove the opposition. In 1963, German-owned companies possessed only 38 percent of the domestic refining industry and produced an even smaller share of the crude that flowed through those refineries.[455] At the same time, the German independents controlled only 36 percent of the domestic service station market.[456] Even Gelsenberg's Libyan production encouraged not just greater independence upstream, but also an

[452] Aral consisted of over 5,000 service stations throughout the country and was already providing nearly 30 percent of consumer's gasoline and 17 percent of its diesel at the end of the 1950s before any associated German firm had produced a drop of marketable crude abroad. Dr. Alfred Weidmann and Dr. Klaus Schwarz to the Petroleum Commission, June 25, 1958: montan.dok/BBA 55/5738.

[453] Heiner Radzio, Unternehmen Energie: Aus der Geschichte der Veba (Düsseldorf: Econ Verlag, 1979), 226.

[454] Razio, 231.

[455] Between 1962 and 1963, only 17 percent of the crude processed in German refineries came from German sources.

[456] Cited in Miriam A Bader-Gassner, *Pipelineboom: Internationale Ölkonzerne im westdeutschen Wirtschaftswunder* (Baden-Baden: Nomos, 2015), 67-8.

apparently counteractive deeper involvement of Mobil in West Germany's downstream. Already by the end of 1963, stories had spread that Mobil was "systematically purchasing shares" amounting to nearly 16 percent of GBAG , thereby compromising German control over the company's operations as well as its stake in Aral. From there, critics speculated, the American concern had made an offer to purchase Dresdner Bank's stake in the company. Although there seems to have been some truth to these claims, subsequent developments would show that the fears of an impending American take-over were misplaced. Despite the inroads into the German oil industry that Mobil had made since the war, it still had not been able to gain a significant foothold in the gasoline distribution sector.[457] Dresdner Bank repudiated the claims. Hans Dütting, the general director of GBAG, "shuddered at the bare possibility that they would have to greet their US business partner next as man of the house," yet denied that he knew the bidder while he confirmed that offers had been made. Dütting nevertheless assured that any push by Mobil to acquire significant shares in GBAG would be viewed as a hostile act.[458]

This attitude can be partially attributed to a mistrust of continued American control over German oil supplies as American corporate designs for further expansion of its investments and therefore influence. Since the Korea boom of the early 1950s, West Germany had once again become an industrial, export-oriented powerhouse. This was not, however, because of an unbridled embrace of American capitalism; nor could it be attributed to a smooth, uninhibited embrace of the global petroleum trade at the ultimate expense of the coal industry. (If anything, the turn from coal to petroleum was cautious, suspicious, and sometimes painful even if it was irrevocable by this point). In part, the German skepticism came from this apparent battle between coal and petroleum sectors, the decline of the former as a reliable domestically-derived feedstock and the rise of the former as a necessary fuel of necessarily foreign provenance and under primarily American control.

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[457] "Aral: Angst vor Socony," *Der Spiegel* (32/1963), August 7, 1963, 31.

[458] "GBAG-Aktien: Still eingekauft," *Der Spiegel* (46/1963), November 13, 1963, 64.

And to many, this was not just a question of petroleum, but also of decreasingly competitive coal mines that needed support rather than neglect and divestment. It was a question not just of business, but of energy autonomy. According to one article, the "particular evil" of a Mobil take-over was the company's presumed disinterest in GBAG's less profitable mining activities: "A US-oil concern would hardly consider coal production as a worthwhile task and would therefore throttle it presumably to the detriment of national energy resources."[459]

To understand these worries of resource insecurity, then, it is necessary not only to look at petroleum (as in Texaco's takeover of DEA examined in Chapter 3), and presumptive American efforts to "box out" German firms from their own national energy systems,[460] but to reflect on the recent trials of the German coal industry. It is here that we can see the decline of some of the last vestiges of German protectionism in the energy sector at the very time that the globalized and largely foreign-owned petroleum trade was on the ascent. It is likewise here that we can best examine the postwar roots of some of the anxieties that characterized this process and identify the significance of Gelsenberg in West Germany's energy landscape. After all, as I argue, although the successful exception, GBAG and Gelsenberg were representative of the broader transformations taking place in the Federal Republic's energy regime and indeed played a critical role in the professed ultimate prize not just for company revenues, but for domestic energy security: a foreign petroleum foothold.

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The German coal industry had been waning since American coal and foreign oil imports began to displace domestically sourced feedstocks in the mid-1950s. In the 1960s, both industry and

[459] Ibid. Walter Cipa made a similar critique in response to Germany's role in the 1964 through 1967 GATT negotiations. To him, the difficulties encountered by the German companies coupled with only half-hearted and piecemeal federal support to prop up their early enterprises was all the more frustrating "Germany is the most international and liberal state in the Kennedy Round," at least in terms of trade and energy policy. The social market economy seemed effective for the postwar boom in trade and industrial development, but it was less so in terms of a petroleum sector that occupied a space between economics and politics, business and national autonomy. Vortrag von Dr. Cipa anläßlich des AR-Besuchs in Libyen vom 12.-16. April 1967: montan.dok/BBA 55/5685 Teil II.

[460] "Aral: Angst vor Socony," *Der Spiegel* (32/1963), August 7, 1963, 31.

government were still struggling to keep the sector afloat. Federal policies and oil specific taxes from 1951 and 1953 intended to slow the decline of mining were largely ineffective. Thereafter, the Federal Republic aligned its coal and oil polices with its espoused social market liberalism and removed most governmental controls over petroleum and coal markets. According to Raymond Stokes, they were becoming even “more American than the Americans themselves in their advocacy of free markets” in the energy sector.[461] In 1956, coal prices were allowed to rise above their prewar levels. In hopes of encouraging rationalization and price decreases through competition, the Adenauer government further pressured the coal industry by lifting heating oil import tariffs. This led not to the intended adaptation and recovery in the coal industry, but to the strengthening of petroleum’s already ascendant position. A heating oil tax was reintroduced in 1962 to raise funds for other federal benefits directed at unprofitable mines that voluntarily closed. Other initiatives sought to ensure at least half of the electrical power supply would come directly from coal.[462] Limits on the production of fuel and heating oil were likewise imposed in tandem with subsidies for domestic production of crude.[463] These too would fail to adequately subsidize the fading mining industry or boost domestic oil production significantly. German energy security increasingly seemed to reside in the hands of the foreign majors.

These unanticipated success of petroleum, the foreseeable but nevertheless devastating decline of domestic coal, and the outsized presence the major internationals already claimed in the national oil sector made Germans wary of creeping American corporate and political influence. They were protective of the modest shares of the energy industry that native concerns did own. They were even more so over the domestic interests that already controlled large shares of the petroleum

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[461] Karlsch and Stokes, 303.

[462] Niederschrift über die 62. Aufsichtsratssitzung der Gelsenkirchener Bergwerks-Aktien-Gesellschaft am 5. April 1966 im Hauptverwaltungsgebäude in Essen: HK-RWE (1360); Falk Illing, *Energiepolitik in Deutschland: Die energiepolitischen Maßnahmen der Bundesregierung 1949-2013* (Baden Baden: Nomos, 2012), 73.

[463] “Germany Veers Sharply Away from Liberal Oil Policy,” *Petroleum Times*, Vol. 68 (November 23, 1964), 1; “Germany (West),” *Petroleum Times*, Vol. 69 (January 25, 1965), 8.

and coal sectors and had just begun cooperating and competing with the American companies abroad. Indeed, at this point Gelsenberg seemed the crucial link on the path to energy autonomy, and Mobil's bids first for its parent and Aral seemed formidable obstacles to that objective. Some observers such as Christian Democratic Union (CDU) party secretary Josef Hermann Dufhues suggested a dual motive for the American concern. It was clear the company had plans to widen its involvement in refining and distribution networks in West Germany and, at worst, to corner the market and enforce higher purchase prices.[464] Other critics even went so far as to argue that Mobil's interest in GBAG and Aral was less an attempt to cooperate with and improve the German concern than to take over the companies as a sort of invasive "red horse," both foreign in origin and almost almighty in tow.[465]

The other firms invested in Aral likewise expressed strong reservations about giving Mobil too strong of a voice in the day to day operations of the service stations. Ultimately they feared that the major would not stop accumulating shares "until it completely controlled the 9,400 stations of the company."[466] At least in the short-term, however, control did not mean complete ownership. Instead, it meant a deciding vote that would disrupt the hitherto established balance. As it stood before the deal, Gelsenberg, Mobil, and Wintershall together held slightly under the 66 percent threshold for making certain "undisclosed" decisions and the 75 percent threshold for concluding any agreements that accounted for more than 10 percent of Aral's capital.[467] Gelsenberg alone held

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[464] American anti-trust laws were much stronger than those in the Federal Republic. "Aral: Zebra oder rotes Pferd," *Der Spiegel* (5/1965), January 27, 1965, 44.

[465] According to *Der Spiegel*, Mobil's courtship of GBAG has "often awaken the impression that the Essener concern might already have sailed into the tow of the almighty Socony Oil. The Ruhr bosses ragged on (head of GBAG) Dütting with the question, whether his GBAG was still a zebra or already a red horse. A zebra is a company that is involved in coal and oil businesses, the "red horse" is Socony's emblem." "Aral: Zebra oder rotes Pferd," *Der Spiegel* (5/1965), January 27, 1965, 42.

[466] "Aral: Zebra oder rotes Pferd," *Der Spiegel* (5/1965), January 27, 1965, 43.

[467] Memorandum from Edwin M Cronk, Minister for Economic Affairs, No. A-1864, May 4, 1965, Subject: Petroleum: Negotiations Between Socony-Mobil Oil Company and Gelsenkirchener Bergwerks A.G.: NARA, RG59 PET 4 GER W B1387.

43 percent of the company directly, with an additional four percent held in trust by Dresdner Bank. Were Mobil to acquire the four percent share as well as a small portion of Gelsenberg's 43 percent stake, Gelsenberg, Mobil, and Wintershall would be able to enact major changes without accounting for the other partners, such as Hibernia which held a 25 percent share that up to now allowed it serve as a check against the Gelsenberg-Mobil-Wintershall bloc.[468] Hibernia was particularly leery of surrendering its role as a "blocking fourth" to the foreign major. Indeed, its resistance had strong backing in the Aral charter, which stated that all parties had to agree to a significant change in ownership and, therefore, any single company could block the transferal as "a sellout to foreign interests in an industry already largely controlled by foreign companies."[469] Though in a more favorable position than Hibernia, Wintershall likewise withheld its consent. According to American observers, however, this was more a means to exact "some inducement" than it was principled resolve.[470]

To counter company resistance, Gelsenberg adopted a two-pronged approach. First, it petitioned the Economics Ministry to pressure Hibernia to consent. Owned by the holding company Vereinigte Elektrizitäts- und Bergwerks AG (Veba), Hibernia was in theory answerable to its majority shareholding federal government.[471] The issue however ran deeper than investments and contracts. Instead, it appeared to threaten the German character of Aral – the primary German-owned service

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[468] Although Gelsenberg held a 47.2 percent share itself, 4.2 percent of this was held in trust by Dresdner Bank. Dresdner Bank, in turn, could vote autonomously from Gelsenberg's interests.

[469] As the Edwin M Cronk at the American Embassy in Bonn noted, "Under German company law, certain kinds of resolutions require approval of the company general meeting by a majority of at least 75% of the share capital represented at the meeting. (As examples, contracts involving sums exceeding 10% of the share capital, and alteration of the company articles require approval by such a majority.)" What is more, the Aral charter itself required unanimous consent of all shareholders. Memorandum from Edwin M Cronk, Minister for Economic Affairs, No. A-1864, May 4, 1965, Subject: Petroleum: Negotiations Between Socony-Mobil Oil Company and Gelsenkirchener Bergwerks A.G.: NARA, RG59 PET 4 GER W B1387.

[470] Ibid.

[471] The government began spinning off 50 percent of its shares in Veba in 1965, albeit with conditions in place to prevent large-scale purchases of Veba stock. "Germany Reverses the Trend toward State Owned Oil", *Petroleum Times*, Vol. 68, November 2, 1964, 1.

station chain in the country. Though having little legal backing to claim that Mobil's moves should be stopped in order to keep Aral in German hands, the national claim to Aral did, as Gelsenberg Chairman Guenther Sohl noted, have resonance in the public sphere. As much as legality and non-interventionist economic policy mattered, so did optics.[472] This point became even more pronounced in light of Esso's and Shell's recent acquisitions of Elwerath and Thyssen Gas, two formerly German-owned energy firms.[473]

GBAG therefore also proposed an alternate scheme for redistributing shares. Mobil indeed would receive an additional 18 percent of Aral, 5 percent of which would be held in trust by GBAG itself. This way, Mobil would reap the additional revenue of its investment while appeasing Hibernia's request that Mobil remain a minority holder without the ability to block major decisions on its own. Countering that the additional 10 percent of Mobil's Libyan venture similarly remain in trust with Socony, Mobil agreed.[474] In the meantime, GBAG turned to incentivizing its partners' adoption of the deal and, after negotiating the transferal of shares in other downstream enterprises and increased delivery rights, achieved the consent of Hibernia and Wintershall.[475]

In terms of Gelsenberg's own development as well as West Germany's direct access to foreign crude, this deal was truly consequential. This is not only because the company gained a greater stake in the Libyan venture and a correspondingly greater share in its oil, but also because it did so at a time that the Libyan petroleum landscape was in flux. In August 1961, Esso had unilaterally imposed a reduced posted price of $2.21 per barrel for its Zelten oil. The Libyan Petroleum Commission responded that this price was undercutting its own already comparatively

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[472] Memorandum from Edwin M Cronk, Minister for Economic Affairs, No. A-1864, May 4, 1965, Subject: Petroleum: Negotiations Between Socony-Mobil Oil Company and Gelsenkirchener Bergwerks A.G.: NARA, RG59 PET 4 GER W B1387.

[473] Airgram, Amembassy Bonn, No. A-868, November 10, 1964, Subject: Petroleum: Visit of Mr. Albert L. Nickerson, Chairman of the Board of Directors of Socony-Mobil Oil Company: NARA, RG59 PET 4 GER W B1387.

[474] Ibid.

[475] "Der Spiegel berichtete…," *Der Spiegel* (29/1966), July 11, 1966, 94.

small profit margins and encouraged Esso to reconsider. The major refused. For Esso, this was not just a question of pennies per barrel. Instead, the move was primarily intended to assert company control over prices and, therefore, the terms under which it operated.[476] At the same time, however, the producing world was organizing to stake its own claim to greater control over production and pricing. In April 1962, less than one year after Esso's first shipments form Marsa el Brega and half a year after Esso's posted price gambit, Libya joined the Organization of Petroleum Exporting Countries (OPEC). This move indeed filled a yawning North African gap in OPEC's membership and influence. It also gave Libya international backing in its efforts to reform its arrangements with the companies whose actions – as embodied in the Esso maneuver - often seemed hostile to Libya's own stated interests. After a brief period of transition and calm – likely a deliberately staged lull before the anticipated storm of price negotiations[477] - the Petroleum Commission began pushing for new laws and regulations to comply with OPEC tax and regulatory directives.

OPEC itself had formed in response to BP- and Esso-initiated posted prices decreases in 1959. Although these measures were taken in part to increase company competitiveness with flows of Soviet oil reaching western markets, they were implement without consultation with producing governments and, according to former Secretary General Francisco Parra, with the intention of teaching the producers "that profit-sharing meant profit-sharing, on the downside as on the upside."[478] This message encountered an unreceptive audience. Relatively weak and disunited at first, OPEC would continue to grow in membership and influence over the course of the early 1960s. It was not, however, until Libya joined in 1962 that the group would pass and enforce its first major resolution. As new oil from Libya, the Soviet Union, and elsewhere began flooding Europe and eroding prices, the group moved to coordinate the pricing and taxation of petroleum among its

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[476] The posted price was only a few cents below that of other crudes in the region and would therefore result in minimal savings in the short-term. Francisco Parra, *Oil Politics: A Modern History of Petroleum* (New York: I.B. Tauris, 2004), 80.

[477] Dirk Vandewalle, *A History of Modern Libya*, (New York: Cambridge University Press, 2006), 59.

[478] Parra. 97-8.

member states. Specifically, OPEC directed producing governments to increase posted prices, coordinate royalty expensing policies, and terminate of marketing allowances that seemed to primarily favor the independents at the expense of tax revenue. The latter two of these issues had immediate ramifications for Libyan policy and the Libyan government, in turn, began to reassess certain features of its 1955 Petroleum Law.

The push for amendments was nothing new. Libya had, in fact, already implemented significant changes en route to OPEC membership. A series of royal decrees and petroleum law amendments had been introduced in 1961. These aimed primarily to rewrite tax schemas along lines promoted by OPEC and met the most resistance particularly from the independents who had benefited from the favorable 1955 terms and had few sources outside of Libya to which to turn in the event of declining company profitability. The majors, who could more easily compensate for less favorable economic terms in Libya with their holdings elsewhere, opportunistically joined the government's push for to modify the laws.[479] After much back and forth, the Petroleum Commission and a divided company bloc came to a compromise. According to the new agreement, taxes would be restrained to prevent breeches of the 50:50 profit split benchmark. For their part, the companies achieved a more favorable definition of marketing expenses write-offs that could include "the sum total of rebates if any from the posted price which the concession-holder is obliged to grant for the purpose of meeting competition, in order to sell Libyan crude petroleum to affiliated or non-affiliated customers." Although this clause stipulated the Petroleum Commission could request evidence that these expenses were indeed incurred and necessary, in effect it opened the door to massive write-offs with minimal pressure to justify them.[480] Although these amendments generated

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[479] Waddams, 107.

[480] This latter point caused much contention from the beginning. Waddams: "The wording of the Libyan Regulation enabled the oil exporters to charge large rebates against posted price, and to reduce the taxable income from exports of crude, in some cases to less than 60 per cent of the level it would be if valued at posted prices. At no time did such concession-holders demonstrate that these rebates were reasonable and fair, nor did they allow the Government access to the contracts which purported to prove that the rebates were obligatorily granted in order to sell Libyan crude petroleum to affiliated or non-affiliated

additional state revenue, they were still largely considered to favor company over national interests and thereby deviated from regional norms and OPEC designs. The companies themselves even found the results – and the regulation in particular - striking. All things considered, the majors won this early battle, Idris' government emerged scathed but arguably in a better position than before, and the independents – many dependent solely on Libyan profit margins for their continued operation - lost traction.

Meeting less scrutiny at the time but arguably more consequential in the long run was the Petroleum Commission's new plan for the future allocation of concessions. Previously, concessions were granted on a "time priority basis" wherein the Petroleum Commission would grant concessions to the first eligible bidder. In other words, the Petroleum Commission had little official leeway in how it could allot concessions once terms were announced and offers submitted. The new system, however, encouraged multiple bids on single concessions and gave the Petroleum Commission the "ultimate discretion" to decide to whom the concession should be given, regardless of the sequence of the offers. This meant that the Petroleum Commission "shall take into account such additional economic and financial benefits and advantages and other things which the applicant is willing and able to offer in addition to those stated."[481] Unsurprisingly, this clause encouraged favoritism and "sweeteners" in forms that ranged from additional investments in development projects to the outright bribery of governmental officials.

When Libya, pressured by OPEC, once again moved to modify its tax policy in 1962,[482] the companies cried afoul. Esso President Robert A. Eeds ruminated that former Iraqi Oil Minister and future Secretary General of OPEC Nadim Pachachi – who had been involved in drafting the 1961

customers. For the excerpt from Regulation No. 6, Article 15, see: Waddams, 113. For an interesting account of the proposals, counterproposals, and negotiations, see: Waddams, 101-116.

[481] Quoted in Waddams, 102.

[482] Compared to other regional petro-states, Libya still had maintained one of the lowest posted prices. At the same time, it continued to calculate royalties against market prices rather than higher, more stable posted rates. According to OPEC, these policies deviated too far from cartel norms and therefore undercut cartel interests.

amendments as well - had been manipulating Libyan policy and orchestrating its integration into the producers' cartel to challenge the hitherto rather comfortable agreements the majors had with the country. Indeed, there was some evidence that the new policies worked to the detriment of the majors as they favored Italy – Libya's former colonizer and a peripheral if still important European power - as an entrepŏt to Europe's Common Market.[483] According to one report, Enrico Mattei, founder of president of the Italian ENI "was apparently rubbing his hands with satisfaction since the western countries which had neglected him when they were ladling out the oil in the Middle East were now about to get their just deserts" as Libya turned from its previous displays of preference for American majors and independents.[484] Gelsenberg, the German Foreign Ministry, and the German press, however, seemed to view Libya's modest reorientation with less hostility. Or, at least they paid less public attention to it until Libya's OPEC membership began to directly affect German oil interests in 1964.

Much of the muted West German response to the 1962 changes was rooted in the unique situation of its companies in Libya. The German firms were uneasy about the amendments, but readily complied.[485] Although they had few sources of crude outside of Libya, they likewise had yet to discover anything marketable within the country. In other words, the benefits of market prices over posted rates and generous marketing discounts now opposed by both OPEC and the majors had

[483] Italy's Libyan crude imports grew similarly to those West Germany's, starting at 32 thousand barrels a day in 1962, increasing nearly threefold by 1964, and eventually reaching 806 thousand barrels in 1970. At this point, Italy had overtaken the Federal Republic as Libya's primary importer. Although flows would subsequently decrease as Libyan production fell over the next decade, Italy would remain the primary importer (with the exception of 1972) through the rest of the decade. *Opec Annual Statistical Bulletin* and *Petroleum Press Service* cited in Table 6.1: Libyan Crude Oil Exports by Destination 1962-1979, Waddams, 109. Some of these accusations would likewise prove well-founded, as ENI constructed a pipeline form the Mediterranean port at Trieste to the "chemical triangle" of southern Germany. Paul B. Taylro, No. A-429, April 22, 1964, Subject: Oil Developments in Bavaria: NARA, RG59 PET 4 GER W B1387.

[484] Airgram, John Dorman, No. A-79, August 7, 1962, Subject: Esso Executive Expresses Concern over Libyan Membership in OPEC: NARA RG59 CDF Libya B 250.4.22.4 B 2763.

[485] Parra, 77-8.

been elusive.[486] Given their domestic downstream bases, the marketing discounts in particular would have yielded little benefit no matter what the companies discovered in Libya.[487]

Gelsenberg's situation was anomalous. An independent, the company had two distinctive features that kept it out of step with the American, if not also the German, independents. First, Gelsenberg had begun as a refining firm specializing in coal- and later oil-hydrogenation. Thence it expanded upstream into Libya. It had more outlets for its Libyan crude than it could fill and benefitted less from marketing discounts than the unintegrated firms. Second, Mobil was the operating and majority partner in all Gelsenberg fields. Mobil's interests therefore played a role in the German company's thinking, as divided concessionaires could provoke unwelcome concessionary disputes. Mobil was in favor of the changes. Gelsenberg had benefited only modestly from the old terms and would benefit much more from stable regulatory and taxation polices that would replace the cycle of ad hoc adjustments and amendments that had characterized the last several years. Gelsenberg quickly agreed to the terms.

Winning support from the majors as well as the German independents, the front of opposition posed by the American independents faltered in autumn 1965.[488] This was a watershed

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486 Quoted in Gurney, 51.

487 This is, of course, murky territory. If we just look at Oasis, we see discrepancies with company integration but similar results. Having no refineries of its own, Amerada sold its liftings to Continental and Shell and took nearly 60 cents per barrel of marketing expenses and rebates. Its partners, Marathon and Continental, had their own European refineries and significant stakes in others that allowed them to unload their Libyan takes. They likewise took the 60 cent deduction. Although this was all at least superficially in accordance with the Petroleum Law, the Libyan petroleum ministries claimed to have never received adequate evidence that these deductions were reasonable or necessary. According to Waddams, "The low declared selling prices of the Oasis partners, together with high declared production costs, so reduced their taxable profits that even for 1964 – the third production year, by the end of which they had between them produced a cumulative aggregate of 200 million barrels – there was no income and surtax payable, with the exception of a small amount by Marathon, and in the case of the other two substantial losses and tax credits to carry forward to offset against 1965 tax liability." In the end, the Oasis effectively paid only the 12.5 percent royalty in 1964, a far cry from the 50:50 profit split benchmark envisioned by the Libyan government. These discrepancies between heavy production and revenues and low tax payments would give impetus to the amendments of 1965. Waddams, 120.

488 Marketing expenses and other competitive discounts were greatly reduced from the nearly 60 cents per barrel claimed by the boldest of the independents in 1964 to 7.5 percent of posted prices plus an additional 0.5 cent per barrel marketing allowance. This rate was to be reduced to 6.5 percent in 1963, after which it would be reassessed but not raised. At the same time, the new amendment dealt with the perennial issue

moment not only as it marked the coordination of Libyan law with those of other exporting states – thereby reducing the advantages that brought so many companies into the country in the first place – but also as it brought to the fore an issue that had come to characterize company-state disputes in recent years. The question at hand was not just the legal validity of contracts signed many years earlier under vastly difference conditions. It was likewise a question of sovereignty of action, sovereignty of economies, and sovereignty over resources. As the American Embassy noted at the time, the Libyans had "made a major point of their belief that their own national sovereignty overrides such pledges when circumstances change and require alterations in arrangements in the national interest."[489] As the Libyan Prime Minister himself stated, although contractual rights were important and legally binding, the government "could not tolerate a situation that would reduce Libya's income from petroleum" and therefore renegotiated terms, albeit with little room for the companies to resist.[490] This tactic worked. As it and its exporting neighbors would do throughout the rest of the decade and into the 1970s, Libya asserted sovereignty over the country's oil resources through claiming a greater share of the revenues they generated. In this sense, petro-politics were domestic as well as foreign economic politics. As I argue below, they were also crucial to an unstable sociopolitical balance that would soon tip away from the status quo that characterized Libya's early years as a petroleum producer.

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Petro-politics, however, were only one matter in German-Arab relations; geopolitics

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of the categorization of royalties. One of the most significant financial incentives to operating in Libya was the previous designation of royalties as credits against future taxation, a policy that created significant shortfalls in Libya's anticipated tax base. Indeed, this policy was target of some of the primary critiques OPEC made of its new member after 1962. According to the new rules, royalties were to be expensed rather than credited. According to estimates, this would generate an anticipated 13-4 cents per barrel to government coffers. For a country that at the time was producing over a million barrels a day already, these were no small amounts in the aggregate. Waddams, 146.

[489] Airgram, Newsom, No. A-341, January 26, 1966, Subject: Libyan Implementation of OPEC Formula: NARA RG59 PET 10-3 Libya B 1394.

[490] Ibid.

comprised another. West German policies toward the Arab countries had been shaped by two primary objectives: preventing international recognition of the GDR (embodied in the Hallstein Doctrine) and expanding German influence through opening markets.[491] Although these objectives met overall success in Idrisian Libya, the regime's decisive acceptance of them as either the price of securing petroleum markets or even desirable goals in themselves developed into a wedge between the regime and the increasingly vocal Arab-nationalist, West-skeptic population over which it ruled. Oil brought with it the promise of international market integration (at least in terms of petroleum),[492] domestic wealth, and development. It also brought with it real and imagined corruption, power concentration, dependency on western markets and companies, and popular resentment. This paradox of wealth and development on the one hand and a growing divide between state and society on the other is perhaps most apparent in Libya's uneasy entanglement in West Germany's Middle Eastern and North African policy, including its burgeoning relations with Israel.

This disjuncture between societies and governments, of course, was not completely exogenous to the region. Fissures between the two, and even neighboring states of differing ideological affinities, had been developing since the earliest anti-colonial successes. Some of this was rooted in the legacies of colonial occupation and under development. Some, in Arab responses and resistance to northern imposed Cold War structures. Some, however, also emanated from struggles within MENA over differing articulations of Arab-Nationalism and contending paths to a positive neutralist postcolonial modernity. Take, for instance, the 1963 Ba'thist coups in Iraq and

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[491] For the former, see: William Glenn Gray, *Germany's Cold War: The Global Campaign to Isolate East Germany, 1949-1969* (Chapel Hill: The University of North Carolina Press, 2003); for the latter, see: Sven Olaf Berggötz, *Nahostpolitik in der Ära Adenauer: Möglichkeiten und Grenzen, 1949-1963* (Düsseldorf: Droste, 1998), 65.

[492] Take, for example, Libyan-German trade relations which worked overwhelmingly in Libya's favor the early 1960s. With the first exports of oil, the balance of trade between Libya and the Federal Republic quickly reversed itself. In that year, West Germany was exporting approximately £L 10 million to Libya, accounting for over percent of the country's total imports. The same year, Libya exported approximately £L 33 million of crude oil to West Germany, accounting for over 25 percent of Libya's total exports. This caused some worry for the Federal Republic: "Our exports to Libya will in no way climb to such an approximate level that would lead to a balance in the coming years. This argument goes despite the fact that the German economy will look to the Libyan market more and more and attempt to find a market for its wares there." Stöckl, July 18, 1963, Betr.: Libyscher Aussenhandel im Jahr 1963: PAAA B36 IB4 066.

Syria.[493] These panicked the conservative monarchs in the region. Fearing the Ba'thist momentum would spill across Libyan borders, Idris struck out against the domestic Ba'thist leadership in August of the same year.[494] As one West German observer noted, Idris "does not want to give the Ba'th opposition against Nasser a chance" to take root in his officially party-less kingdom.[495] More than just a strike agains the Ba'th, moreover, Idris sought to avoid the more general politicization of the Libyan population along any lines. Residing between Algeria – a country which secured its independence only in 1962 – and Nasser's Egypt, however, this would prove impossible.

Coming only two years after the collapse of the United Arab Republic of Egypt and Syria,[496] the Ba'thist coups posed a considerable obstacle to the expansion of Egypt's regional influence. A temporarily weakened Nasser responded by strengthening his military, and intensifying the positive neutralist foreign policy that had characterized the Arab-nationalist movement since the mid 1950s. In terms of the German question, according the Egyptian Prime Minister, Cairo could indeed be counted among those who maintained non-recognition of the GDR as long as the Federal Republic met two related conditions. First, it must withhold its recognition of Israel. Second, it was to refrain from recalling the German technicians and engineers who had been working on the Egyptian rocket program. As was its wont, the government acted slowly and covertly, pressuring the engineers to cease their activities and return to West Germany.[497] The balance struck, however, was precarious

[493] The Ba'thist coup in Iraq was initially successful, but its government proved vulnerable to infighting within the party and was overthrown several months later in a coup conducted by a contingent of generals with Nasserist sympathies. The Ba'th would once again seize power in 1968.

[494] The 24th anniversary of the founding of the Senussi army on August 9, in fact, was celebrated with the arrest of seven of the most important figures in the Libyan Ba'thist party.

[495] Stöckl, August 18, 1964, Betr.: Verhaftung von Angehörigen der Baath-Partei in Tripolis und Bengasi: PAAA B36 IB4 066.

[496] Cairo retained the term UAR to refer to the Egyptian province of the formerly unified state. To avoid confusion, however, I will refer to this province and autonomous state as Egypt after the 1961 break.

[497] Majonica, September 13, 1963, Reise in den Irak, Syrien und Ägypten, Bericht und Analyse, Dokument 338, *Akten zur Auswärtigen Politik des Bundesrepublik Deutschland*, 1963 (München: Oldenbourg Verlag, 1994). Most of the German rocket scientists nevertheless withdrew by the end of the year under pressure from the Federal Government, as well as the Mossad. For more on the program and Israeli efforts to stymie it,

and soon proved untenable in the wake of revelations about German-Israeli arms dealings and Cairo's apparent though incomplete diplomatic embrace of the GDR. This cycle of suspicion, strike, and parry culminated shortly after, as Adenauer began openly contemplating closer geopolitical ties with Israel.

This last action instigated a diplomatic backlash throughout the Arab world. Foreign Ministers from the Arab states convened in Cairo at the end of March and were greeted by over one hundred demonstrators en route to the West German embassy and other German cultural installations. Protests likewise broke out in Libya. Dock workers in Benghazi refused to load German ships. Airport employees refused to allow Lufthansa planes to land. Libyan merchants even appealed to the East German trade mission to substitute East German wares for those from the Federal Republic. Student demonstrations dragged on for three weeks and resulted in the replacement of Prime Minister Mahmoud al-Muntasir – already unpopular because of his role in suppressing demonstrations the previous year –with Foreign Minister Hussein Maziq,.[498]

Protests continued nonetheless. By the end of March, German doctors in Cyrenaica had tendered their resignations and German soldiers in the British Army in Libya had begun closing their bank accounts in anticipation of the intensification of German-Arab tensions. According to Ambassador Beye, many were losing confidence "that the German government, under heavy consideration of Arab national pride will find a means and a way to modify their Near East policy that is perceived as not acceptably subtle."[499] Only a few days later, a bomb attack on the US Embassy in Benghazi further undermined this confidence and convinced some that protests were spiraling out of

see: George Lavy, *Germany and Israel: Moral Debt and National Interest* (New York: Routledge, 1966), 59-71.

[498] Despite these protests and their promotion of East German regional objectives, however, diplomat Achim Reichardt considered Libyan diplomatic recognition unlikely for the time being. Reichardt, March 27, 1965, Die Auswirkungen des Besuches des Vorsitzenden des Staatsrates der DDR, Walter Ulbricht, in der VAR in Libyen und die Haltung der libyschen Regierung gegenüber den anderen arabischen Staaten: MFAA A13589; Beye, March 25, 1965, Betr.: Libyen und die deutsche Nahostpolitik: PAAA B36 IB4 134.

[499] Telegram from Beye, No. 55, March 25, 1965, Betr.: Libyen und die deutsche Nahostpolitik: PAAA B36 IB4 134.

control.[500]

Demonstrations were also spreading from Libya to the European metropole. As protests continued in North Africa, Egyptian and Libyan students studying in the Federal Republic and Belgium converged on the Libyan Embassy in Bonn and declared a hunger strike. According to one observer, out of approximately 60 Libyan students in the Federal Republic, "only three or four had not followed the call (to protest) and explained that their studies are more important, and are otherwise of the opinion that Libya is dependent on Germany because of their oil exports."[501] Even those who refrained from participation, it seems, did so out of resignation to their personal situations rather than opposition to cause.

On May 12, the Federal Republic formerly accorded diplomatic recognition to Israel, sparking further popular discontent. In one sense, the gamble paid off. Nasser toned down his actions and stopped short of converting the East German trade mission in Cario into a full-fledged embassy. Other Arab countries likewise refrained from establishing official diplomatic ties with the GDR. In another sense, however, the Federal Republic over-played its hand. Arab governments broke relations with West Germany one after the other. Notable exceptions were the governments of Tunisia, Morocco, and Libya, the latter of which paid a high price. Under intense pressure from the Libyan populace, Idris temporarily withdrew the Libyan ambassador from Bonn but refused to sever political ties with the Federal Republic. Instigated by propaganda and pan-Arab ideologies, anti-German and anti-Idris demonstrations redoubled throughout the kingdom.[502] Although the protests

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[500] As it turned out, however, initial reports of demonstrators turning on the Embassy en masse were soon replaced by the more clear-headed assessment that the attack was carried out at night most likely by a single perpetrator. Beye, March 28, 1965, Betr.: Bombenanschlag in Bengasi: PAAA B36 IB4 134.

[501] Beye, April 6, 1965, Betr.: Hungerstreik libyscher Studenten in der libyschen Botschaft in Bonn: PAAA B36 IB4 134. Thirty-seven Libyan students would follow these demonstrations by occupying the Embassy in Bonn in February 1967. As the police cleared the students out of the building on February 11, however, they were greeted by 10 members of the Sozialistischer Deutscher Studentbund (SDS), a left-wing student organization that would play a primary role in the wave of protests that swept Germany in 1968. Verbal note from President of the Police Dr. Portz, Report Number 770/67, February 11, 1967: PAAA B81 V2 866.

[502] Beye, March 25, 1965, Betr.: Libyen und die deutsche Nahostpolitik: PAAA B36 IB4 134; Beye, April 11, 1965: PAAA B36 IB4 134. Likewise, the US Embassy in Benghazi was attacked on March 27. This sparked rumors

resulted in few major changes in domestic or foreign policies, they did contribute to growing feelings of insecurity among western oil companies. In May, the Sarir fields of BP and Nelson Bunker Hunt were bombed. In June, the wave of sabotage spread to Esso's Marsa el Brega, damaging three out of 16 oil tanks at port and a water injection line leading to their Zelten field. The fires were quickly contained and the damage, in the end, took Zelten off stream for only six hours. Nevertheless, these attacks alarmed Libyan authorities and western companies. First, they seemed to be "systematically planned" assaults on sections of petro-infrastructure at the point of shipment to Europe.[503] Planning could point to networks of anti-Idris and –West forces and deeper popular sympathies for Arab-Nationalism than the authorities assumed. Planning also pointed to a newfound understanding of the place of primacy petroleum occupied in the regional balance and western economies. It showed a willingness to disrupt flows of the lifeblood of Idrisian Libya and the West and therefore posed a new threat to newly exposed petroleum locales of vulnerability that at times seemed beyond the reach of western hard and soft power. And it showed a type of planning that was focused on damaging rather than constructing North-South ties.

Second, the saboteurs and demonstrators seemed to have been following ideologies and directives emanating primarily from Nasser's Egypt, whose Radio Cairo had recently broadcast messages critical of Idris' close western ties.[504] As the Foreign Ministry optimistically noted, Idris' decision to maintain ties with the Federal Republic was not only an acknowledgement of the close trade relations between the two countries but also a show of strength in the face of Nasser's broadening appeal and creeping propaganda.[505] The king, however, was not operating from a

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that the West German outpost in Benghazi was likewise attacked. The later rumors proved false. See: Telegram from Beye, No. 55, March 28, 1965: PAAA B36 IB4 134.

503 Telegram from Beye, No. 103, July 22, 1965: PAAA B36 IB54 134.

504 Egypt's recent criticisms of the US, according to one Foreign Ministry report, stemmed from the confluence of the anniversary of the Egyptian revolution of 1953 (June 18) and recent discoveries of American arms in Yemen. Beye, July 27, 1965, Betr.: Bombenattentate auf die ESSO-Anlagen in Marsa-Brega (Cyrenaica): PAAA B36 IB4 134.

505 As Stöckl reported in January 1966, this was a contentious decision. There was disagreement between the king and some of the most important members of his cabinet. Prime Minister "(Mahmud al-) Muntasser

position of strength or popular mandate. The sympathies of the Libyan populace seemed to lay with Cairo, not Benghazi. Early reports on the student occupation of the Libyan Embassy in Berlin pointed not only to the Nasser-led Cairo Conference of Foreign Ministers as a primary motivator, but also an unnamed Egyptian who rallied the Libyan students.[506] This was no fluke. Assessments of the March demonstrations as well as those in May drew German suspicions even more firmly to Nasser. Although Idris himself was not inclined to side with the Egyptian leader, according to the Foreign Ministry, the Libyan population was more sympathetic to the ideologies, including strong strains of anti-West, anti-Israeli (and –Semitic), and pan-Arab sentiments, burgeoning in neighboring Egypt.[507] Broadcasted ideological provocations alone, however, seemed insufficient to spur the populace into protest.

Instead, the Foreign Ministry saw directed Egyptian machinations behind the popular revolt. Although now a major petroleum exporter, Idris' Libya lacked regional influence. It had limited popular support domestically, a small military, and a small if growing state apparatus that had trouble resisting regional geopolitical pressures.[508] Cairo was aware of this and began to pressure Idris through appeals to the first generation of Libyans that had come of age after colonization under Idris and were most sympathetic to continued calls for Arab solidarity. Under the influence of Egypt, according to one report, "Libyan youths time and time again call for the unity of all Arabs and the

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wished for Libya to follow the policy of the majority of Arab states, even if it came to a break with the Federal Republic of Germany. Contrarily, the king saw in such a policy and submission to the pressures of Nasser and, also in consideration of the significance of the Federal Republic of Germany as a market for Libyan oil, declined." Muntasser, in turn, resigned his office in favor of Hussein Maziq, who followed the king's lead. This also strengthened the position of Petroleum Minister Fuad Kubazi. Stöckl, January 15, 1966, Betr.: Libyen an der Jahreswende: PAAA B36 IB4 207.

[506] Beye, April 6, 1965, Betr.: Hungerstreik libyscher Studenten in der libyschen Botschaft in Bonn: PAAA B36 IB4 134.

[507] Egypt had no monopoly on Anti-Semitism, of course. According to one report, the public outcry in reaction to the German weapons deliveries to Israel were to be expected, especially since, "the Libyans belong to the most Israel and Jewish-hostile Arabs." Abteilung I, May 10, 1965, Betr.: Stand unserer Beziehungen zu Libyen: PAAA B36 IB4 134.

[508] Dr. Fischer, August 20, 1965, Betr.: Vorlage des kulturpolitischen Jahresberichts: PAAA B36 IB4 135.

liberation of Palestine," forcing Idris to at least pay lip service to these ideals.[509] Petroleum, it had been thought, would bring wealth, development, and stability. As much as it temporarily accomplished the former, however, it also brought education – and Egyptian educators -, which introduced the seemingly unanticipated consequence of a new class of educated, young people, seeking "to make their presence clear and their influence effective" while the leaders of the older, less educated generation were slowly and ineffectively coming to terms with "the problems, which confront them in the modern state."[510] With these twin movements, according to a Foreign Ministry report, it is no wonder that the youth was turning to the socially radical ideology and ebullient political diatribes of Nasser.[511] For them progress had been insufficient. The older, anticolonial yet conservative generation had failed.

From this, one can see a paradox emerging. Oil was not just a means to wealth, development, modernity, and, ideally, sociopolitical stability. Under certain conditions, it could be. In the case of Libya as well as many other emerging petro-states, social change and dislocation, uneven development, economic instability, and the inevitable disjuncture between the promises of modernity and its actual manifestations worked to destabilize as much as create order. By 1964, it was becoming apparent to Libyans that their imagined modernity could not arrive under a regime so utterly dependent on the hegemonic and Israel-friendly West. It would not come through continued cold conflict with the resurgently popular Nasser. Moreover, it could not be achieved as long as foreign control over Libya's petroleum resources went unchallenged. The demonstrations and sabotage attest to this paradox of development and destabilization.

The paradox, moreover, was apparent at the time. The Germans Embassy had even

[509] Ibid.

[510] Ibid.

[511] According to Dr. Fischer, „Arabs love large words and long speeches and yearn for the feeling that comes from Nasser, while the current system does not fulfill the desires of the youth in these matters. Neither King Idris nor the crown prince or the Libyan prime minister can take up this approach; great things, to fire the imagined shape of history are likewise absent." Ibid.

diagnosed symptoms of the oil curse in the recent demonstrations. Writing in June 1965, Ambassador Beye highlighted the petro-economic issues underlying the popular unrest. Despite an unabating economic boom, all was not economically sound in Libya. "The high foreign exchange inflows from oil exports as well as the considerable increase in wages and salaries have contributed to the intensification of inflationary tendencies" which could serve to counteract the economic growth that the country has recently experienced.[512] Although moderate and steady inflation can be a net positive for a developing economy, a steep inflation driven solely by a single raw material sector can serve to undermine that economic growth in the long-run. Indeed, here, Beye identifies a condition akin to the Dutch disease, wherein a booming primary commodity sector causes the rapid accumulation of foreign currencies, economy-wide inflation, and either deindustrialization or, as in the case of Libya, a strong immediate economic disincentive to diversify the country's industrial bases.[513] As Beye would later point out, the continued success of the single resource export economy as well as the entangled and continued reliance on the expertise of western foreigners both necessitated and called into question the government's ability to deploy "a sensible investment policy" that could effectively combat spiraling inflation while improving the lot (and encouraging the allegiance) of the general population.[514] Despite efforts to moderate the socially destabilizing effects of inflation through public services, Idris proved unable to attack the problem at its roots by

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[512] Beye, June 18, 1965, Betr.: Anhaltenden Konjunkturaufschwung in Libyen Rekordausfuhren der Erdölwirtschaft: PAAA B36 IB4 134.

[513] Around the time that the Libyan oil industry experienced its own initial boom, so too did the Dutch gas industry based on two major discoveries: the Groningen gas field in 1959 and the Bergen gas field in 1964. Although diagnosed only in hindsight, *The Economist* first noted the relationship between the rapid growth of the gas sector and the resulting inflation based on a single resource that dragged down the rest of the economy, creating a major trade deficit, low non-gas sector growth, high unemployment, and deindustrialization. Although Libya was hardly deindustrialized, the focus on oil did distract focus and investment from industrializing in other sectors that may have created a healthier, more diversified economy less apt to centralized, authoritarian control.

[514] Beye, August 20, 1965, Betr.: Technische Hilfe für Libyen; hier: Einwand anderer Ressorts zu Wünschen der libyschen Regierung auf Gewährung technischer Hilfe unter Hinweis auf relative hohe Budget-Einnahmen aus libyscher Erdölproduktion: PAAA B36 IB4 134.

diversifying the economy.[515]

This situation derived in large part from the government's utter dependency on West German markets.[516] Petro-dependency, after all, rarely flows in only one direction. Between 1963 and 1964, Libyan petroleum shipments to West Germany increased nearly tenfold. The following year, they grew a further 50 percent accounting for one-third of Libya's crude exports in 1964 and nearly one-half in 1965.[517] Gelsenberg itself was entitled to over 4 million barrels of this in the year of the Israeli recognition and the resultant German-Arab diplomatic crisis.[518] These ties bound the Libyan economy to the German economy. In turn, it forced Idris to give more weight to economics and trade when dealing with the political issue of Germany and Israel. Petro-economic ties had shown themselves a potent factor in political relations. As Gelsenberg management observed after the crisis subsided, "The economic connectedness of both lands has reached the level of a meaningful political issue, as the Libyan government did not follow the decision of the Arab League – in Egypt's tow – to break diplomatic relations with the FRG."[519] Business ventures moreover were not spared such embeddedness in politics. Gelsenberg alone was already contributing nearly 50 percent of its own profits to Libyan taxes, rents, and royalties. On its own accord, the company had likewise already contributed nearly DM 200,000 to various educational projects in the country as an act of goodwill.[520] Gelsenberg had not only found its footing in the consortium's Libyan concessions, in

[515] Dirk Vandewalle, *Libya since Independence: Oil and State-Building* (Ithaca: Cornell University Press, 1998), 54.

[516] Or, in the East German vernacular, "Libya has bound itself more tightly to the West German imperialist circle through the granting of further concessions to the WG," further bringing the Libyan bourgeoisie in line with its West German counterpart. Der Politik der libyschen Regierung liegen folgende Grundüberlegungen in den Beziehungen zu den imperialistischen Staaten zu Grune, August 28, 1966: MfAA C698/73.

[517] For Libyan statistics, see: Beye, Aufschwung der libyschen Erdoelgesellschaft, June 18, 1965: PAAA B36 IB4 134.

[518] GBAG, "Der Erdölaufschluß in Libyen, Stand 30. April 1965": montan.dok/BBA 55/5683.

[519] Proposal from Schulte and Teller to the Finanzamt Essen-Süd, Antrag auf Erlös der Vermögensteuer bei Auslandsvermöge, October 25, 1965: montan.dok/BBA 55/5714.

[520] Ibid.

other words. The company – at the request of the Libyan government – had even established itself in the very sociopolitical institutions that were to push the country further into independence and, in turn, serve as the basis for Idris' claim to popular legitimacy.[521] As Libya came to rely ever more heavily on German markets, so too did Idris benefit increasingly from Gelsenberg's investments in his country. And so too did Gelsenberg.

Amidst the tumult of the protests, Idris' government began soliciting bids for the first round of concessionary allocations in nearly four years. According to American observers, the bidding process was marred not by the sociopolitical upheaval that surrounded them, but by systemic disorganization and conditions that encouraged if not required the offering of "sweeteners" or, less euphemistically, bribery and corruption. In line with the Petroleum Law of 1961, the newly established Petroleum Ministry enumerated and solicited 17 "elements of preference" in bids from companies.[522] Among these were such deliberately ill-defined requests as a greater than 50 percent profit share for the state, pre-existing footholds in markets, and "any other conditions more favourable to the Government."[523] The Petroleum Ministry made clear they expected favorable terms, but left the precise content of those conditions undetermined. Companies were therefore expected to outbid each other both in the open and in private consultation with Ministry representatives.

Bidding was announced on May 4 and began on July 29. When concessions were allotted in February 1966, they quickly became a point of contention and suspicion. Majors such as Esso and

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[521] Libya was becoming, in the words of Dirk Vandewalle, a distributive state, wherein state revenue was generated from taxing foreign companies operating in the country's natural resource industry. The relationship between government and society, and therefore tacit or expressed popular legitimacy for the government, relied on the redistribution of the state's petroleum-derived wealth and the construction of public projects, rather than direct public taxation and popular political engagement. For a detailed description of the distributive state, see "Chapter Two: The Distributive State" in Vandewalle, *Libya since Independence*, 17-38.

[522] The Petroleum Ministry replaced the Petroleum Commission that had hitherto handled relations with the companies.

[523] For a full list of the 17 "elements of preference," see: Waddams, 165-7.

Oasis which had been instrumental in drafting the 1961 Petroleum Amendment received nothing. Others including Shell, Texaco, and Socal met only moderate success. The largely unproductive and less-experienced German independents, however, received 13 of the 40 concessions offered. Only some of this could be attributed to Libya's embeddedness in and reliance on West German markets. The Federal Republic's recent embrace of Israel, as Beye had noted, still plagued "every German-Libyan high level meeting" and would most likely continue to haunt the concession allocations.[524] Scholven Chemie and Wintershall-Elwerath in particular counteracted these developments by speaking to several of Libyan points of preference. Early reports from the July bids noted great confusion and rumors of offers of profit sharing in the vicinity of 70:30 rather than the traditional 50:50. Some warned that the preference points might promote "an atmosphere of ambiguity about the Ministry of Petroleum's deliberations, and encourage corrupt elements to resort to what (now Prime Minister) Maziq once described as 'temptations and the use of middlemen.'"[525]

As the post-allocation fog cleared, these and other suspicions of sweetened offers proved largely accurate. As firms producing nearly 95 percent of all Libyan crude were passed over,[526]

[524] Telegramm, Beye, No. 146, December 13, 1965: PAAA B36 IB4 135.

[525] There is some circumstantial evidence that the Petroleum Ministry may have been trying to sew confusion through more than provisions apparently designed to pit companies against each other in rather nebulous conditions. According to the same report, the bidding process itself was marked by confusion, discomfort, and disorientation. "To the stupefaction of most of those present, the Ministry of Petroleum carried through with its rumored intention of not providing lunch for the visiting oilmen. Instead, at about one o'clock a tray of sandwiches was brought in and placed before Minister Ku'baazi, who announced to the hungry-eyed spectators that there was a snack bar across the street, which he had never visited, but which was rumored to be good. No sooner had Ku'baazi's words sunk in, than there was a rush of burly, silk-suited figures for the Snack Bar, and when the reporting officer made his way to the Snack Bar, five minutes later, there was no longer anything for sale but a few lukewarm soft drinks. At least 90% of those present in the conference room had no lunch at all, and sat waiting while Ku'baazi finished his sandwiches before resuming work on the bids….uncharacteristic lack of Arab hospitality." Ku'baazi indeed gave some sandwiches away, but hardly enough to feed the majority of those present. Many of the westerners expressed dismay. "Characteristic reactions, however, were unprintable. Almost to a man the delegates seemed amazed that they should have come thousands of miles at the invitation of the GOL to attend this ceremony in remote and primitive Baida, without the GOL having made any arrangements for their feeding." Airgram, Hume A. Horan, No. A 28, August 9, 1965, Subject: Opening of Bids for New Concession Area, July 30, 1965: NARA, RG59 PET 10-3 Libya B 1394.

[526] Namely, Esso, Oasis, Pan American, and Libyan American received nothing. Gulf withdrew its bids early. The French company Total refrained from making any offers.

smaller, unproductive independents such as Scholven Chemie, Wintershall, and Union Rheinische won the lion's share of those concessions, a significant portion of which were highly sought after by the Americans as well. For its own part, the Mobil-Gelsenberg group was granted three of the concessions they had applied for, making Mobil the notable exception to the otherwise poor showing by the majors. These successes could be partially attributed to Libya's continued favor for the companies of its primary market. According to the American ambassador, Idris and his Petroleum Ministry was keenly aware that the Federal Republic provided the largest market for Libyan crude. Just as the government had shown restraint in the Bonn-Cairo crisis the previous year, he averred, Libya continued resisting near overwhelming pressure to potentially jeopardize these ties.[527] It was even inferred at the time that the Embassy was actively promoting such preferential treatment in the supposedly private bidding process. Nonspecific but suggestive stories stated that Ambassador Beye himself had "actively supported" the German companies through his connections with the Libyan bureaucracy.[528] Although Beye's involvement hardly seemed critical, this claim reveals just how aware the Americans were of Libya's significance not only for German markets, but for German designs for the region and at last aiding its companies in expansion abroad.

These activities alone, however, fail to account for the outsized German success. As American Ambassador David Newsom reported, sweeteners gave the companies the final edge. Some companies offered participation agreements.[529] Others guaranteed that any Libyan crude they discovered would replace Soviet, rather than Libyan oil, downstream in the German metropole. A deal with a German firm would therefore only expand Libya's prominence in the West German

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[527] Telegram from Newsom, March 17, 1966, Subject: New Oil Concessions: NARA RG59 PET 10-3 Libya B 1394.

[528] Ibid.

[529] Ibid. Ambassador Seydel addressed the former claims explicitly only a month after the concessions were granted, albeit without direct reference to German offers: "In this regard, the question of whether the Libyan government itself will take part in the oil companies will be posed. Different companies have offered such participation to the Libyan government in various forms in exchange for the concession. In the case that the Libyan government accepted these offers, it can either found a Libyan oil company or empower the (other) company to carry out commercial operations by proxy." Seydel, March 21, 1966, Betr.: Neuvergabe von Erdölkonzessionen in Libyen: PAAA B66 IIIB6 493.

market while allowing the Federal Republic to pivot more definitively away from the communist East. Indeed, such guarantees of markets and eager willingness to displace one source of crude for another of more desirable provenance likely helped persuade a Libyan government already prone to spreading its concessions among independents.

Such deals, according to Seydel, demonstrated German resourcefulness and the companies' quick adaptation to the international petroleum game. "As there is not only one way to achieve one's goals in the Orient," he triumphantly proclaimed, the German companies simply "brought their relationships into play and deployed their lobbyists" to plead their cases. When argument alone did not suffice, they took the customary "third way so often trodden in the oriental countries."[530]

Some of these "offers and accommodations" included the customary offers of guaranteed markets and profit sharing enumerated above. Others, according to the US Embassy, were less candid. After the allocations were announced, Ambassador Newsom himself sought out Petroleum Minister Kubazi, who defended the decisions by citing "very tempting bonuses" and the appeal of guaranteed European markets to the Libyan government. At the same time, Kubazi criticized the majors for their tendency to "ignor(e) state sovereignty" by concealing data on Libyan reserves and their failure to comply with the "seventeen preferential factors" that the German companies seemed much more comfortable speaking to.[531] Although Kubazi did not elaborate on these points, the German Embassy was quite willing to. In conversations with the American Embassy, Secretaries Kurt Stöckl and Gottfried Fischer freely admitted that bribes were a "'very important' factor" in German concessionary successes. Fischer estimated that they constituted "about 95 percent" of the final

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[530] Seydel, February 22, 1966, Betr.: Neuvergabe von Erdölkonzessionen in Libyen: PAAA B66 IIIB6 493; Article described in: Seydel, April 13, 1966, Betr.: Neuvergabe von Erdölkonzessionen in Libyen: PAAA B66 IIIB6 493.

[531] Telegram from Newsom, March 17, 1966, Subject: New Oil Concessions: NARA RG 59 PET 10-3 Libya B 1394. Oddly, the conversation soon after turned to Occidental's Armand Hammer and his possible affinities for Zionism. Newsome responded that Hammer was a Unitarian and had operations in Saudi Arabia and Morocco, two Arab countries that were likewise unfriendly to Zionism. Although German companies were associated with a government that had just established diplomatic relations with Israel, they were not prone to outspoken Zionism and had few Jewish employees in Germany.

decisions, particularly when routed through Omar Salhi and Muhammad BuSayfaat, the "middlemen" for the Petroleum Minister and Prime Minister respectively.[532] Herbert Westerhausen, General Manager of Gelsenberg, further elaborated that Wintershall-Elwerath had offered to assume all preproduction costs and that Scholven-Chemie had offered a 53:47 percent profit split. All three companies likewise offered to fund scholarship and training programs for Libyan nationals and, if production were high enough, cooperation in constructing Libya's first export refinery. These types of deals, however, were relatively standard and open fare. According to Newsom, Westerhausen went on to enumerate Scholven-Chemie and Wintershall-Elwerath bribes to "the friends of Omar Sahli, including the Royal Family" amounting to nearly $28 million, sparking rumors that two of the concessions granted to German companies were originally slated for Esso and Shell. DEA, Westerhausen confirmed, was "unsuccessful because it refused to offer a bribe."[533]

Gelsenberg likewise had the opportunity to sweeten its concessionary bids. But, according to Westerhausen, it stopped short of the measures adopted by the other successful German independents. After one of the middlemen approached Westerhausen, he sought instructions from the Gelsenberg headquarters in Germany. The partnership with Mobil, however, proved a hindrance. "Since Mobil could and would not offer a bribe," he was told, "neither would Gelsenberg."[534] The two companies declined, but were nevertheless granted three concessions in the end. This was not because of Mobil's clout, but despite it. As Westerhausen reported, the Petroleum Minister assured

[532] Airgram, Blake, No. A-480, April 27, 1966, Subject: New Oil Concessions: German Embassy Comments: NARA RG59 PET 10-3 Libya B 1394.

[533] Airgram, Newsom, No. A-514, May 12, 1966, Subject: Petroleum: New Oil Concessions: Mobil/Gelsenberg Relations: DEA Take-Over: NARA RG59 PET 10-3 Libya B 1394. The Foreign Ministry offered a second, "official" explanation of DEA's failure as well. According to the Libyan government, DEA's partnership with the French firm CPTL influenced their decision. CPTL had two strikes against it. First, it was a major, whereas the government favored independents. Second, CPTL could not guarantee a market, due to recent accords between France and its primary supplier and former colony Algeria. As other French companies won concessions, however, it seems that the latter part of this explanation is suspect and the first alone is insufficient. Airgram, Blake, No. A-480, April 27, 1966, Subject: New Oil Concessions: German Embassy Comments: NARA RG59 Pet 10-3 Libya B 1394.

[534] Ibid.

him that Mobil-Gelsenberg owed its success to the "German connection" rather than any governmental affinity for the wealthier, more experience American major.[535] Libyan preferences continued to lie with the independents.

This is, in part, for reasons already noted above: guaranteed markets (and above all the West German market), a position from which to make demands on Libya, a lack of additional sources to distract from developing their Libyan fields, and a consequent willingness to compromise with the government. The events above, however, point to an additional reason for favoring German independents above the Americans. Despite Westerhausen's denial of Gelsenberg's participation, the German companies were generally more open to this "third way" of closing concessionary agreements than were their American counterparts, at least in this round of bidding. This of course does not mean that bribery and quid-pro-quos did not take place between particular Libyan middlemen or officials and the American majors and independents. In fact, widespread bribery was, if anything, a pervasive open secret.[536] What is remarkable about this situation is the openness with which Stöckl, Fischer, and Westerhausen discussed these practices with the American Embassy.

The German approach to conducting business in such a manner abroad is likely an outgrowth of West Germany's domestic laws and regulations regarding foreign business. As Hartmut Berghoff has argued, bribery was not only common among German businesses with interests abroad, but was actually accepted and, to an extent, sanctioned by government policies which allowed the firms to

[535] Ibid. Mobil sources corroborated this: Telegram from Newsom, No. 18058, February 23, 1966, Subject: New Oil Concessions: NARA, PET 10-3 Libya B 1394.

[536] As Dirk Vandewalle is keen to note, corruption was a central feature of petro-deals since before the changes of the mid-1960s: "The fact that a number of unknown independent oil companies managed to obtain concessions under undisclosed conditions prior to 1963 proved that the 'sweetener' system had also led to further corruption. Indeed, so rampant had charges of mismanagement and corruption become that the king himself felt obliged in July 1960 to issue a public letter denouncing developments inside the country." Despite the centralization of 1963 and the amended Petroleum Law of 1965 Libya "remained characterized by intrigue, personal, family, and royal diwan politics, and by a growing inability to control the extensive corruption that existed." Vandewalle, *A Modern History of Libya*, 71. Indeed, at least one American company, the Chappaqua Oil Company, was nationalized in 1970 under accusations of widespread bribery. Shukri M. Ghanem, *OPEC: The Rise and Fall of an Exclusive Club* (New York: Routledge University Press, 1986), 121.

write off these transactions opaquely as "useful expenses." This served, in other words, to legitimize this otherwise gray or black area of business contracts through the federal tax code itself, to the extent that bribes were at times deducted from taxes before they were actually tendered.[537] Corruption, it seemed, had not only become routine, but a *necessary* means of doing business with many foreign governments.[538] In Libya, bribes and sweeteners were not just an equalization measure; they were also a means to gain advantage over the otherwise dominant American firms who had distinct advantages that reached far beyond their experience and capital.[539] These practices were not confined to the petroleum sector. Nepotism and corruption were systemic to the entire regime. According to one West German official, "The prerequisite for a successful (senatorial) candidacy in practice is membership in one of the most important extended families or clans (*Stammesgemeinschaft*); beyond that the candidate must be able to deploy considerable financial means." This spoke to a system of centralized control and quid pro quos meant to ensure that the political network was too intertwined and complicit to allow for dissent against the central authority or state apparatus itself. In effect, "there (was) no opposition to speak of in parliament."[540] As I argue below, such charges of nepotism, graft, and western palm-greasing were among the many that plagued Idris in his later years. These practices may have offered some short-term gain to Idris and his familial and political networks. At least initially, such dealings might have even allowed the country flexibility in allocating concessions and therefore helped the country evade the neocolonial trap of dependency on a single or small group of complicitous companies to exploit their primary

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[537]This remained the case until the end of the twentieth century. Hartmut Berghoff, "From the Watergate Scandal to the Compliance Revolution: The Fight against Corporate Corruption in the United States and Germany, 1972-2012," *Bulletin of the German Historical Institute,* No. 53 (Fall 2013), 17.

[538] Berghoff, 16-19.

[539] Although they had other incentives and perks that created room to maneuver and negotiate, the American concerns were not able to write-off their bribes as legitimate business expenses. Indeed, as public and congressional scrutiny over foreign business dealing grew in the 1960s's, foreign bribery became even more taboo. What bribery took place by the Americans in Libya, in turn, would have been expected to have remained under the table, if not avoided by many companies.

[540] Länderaufzeichnung über das Königreich Libyen, May 15, 1968: PAAA B36 IB4 333.

natural resource reserves. At the same time, however, these same activities further encouraged extra-parliamentary criticism of the very governmental corruption and outsized dependence on western companies that the 1965 demonstrators emphatically decried.[541]

Even as the American firms fared so poorly in the Libyan concession allotment, they continued to make headway into the West German downstream riding the crest of their continued Libyan petroleum flows. Esso, which was producing nearly fifty percent of Libya's oil in 1964, already had its own European refinery network to supply. Others, such as Marathon had purchased a 40 percent stake in a 2.5 million ton capacity refinery in Mannheim, with Wintershall possessing the additional 60 percent. Elwerath, Wintershall's partner in Libya, would itself be purchased by Esso and Shell only a year later in 1967.[542] The previous year, Continental purchased a 20 percent stake in a 3.5 million ton capacity refinery in Karlruhe, with the remaining 80 percent ownership split evenly between DEA and Scholven Chemie. It also invested heavily in the major gasoline chain Sopi and several tankers. These types of investments were not particularly surprising. Libyan production was growing at an alarming rate. As the American Economic Counselor to the Ambassador reported, "The major factor possibly limiting future production increase in Libya is not the question of reserves (at least for the short run Libya has substantial 'proved' reserves estimated at the end of 1964 at about ten billion barrels), but the question of marketing." [543] With these investments, "the question of marketing" was at least partially answered. By 1966, the Federal Republic was the largest buyer

[541] Idris had taken measures to curb corruption in the past. These measures, however, proved ineffectual in the face of a weak state apparatus dependent on rents, royalties, and patronage, three factors in what would subsequently be labeled as "the oil curse". See: Vandewalle, *A History of Modern Libya*, 70-72.

[542] As with other acquisitions by foreign majors, the purchase of Elwerath provoked unease among many in Germany and Libya, as well as France. The Libyan government was reportedly dismayed that a German independent that had recently been granted several concessions because of its national affiliation and size would now be owned by internationals. The French were more adamantly opposed, as their own CFP had expressed interest in purchasing German firms in the past but had been denied because of its foreign incorporation.

[543] Airgram, Henry K. Heuser, No. A-374, March 26, 1965, Subject: Petroleum: Industry Report for 1964: NARA RG59 PET 2 Libya B 1394.

from nearly all non-state companies operating in Libya.[544]

This expansion was no weaker in the case of Mobil-Gelsenberg than it was for the aforementioned companies. Together, Mobil and Gelsenberg had one of the largest network of refineries in the Federal Republic. Mobil owned a major refinery in Bremen; Gelsenberg in Horst. They each had a 50 percent stake in the Neustadt refinery [Figure 4.3]. As the Amal pipeline feeding into Ras Lanuf went into operation, Gelsenberg likewise began to draft plans to construct a new refinery in Wertheim.[545] Taken with the recent reallocation of Aral shares, Mobil and Gelsenberg had networks that would continue to absorb the bulk of their production for their tenure in Libya. This situation allowed Stöckl to make the observation in 1966 – after the tensions of the protests, petroleum law amendments, and concessionary allocations subsided – that "Libyan optimism seems well placed. The quality of Libyan oil and the favorable geographical position near Europe justify the assumption that Libya oil will encounter no marketing difficulties, even in the case, where world oil production continues to climb."[546]

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[544] Twenty-nine percent of Esso's production, 47 of Amoseas, 75 percent of Mobil-Gelsenberg's, 52 percent of Continental's, 38 percent of Marathon's, and 28 percent of Amerada's was sent to West German markets. The only except was Philips which marketed exclusively in the US and Great Britain.

[545] Stöckl, September 12, 1966, Betr.: Libysches Erdöl – Exporte 1965: PAAA B66 IIIB6 493.

[546] Ibid.

Europäische Pipeline-Systeme mit Gelsenberg-Beteiligung

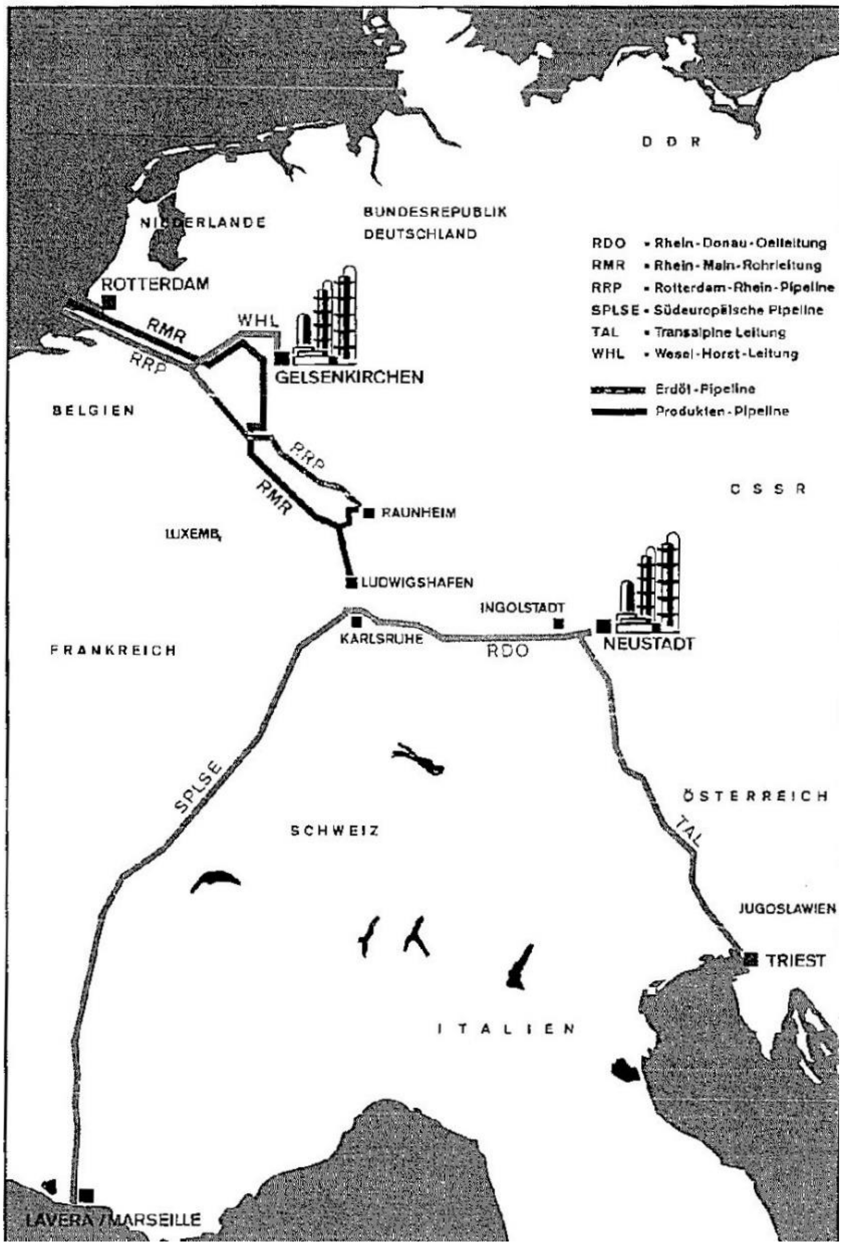

Figure 4.3: "Europäische Pipeline-Systeme mit Gelsenberg-Beteiligung." Image from *Gelsenberg AG Bericht über das Geschäftsjahr 1970*: BBA 55/857.

This period of increasing flows, petroleum-network integration, and stability, however, would not last long. As it would turn out, the events of 1965 were not anomalous, but the harbinger of larger disruptions to come. And these would come as a result of the outsized single sector growth, economic imbalance, and social discontent that characterized many postcolonial states caught up in a primary commodity boom. Although oil had brought wealth into Libya, it did not bring the planned sociopolitically pacifying development many westerners and supports of Idris had hoped. For its part, by the mid-1960s, the Federal Republic had already fulfilled nearly all of its development obligations to Libya – which ranged from mobile clinics, to instructors for a trade school in Derna, to police officer training, to expertise in electrical engineering and chemicals, as well as various training and higher education opportunities for Libyans in the Federal Republic.[547] Uniquely, however, Libya had failed to sign on to any additional technological and economic aid agreements since August 1961.[548] This meant not only that the newly enriched Libyan government assumed the obligation of funding local development projects and foreign education initiatives in West Germany and elsewhere. It also showed that the Federal Republic's role in Libyan domestic development was changing from aid to investment. Given its single-export economy, this did not bode well for West Germany's goals of maintaining influence in a stable and affluent West-aligned Libya, at least through its preferred means. Technical aid had been a cornerstone of the Federal Republic's outreach to Libya and indeed, had improved West Germany's standing in the country (especially vis-a-vis its East German rival) and "indirectly" contributed to improved German-Libyan relations. Still, as Libya came to rely increasingly on petroleum rather than a diversity of trade resources and development aid, it risked entrapment in a petro-driven downward economic spiral. As Seydel observed, "oil admittedly assumes such a dominant place in the Libyan economy that all other economic undertakings are comparatively insignificant…In 1965, 99.4 percent of all Libyan exports were oil. Under these circumstances, the successes of development aid in Libya could not effect an improvement in payment and trade balance."[549] As the aid agreements ended, in other words, it became clear that the development initiatives could "not have the desired effects on account of the incomplete cooperation on the Libyan side."[550] Petroleum would hereafter be the primary source of

[547] For a more complete list of West German development aid to Libya, see: Seydel, March 2, 1967, Betr.: Überprüfung der Ergebnisse unserer Entwicklungshilfe: PAAA B66 IIIB6 536.

[548] This includes an offer of approximately DM 30 million in development aid that the Libyan government rejected petro-dollars began to flow into the country in the early 1960s. Ibid.

[549] Seydel, February 16, 1967, Betr.: Überprüfung der Ergebnisse unsere Entwicklungshilfe: PAAA B66 IIIB6 536.

[550] Seydel, January 3, 1968, Betr.: Libyen an der Jahreswende: PAAA B36 IB4 309

development funds and the primary direct linkage between the Federal Republic and Libya.

After all, masses of petro-dollars were already flowing into Libya and rapidly displacing western aid. This did not, however, necessarily translate into sociopolitical stability. The government seemed unable transform these petrodollars into industrial development, economic diversification, or even domestic sovereignty over sources of crude. And it failed to bridge the growing divide between its clientelistic bureaucracy and an increasingly politicized and demanding populace. Up to this point petroleum flows had generally been controlled by the companies. That is, except for the exceptional and brief periods of sabotage and, as I argue below, occupation. Although this form of concessionary control had been favorable to immediate company interests, it also encouraged a cycle of resentment against the leader who facilitated such foreign dependency. As evident in demonstrations of 1965 and as we will see again in 1967, 1969, and the early 1970s, this situation would only grow worse when regional conflicts time and again penetrated Libyan borders and exacerbated the already burgeoning discord between the Libyan population and government. Most immediately, Arab-Israeli tensions were once again heating up. By June 1967, they would generate a major crisis for German-Libyan relations as well as the regional geopolitical balance. This time, however, the conflict would spill over into Mobil-Gelsenberg's operations.

. . .

By 1967, MENA was already fracturing into blocs whose sympathies simultaneously lay apart from and very much within Cold War polarities. The conservative states (namely Saudi Arabia, Iran, and Libya) had deep petroleum and political ties with the West while the progressive states (most notably Egypt and Syria) had constructed closer trade, diplomatic, and military relations with a Soviet Union eager to make inroads into the Middle East. The next major war in the region, however, was not to be a conflict over communist or capitalist spheres of influence alone. Instead, it would again be a war over Israel and one which Nasser and his regional supporters, emboldened by Soviet military support, seemed anxious to commence.[551]

The Six-Day War of 1967 marked a dramatic victory for the western and West-aligned powers and a major defeat for the positive-neutralist and anti-Israel forces of the Arab world. It was, as Rashid Kahlidi has argued, a turning point in American-Israeli and –Arab relations, after which "the full identification with Israel of the United States" became more open if not also more formidable.[552] At the same time that it drew the primary eastern and western powers deeper into the ongoing Arab-Israeli tensions, so too did it encourage Britain's ultimate withdrawal from its remaining neocolonial holdings in the region in the interest of shoring up the recently damaged sterling economy.[553] Iran – emboldened by increased revenues in the aftermath of the crisis - and the US moved to fill the vacuum that was left particularly in the Persian Gulf.

These developments also had serious ramifications for the already tenuous position the Federal Republic and Gelsenberg held in the eyes of the Libyan populace. Despite the events of 1965, Idris' government remained firmly oriented toward the West and its petroleum flows fixed on Western Europe. Nevertheless, it could not ignore the broader regional affairs that were increasingly dominated by ideological forces anathema to Idris. As I show below, this pull between North and South, between the Euro-American and Arab world proved a considerable thorn in Idris' side.

On June 2, Petroleum Minister Khalifa Moussa and Undersecretary of the Ministry of Petroleum Affairs Ibrahim Hangari boarded a plane to discuss the bourgeoning Arab-Israeli conflict

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[551] Odd Arne Westad, *The Global Cold War: Third World Interventions and the Making of our Times* (New York: Cambridge University Press, 2007), 198.

[552] This was a turning point in terms of magnitude rather than direction. As Khalidi continues, the 1960s had already marked a division of MENA into a conservative bloc supported by the US and a progressive bloc aligned with the Soviets. It also inaugurated a series of military supply deals between the US and Israel, replacing largely French and West German shipments. Rashid Khalidi, *Sowing Crisis: The Cold War and American Dominance in the Middle East* (Boston: Beacon Press, 2009), 117, 121. The Soviet Union likewise increased its military supplies – including aircrafts, tanks, and even pilots and other servicemen - mainly to Egypt in the aftermath of the war. They did so, however, critical of the Egyptian performance so far and hesitant to get too deeply involved in what the US had framed as a victory in a East-West proxy war. Westad, 199.

[553] Timothy Mitchell, *Carbon Democracy: Political Power in the Age of Oil* (New York: Verso, 2011), 158.

with other representatives of Arab oil producing governments. Two days later, the participants agreed that, in the event of Arab-Israeli war, they would halt crude shipments to countries that directly supported Israel. For the first time, in other words, they elected to collectively unsheathe the oil weapon.

War indeed seemed to be burgeoning. Bolstered by recently signed mutual defense pacts with Syria and Jordan as well as steady streams of Soviet military support, Nasser had moved to cut of the port of Eilat by blocking Israeli ships from the Straits of Tiran.[554] Following inaccurate Soviet intelligence but nevertheless anticipating a strong response, Nasser likewise began amassing troops along the Egyptian-Israeli border. When Israel preemptively attacked on Egyptian forces in Sinai on June 5, 1967, demonstrations against Israel and the governments that supported it broke out throughout Libya. On the first night, not only were Jews targeted in Tripoli and Benghazi, but so also were "all foreigners, so far as they were under suspicion of supporting the Israeli side." The police were unable or unwilling to stop the demonstrations and violence. Some even participated. Purportedly "out of fear of acts of sabotage in oil fields," the government ordered the closure of oil extraction and shipping centers. Strikes broke out at ports and oil fields and other western civilian and military installations. An armed crowd attempted to storm the American Wheelus airbase.[555] Although they suffered no physical damage in the end, the offices of Gelsenberg were put on heightened alert when the neighboring British Embassy was set aflame. The West German oil men were forced to flee the premises and the country under a barrage of stones and insults.[556]

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[554] The Israeli port at Eilat would grow in significance after the war. Located east of the Sinai Peninsula, it was unaffected by the blockade of the Suez Canal. Since the 1950s, Israel had discussed building a 42-inch pipeline from Eilat to Ashkelon to convey Iranian oil to Israeli and European markets. The closure of the Suez in 1967 reignited discussions and eventually convinced the Iranians that the project was economically feasible. Constructed with the aid of West German loans, the project went on stream in December 1969 and would main a cornerstone to the Israeli oil industry until Iran's Islamic Revolution in 1978. For an interesting account of the political-economy of the pipeline's construction, see: Uri Bialer, "Fuel Bridge across the Middle East – Israel, Iran, and the Eilat-Ashkelon Pipeline," *Israel Studies*, Vol. 12, No. 3 (Fall, 2007), 29-67.

[555] Seydel, January 3, 1968, Betr.: Libyen an der Jahreswende: PAAA B36 IB4 309.

[556] Schubert, 38-9.

Over the next few days, Arab oil supplying countries adopted three measures aimed at making western economies feel the impact of the war. Nasser expanded his blockade against Israeli ships at Eilat into a total closure of the Suez Canal, hitherto the primary passage of oil shipments from the Middle East. Iraq likewise shut down the American-British owned IPC pipeline that ran to Syrian port at Baniyas and the Lebanese port at Tripoli. This exacerbated the effects of the closure of Suez. These measures together could have benefited Libya's oil industry. Its crude needed to pass through none of the areas in dispute. It was of particularly high quality and, given recent developments, could conceivably make up for much of the shortfall from Saudi Arabia and Iraq. As Near Eastern crude became scarce, and as Iranian crude traveled the long journey around the Cape of Good Hope and up the western coast of Africa before it made its way to Europe, the already relatively low cost of Libyan production and transportation could work heavily in the country's favor as global prices rose in tandem with the decrease in supply. Though imaginable, however, this scenario was impractical under the circumstances posed by a third initiative.

The June meeting of Arab oil ministers had adjourned with a pan-Arab agreement to embargo shipments of petroleum to the Netherlands, the United States, and the United Kingdom.[557] This was the critical third measure. Moussa and Hangari arrived back in Libya to find that the outbreak of demonstrations as well as attacks on western personnel and Libya's petro-infrastructure had already convinced Idris to halt *all* production and shipment of Libyan oil while the government attempted to restore order. Some, including reliable Libyan and American sources, claimed that English advisors had convinced the king to take such drastic measures, "in order to avoid discriminating (against) the two lands" that played the largest role in its oil industry: the Americans as the primary producers, the Germans as the primary market. These claims gained some traction in the West German Embassy in light of the American companies' conspicuous silence on the matter of

[557] This decision was reinforced by the Baghdad Resolution issued shortly after the war had ended on June 18.

reopening exports to the neutral lands in Western Europe.[558] Although the government expressed its intention to reopen flows as soon as was feasible, however, ports remained closed as the normally quiescent dockworkers union called for a general strike in solidarity with the Arab cause. [559]

Their call was heeded. Strikes broke out at Mobil, Oasis, Shell, and Esso installations. German tankers were held at port indefinitely.[560] Meanwhile, according to Gelsenberg's Westerhausen, Idris was effectively powerless as the strikes dragged on.[561] As the tides of the Arab-Israeli conflict turned decisively against the Arab cause, so too did the Libyan situation worsen. And as the war in the Levant concluded with Israeli territorial gains into the Sinai Peninsula and southern Syria, it became apparent that the western companies and officials in Libya would need to wield additional leverage to bring the strikes and the embargo to a quick conclusion. The French ambassador conveyed to Seydel that the problems were first and foremost North-South geopolitical issues, a claim that notably sidelined the interests of the American majors and the US and UK. According to this logic, the issues should be approached in solidarity with the continental European powers through comprehensive EEC-government talks.[562] The Embassy and Gelsenberg sought unilateral solutions, wherein they would coordinate in arguing "that the non-delivery to German markets damages Libyan interests even more than those of the Germans."[563] Although the latter might have been an economically sound argument, it was deaf to the sociopolitical dimensions of the crisis and the Libyan government, otherwise disposed to the argument that the German market

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[558] Dr. Westerhausen, July 31, 1967, re: Erdölembargo: montan.dok/BBA 55/5683.

[559] According to the Ministry of Economics, the unions had previously been "securely in the hands of the government, in which they were financed and led by the Ministry of Labor." Since then, however, "a group of left-oriented, Arab-nationalist youth" had come to prominence and radicalized the organizations. Dr. Toepfer to St.S. Dr. Neef, July 27, 1967, Betr.: Libyen: Gefährdung deutscher Erdöleinfuhren infolge der labilen innenpolitischen Lage: Bundesarchiv Koblenz (BAK) B102/123670.

[560] Telegramm, Seydel, No. 68, June 13, 197, Betr.: Erdoelboykott: PAAA B66 IIIB6 536.

[561] Westerhausen, July 31, 1967, Betr.: Erdölembargo: montan.dok/BBA 55/5683.

[562] Telegramm, Seydel, No. 68, June 13, 197, Betr.: Erdoelboykott: PAAA B66 IIIB6 536.

[563] Draft letter from Klaus Schütz to GBAG, June 1967: PAAA B66 IIIB6 536.

occupied a central place in the Libyan petroleum economy, quickly tired of hearing it.[564]

The Federal Republic was not the primary target of the boycott. Sill, the extensiveness of the embargo caused anxiety in a country that now relied on Libya alone for over 30 percent of its petroleum, and the other Arab states for an additional 35 percent. Domestic reserves were getting squeezed. According to one report, the decline in Libyan shipments would soon verge on a shortage, "that would be considerably larger than the 20 percent deficit previously claimed by some companies."[565] Having planned little for the potentiality of such an abrupt cessation of shipments from Libya and the other Arab exporters, a 20 percent decrease could wreak havoc on a German economy already caught in recession.[566] That is, were the country not be able to find crude elsewhere.

Gelsenberg was hardly insulated from these developments. The company had invested upwards of DM 335 million in Libya over the last decade and had only recently begun to receive a substantial return on that investment. By imposition of the embargo and the outbreak of strikes, the company was acquiring nearly 60 percent of its petroleum from its stake in the Mobil-Gelsenberg venture and much of the rest of its additional crude was coming from Mobil's take.[567] All of these oil flows came to an abrupt halt. Unable to meet its supply obligations to its own refineries and no longer able to purchase excess crude from Mobil Libya, Gelsenberg was forced to purchase increasingly from non-Libyan and non-Arab sources. Mobil and other American tankers were rerouted from North Africa to Persia and Venezuela to access alternative, more distant, and more

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[564] Letter from Friedrich Funcke to Klaus Schütz, June 8, 1967: PAAA B66 IIIB6 536.

[565] Friedrich Funcke to Klaus Schütz, June 8, 1967: PAAA B66 IIIB6 536.

[566] The recession of 1967, the first since the economic miracle of the early 1950s, was the culmination of the peak and downturn of the business cycle, a European-wide slump in demand for German products, high federal expenditures, the Bundesbank's preference for currency stability rather than anti-cyclical spending, and a related lingering national distrust of even moderate rates of inflation. See: Hans-Joachim Braun, *The German Economy in the Twentieth Century* (New York: Routledge, 1990), 182; Werner Abelshauser, *Deutsche Wirtschaftsgeschichte: Von 1945 bis zur Gegenwart* (München: Bundeszentrale für politische Bildung, 2011), 307.

[567] Funcke to Brandt, June 16, 1967: PAAA B66 IIIB6 536.

expensive deposits.[568] Gelsenberg, however, had no alternate holdings of its own and was once again forced to rely on the majors to make up for anticipated future shortfalls.[569] This was a measure taken by the other domestic refiners and purveyors as well.

Despite numerous entreaties from Gelsenberg and the West German Embassy itself – including a modest public relations effort to publicize Gelsenberg's contribution to Palestinian aid programs -[570] Idris' government remained unwilling to lift the embargo while demonstrations persisted with such vehemence. This, however, did not stop solicitations for extra incentives to reopen the ports. At the end of June, the "black prince" Sayyid Abdalla Abed al Senussi reportedly approached the German Embassy to solicit a £L 3 million bribe. Upon declination, the prince restated his offer at a lower sum, again to little avail.[571] More officially, the Libyan government

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[568] According to one report, prices had almost tripled in the worst cases. Where German firms had paid DM 50 before the conflict, they were now paying upwards of 136 for oil from sources outside of Libya. Part of this increase was attributable to the prevalence of long term supply contracts, which left less crude open to spot market and other short term purchases. Aufzeichnung, Dr. Harkort, July 10, 1967, Betr.: Erdöl in Libyen: PAAA B66 IIIB6 536.

[569] The anticipated shortage, however, never came to pass. In fact, European supplies as a whole were reinforced by an effective network of swing producers. By the end of the crisis, US companies received government dispensation to circumvent domestic anti-trust laws and increased production by upwards of a million barrels per day or nearly two thirds of the Arab cutback. Iran and Venezuela increased production to make up for some of the rest of this shortfall. Nigeria had been likewise considered a strategic contributor at the outset of the crisis. By the beginning of July, however, Civil War broke out between Biafra rebels and the Nigerian government over, among other things, the allocation of government oil revenues. This severely curtailed Nigeria's ability to make up for shortfalls in Arab crude production. Daniel Yergin, *The Prize: The Epic Quest for Oil, Money, and Power* (New York: Free Press, 2009), 537, 539. In terms of European flows, France was likewise crucial to West Germany's continued supply and redirected approximately 1.5 million tons of Algerian oil to the Federal Republic: "Öl-Diplomatie: Besuch auf Schloß Ernich," *Der Spiegel* (7/1969), February 10, 1969, 54.

[570] According to one report, the American majors were in no hurry to have the embargo lifted and did little to pressure the participating countries for compromise: Westerhausen, July 31, 1967, re: Erdölembargo: montan.dok/BBA 55/5683. As the closures continued, the Foreign Ministry became concerned that the Libyan press was trying to sabotage the favorable reputation West Germany had in Libya. They therefore pushed the Libyan Foreign Minister to pressure the government-aligned press to report more favorably on the Federal Republic. An article in the government publication *Ar Raid* highlighting Gelsenberg's contribution to Palestinian refugees was the apparent result. See: Seydel, July 16, 1967, Betr.: Unterredung mit Aussenminister Bishti; hier: Deutsch-arabische Beiziehungen: PAAA B36 IB4 260; Translation of „Deutsche Ölgesellschaft an der Spitze der Hilfe für die Araber" from *Ar-Raid*, July 25, 1967: PAAA B36 IB4 260.

[571] Ibid. Schubert, 40. Seydel, January 6, 1968, Betr.: Besuch des libyschen Ministerpräsidenten in der Bundesrepublik: PAAA B36 IB4 309.

turned to its Embassy in Bonn to seek a weapons deal for future police actions against unrest, an action to which Chancellor Kurt Georg Kiesinger seemed inclined.[572] These requests, however, seemed more concerned with growing the security apparatus than with a well-defined quid pro quo and in the end contributed little to the lifting of the embargo or ending the demonstrations and strikes.

Although Gelsenberg expressed confidence that the embargo would not hold indefinitely, it was nevertheless eager to regain access to its Libyan fields as soon as it could and stepped in with its own offer. Rather than offering direct bribes to members of the royal family, Gelsenberg responded to requests from the Petroleum Ministry for security helicopters and subsidized pilot-training. Such a deal would not only allow the government to claim a small victory in an otherwise losing situation,[573] but would also contribute to the re-imposition of order over an agitated population and western-operated oil fields that had been targets of protest and sabotage.[574] Notably, Gelsenberg – supported by several other West German companies active in Libya[575] - entered into this deal with little tangible support from the federal government and ended up supplying eight of the ten helicopters themselves. As one critic in the Foreign Ministry bluntly argued after unsuccessful efforts to find a federal program to which to bill the purchase, "The non-delivery of the last two machines would endanger the relations of the (Libyan) oil minister and the German oil firms more than the relationship between the Libyan and German government. The former is of course not unimportant."[576] It was not, however, important enough.

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[572] Brandt to Kiesinger, July 24, 1967, Document. 279, Hans-Peter Schwarz, ed., *Akten zur Auswärtigen Politik der Bundesrepublik Deutschland, 1967* (München: Oldenbourg Verlag, 2013), 1121.

[573] According to Seydel, Libya was in a more precarious situation than the Federal Republic: "Libya is more dependent on us than the reverse. The financial situation is bad. The government would do everything, to appear enlightened and the Libyan public will gradually follow suit out of necessity." Telegramm, Seydel, No. 68, June 13, 1967; Telegramm, Seydel, No. 111, July 11, 1967: PAAA B66 IIIB6 536.

[574] Telegramm, Seydel, No. 135, August 1, 1967: PAAA B66 IIIB6 536.

[575] Namely, Scholven-Chemie, UK Wesseling, and Wintershall.

[576] Aufzeichnung, Günther Harkort, July 29, 1968, Betr.: Hubschrauber Libyen: PAAA B66 IIIB6 573.

Despite uncertainties in funding sources, the helicopter deal encouraged the favor of the Libyan government as resolve for the embargo waned through the end of June.[577] On the July 3, Idris proclaimed solidarity with the predominant Arab position and announced that crude deliveries would resume to the Italy, France, Greece, Spain, "and other friendly states." In effect, not only were Great Britain and the US proscribed, but so too was the Federal Republic. The Libyan press continued to promote the embargo against West Germany and the strikers, reportedly under the influence of Egyptian and Ba'thist propaganda,[578] took up the explicit cause of "no oil for West Germany."[579] At the same time, rumors began to circulate of complots to dethrone King Idris.[580]

Soon thereafter, Idris began to crack down on demonstrators to forcibly reopen the ports.[581] On July 7 and under heavy pressure from Gelsenberg and Scholven Chemie, the Petroleum Ministry drafted a plan to reinstate exports to West Germany through French, Italian and Dutch ports. On July 13, the Petroleum Ministry gave permission for crude shipments to Germany through ports at Rotterdam, Marseilles, and Trieste under the condition that the ultimate destination of the deliveries remain unpublicized.[582] As Gelsenberg later reported, the majors resisted the resumption of exports to Germany. Esso cited fears that other Arab lands would respond by further limiting their own exports to the country (and thereby circumscribing Esso's own activities) as well as other

[577] While the helicopter agreement played a role in lifting the boycott, so also did the collapse of the embargo elsewhere. By the end of June, the Iraq Petroleum Company was once again producing and shipping crude to Turkey and France and Mobil was preparing to load its first tanker bound for West German markets since early June. This served to undermine the rationale for Libya's continued adherence to the policy. Schubert to Funcke, et al., June 30, 1967, Betr.: Schnell-Information über die Versorgungssituation am 30. Juni Morgens: montan.dok/BBA 55/5683. Later appraisals looking into the eligibility of Veba – Scholven Chemie's successor company – for federal loans in light of the actions likewise came to the conclusion that actions were effective and justified. Sieger to BWMF, May 9, 1972, Betr.: Bohrdarlehen an die Firma Veba Chemie AG für Vorhaben in LIbyen: PAAA B66 IIIB6 710.

[578] Harkort speaking of former Ambassador Beye's two week dispatch to Libya to aid in talks with the government. Aufzeichnung, Dr. Harkort, July 10, 1967, Betr.: Erdöl in Libyen: PAAA B66 IIIB6 536.

[579] Telegramm, Seydel, No. 96, July 3, 1967: PAAA B66 IIIB6 536.

[580] Ibid.

[581] Telex, Seydel, No. 106, July 8, 1967: PAAA B66 IIIB6 536.

[582] Schubert, et al., July 15, 1967, Betr.: Libyen: montan.dok/BBA 55/5683.

"difficulties" for the trafficking countries. Oasis noted similar fears of "difficulties" and its own questionable tanker shortage. Even Mobil objected. The company reportedly "feared reactions in the street, while the perception of the FRG in the Arab world would be at least as bad as that of the USA and the UK" and, as a further act of obstruction, demanded the deal be set down in writing.[583] Gelsenberg continued negotiations despite the opposition of the majors and came to a two-month export schedule – coupled with the concession of a five cent posted price increase – allowing Gelsenberg tankers to resume shipments on July 18. Confronted with this plan in writing, Mobil at last gave up its opposition and allowed the first tanker of crude destined for Gelsenkirchen to be loaded.[584] Service via France resumed at the end of the month. Direct service to German ports was reinstated by the beginning of August and to all other embargoed ports by September.[585] As exports resumed, in the words of Enno Schubert, and "when the extraordinary circumstances were over, we (Gelsenberg) could determine with some satisfaction, that we had sailed through the test well as so-called trainees."[586]

Gelsenberg emerged from the embargo bolstered by its patience and perseverance and, despite tensions with the majors, reassured that its position in Libya was secure. As shipments resumed, so did Gelsenberg's refinery operations expand, and West German demand grow. The Federal Republic remained the largest importer of Libyan crude and Libya West Germany's largest supplier. Gelsenberg, meanwhile, returned to its activities, exporting more Libyan crude by the end the year than in 1966.[587] That is despite the 27 days of embargo.   Over the next two years, Mobil-Gelsenberg's production and therefore Gelsenberg's own take continued to grow, deepening

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583 Westerhausen described this second objection as "nonsense, as the export was never expressed in writing and Mobil has exported to other lands such as Belgium and Holland without holding special permission." Westerhausen, July 31, 1967, Erdölembargo: montan.dok/BBA 55/5683.

584 Telegramm, Seydel, No. 125, July 18, 1967: PAAA B66 IIIB6 536.

585 With the announcement of the Khartoum Resolution.

586 Schubert, 39.

587 Translation of "Fruitful Work in Two Arab Countries", *Ar-raid*, February 2, 1968, 7: montan.dok/BBA 55/5683.

company and West German dependency on Libya. And, vice versa.

The events of June and July also proved reassuring to the Federal Republic in several respects. Despite the reality that the “radical streams” running through the Arab world had penetrated Libya, according to Ambassador Seydel, the Libyan reliance on Germany as its primary oil market had once again moderated the regime’s response to radicalizing pressures. Idris chose to halt all production and shipments at first, rather than targeting the Federal Republic specifically as protesters had demanded. Indirect deliveries then resumed before the Khartoum Conference officially lifted the embargo on direct shipments to Rotterdam and German ports. What is more, Seydel averred, “The Libyan policy held strong, consistently and unflinchingly, to its line of non-recognition of the GDR. At no point has it considered recognizing the GDR nor has it attempted to blackmail with the issue.”[588] In turn and despite the demonstrations, the Libyan government expressed its appreciation for the Federal Republic’s policy of neutrality in Arab-Israeli matters.

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The 1967 Arab-Israeli War is often considered a critical blow to Nasser’s Cairo-centric Pan-Arab dream. It is not often considered, however, in relation to the peripheral (in terms of actual fighting), but deeply affected (in terms of domestic politics) Libya.   Although the defeat may have manifested on a grander scale in the Middle East, it likewise exposed deep fissures within and had long-term effects on Libyan society, government and, therefore, petroleum.

West German- and Gelsenberg-Libyan relations edged back toward stability once the boycott was lifted. By September, Libya had reinstated its ambassador in Bonn. Despite concerns, Idris likewise held fast to his policy of East German non-recognition. At the same time, trade between the two countries quickly picked up and soon surpassed the pre-crisis benchmarks. With its continually growing state income, Libya continued to import West German goods at a remarkable rate. In 1967, it imported nearly DM 156 million of goods from the Federal Republic mainly in the forms of

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[588] Seydel, November 15, 1967, Betr.: Libysche Meinungen und Vorstellungen über das Verhältnis zur Bundesrepublik und sich abzeichnende Tendenzen: PAAA B36 IB4 260.

chemicals, industrial finished goods, and automobiles as well as livestock and foodstuffs. In 1968, it imported approximately 226 million, making West Germany the fourth largest exporter to Libya.[589] The petroleum trade likewise resumed at a rapidly ascendant pace. Between 1967 and 1968, the Federal Republic took in over 25 percent of Libya's crude exports as total Libyan production increased by nearly one-third.[590]

Although these trade numbers are striking, they did not immediately make up for Libya's other losses during the crisis. As a result of the popular resentment direct towards the Libyan Jewish population, nearly all of the 6,000 members of that community had left by 1968, putting a significant dent in the country's domestic commercial economy.[591] In terms of the petroleum economy, Libyan production lost nearly £L 480 million worth of oil exports during the embargo, a development that severely exacerbated the state's petro-dollar deficit that had been growing significantly since at least 1966.[592] Although prices briefly doubled in the aftermath of the crisis, they fell to pre-crisis levels the following year. This limited how much the economy could recover on the basis of previous production levels. One of the few positive developments for Libya and the oil companies operating there lay in Libya's strengthened market position with the recent closure of the Suez Canal.[593] During the 1956 Suez Crisis, Libyan oil was still just speculation and the country was therefore unable to reap the overwhelming benefits of being one of only two major producers situated along the Mediterranean. A decade later, however, Libyan crude was indisputably cheaper and of higher quality than much of the Arabian and Iraqi supply. In part reassured by Idris' recent displays of

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[589] These favorable numbers nevertheless came nowhere near closing the trade gap significantly, as Libyan petroleum exports continued to outpace total imports from the Federal Republic by a factor of 100. Hans Funke, July 7, 1968, Wirtschaftlicher Jahresbericht: PAAA B66 IIIB6 573; Länderaufzeichnung über das Königreich Libyen, March 15, 1968: PAAA B36 IB4 333.

[590] In 1967, Libya produced on average 1.74 million barrels of oil per day. In 1968, total production averaged 2.61 million barrels.

[591] A disproportionate fraction of this community had been business owners: Länderaufzeichnung über das Königreich Libyen, March 15, 1968: PAAA B36 IB4 333.

[592] Funke, July 7, 1968, Wirtschaftlicher Jahresbericht: PAAA B66 IIIB6 573.

[593] Egypt would continue its blockade of the canal until 1975.

caution if also uncertain of his future, the companies went on a production spree, extracting more crude in 1967 than the previous year despite the boycott. They continued producing 50 percent more oil in 1968 than in 1967 generating an additional half billion Deutsche Mark in income for the government.[594] At the same time, Esso had had embarked on the construction of a gas liquefaction plant and oil refinery at Marsa el Brega which, it was estimated, could cover upwards of 70 percent of Libya's own demand for petroleum products at much lower prices than imported products in the near future.[595] In terms of crude production and exports, then, Libya recovered remarkably quickly. That is, even though other sectors continued to suffer the repercussions of the tumult.

This was not, however, just a question of trade and economics. The failure of the Arab cause in the 1967 and Idris' unwillingness and inability to directly challenge the anti-western, anti-Israel, and anti-government demonstrators also widened the gulf between monarchy and populace. In the aftermath of the crisis, it was clear that the prior status quo could not be easily restored. Nevertheless, Idris adopted a several-pronged strategy to re-secure his rule. After rounding up and prosecuting the leading strikers,[596] the king reorganized his government and military. Prime Minister Hussein Maziq was replaced with Abdul Qadir al-Badri. Upon taking office, Badri was charged with purging disloyal military personnel. His hesitancy to do so caused his replacement in only several months' time.[597] Then, the regime set out to restructure the government's relationship with the

[594] Waddams. 210.

[595] Funke, July 7, 1968, Wirtschaftlicher Jahresbericht: PAAA B66 IIIB6 573.

[596] Among the strikers was Mahmud Sulaiman al-Maghribi, who would be released from prison and appointed Libya's first post-Idris prime minister.

[597] This rapid succession of Prime Ministers was becoming common place in Libya. Between 1963 and the proclamation of the Republic in 1969, there were seven Prime ministers, only one of whom, Abdul Hamid al-Bakkush served out a term of an entire year. According to Ambassador Seydel, Badri's exit was a real loss for Libya: "No other personality – without creating conditions unacceptable to the king - was prepared to lead Libya out of the crisis and to restore domestic security." His "robustness" and "energetic willingness to take drastic measure, a succession of arrests and the introduction of charges against more than 100 people, who had taken part in subversive actions and many of whom were sentenced to a long incarceration, were responsible for the relatively rapid reinstitution of peace and order." Badri, however, was too "self-reliant" for Idris and was replaced with Bakkush, a politician from Tripolitania. As much as this was a decision based on the person of Badri, in other words, it may also be interpreted as an attempt to reach out to the other provinces of Libya and, if only slightly, diversify provincial representation in the government. Seydel,

companies.

The first changes were relatively minor. "To mitigate the direct and indirect financial effects of the Near East crisis" which had left Libya with a £L 25 million deficit and diminished foreign currency reserves,[598] the Petroleum Ministry mandated tax and royalty payments four times per year within 30 days of the close of each quarter.[599] More than anything else, this change simply brought Libya's tax schedules more closely in line with others in the region. At the same time, the Petroleum Ministry likewise began pressing for an increase in posted prices and the complete termination of marketing discounts, among other changes, that would increase Libyan revenue. Moreover, in the same spirit of widening state influence over domestic petroleum matters, on April 14, 1968, Idris issued a decree proclaiming the creation of the state-owned Libyan General Petroleum Corporation (Lipetco) whose purpose was to encourage Libyan participation in the oil sector and reclaim a degree of state sovereignty over the country's resource wealth.[600] This initiative met only mixed success in the remaining years of Idris reign, although it would prove an important first step to the more effective Libyan National Oil Company (LNOC) that would soon replace it.

The Petroleum Ministry followed these initiatives with two additional regulations of note. As per recent OPEC recommendations on coordinated production levels, Libya drafted and adopted

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November 7, 1967, Betr.: Hintergründe des libyschen Regierungswechseln: PAAA B36 IB4 260. Bakkush himself was replaced in September 1968 by Wanis Gaddafi, a member of the old guard. Gelsenberg's Westerhausen had a different interpretation of Badri. Although he was conservative rather than radical, he was also popular neither in his home province of Cyrenaica nor in Tripoli. This was not necessarily a recipe for an effective and durable tenure as Prime Minister. Westerhausen, July 31, 1967, Erdölembargo: montan.dok/BBA 55/5683.

598 Seydel, November 8, 1967, Betr.: Libysches Erdöl, hier: Stand der Verhandlungen zwischen der libyschen Regierung und den Erdölfirmen: PAAA B66 IIIB6 536.

599 Previously, the laws granted a 60 day window in which to pay quarterly royalties and a four month window to make annual tax and surtax payments.

600 More specifically, its charge was to "promote the Libyan economy by undertaking the development, management and exploitation of oil resources in the various phases concerned, the establishment of national petroleum industries, and the distribution of locally manufactured and imported petroleum products, as well as by participating with the authorities concerned in planning and executing the general oil policy of the state, determining the prices of crude oil and products, and safeguarding price levels." Law No. 13, Royal Decree from April 14, 1968, quoted in Waddams, 175.

Regulation 8. According to this rule, companies were now required to report proposed drilling operations before the operations began. In effect, this provided the government that succeeded Idris with a legal basis for targeted and industry-wide production decreases on the grounds of conservation.[601] Regulation 9 was more contentious. With the BP and Esso pricing fiascos earlier in the decade still plaguing government efforts to assert sovereignty over natural resources, this rule unequivocally wrested the power to determine posted prices from the companies and invested it in the government. This was a major pivot, especially for a government that had in the past been so deferential to company demands. And, much as Regulation 8, this regulation would likewise give the subsequent Libyan regime a legal basis on which to assert its authority over company activities. Both rules were designed with government fears of overproduction, rapid field depletion, and sub-standard state revenues in mind.[602] Neither had time to take hold before Idris was deposed.

Although the first regulation passed without company consultation and much controversy, the second deviated too far from previous conventions in the country and contractual company rights. Because of the latter, it needed company consent to pass and, unsurprisingly, was slow to aggregate such support. That is not for lack of time. Regulation 9 was made known to the companies in January and called for a ten cent posted price increase in August. The companies resisted, although both sides agreed to negotiations set for the beginning of September. As the coup on the first of the month would prove, however, these efforts at recovery were too little and came too late for the Idris regime. Petroleum, which had brought wealth and independence from foreign aid to the kingdom, had also become a wedge between an aloof king and his people. The very crude oil that had beckoned Gelsenberg and other German investments into the country in the first place was likewise proving a potential vulnerability as well as a critical lynchpin in German-Libyan relations.

The next chapter will investigate these international and transnational business connections

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[601] Gurney, 57.

[602] Gurney, 56-7. Libya was the first country to adopt these OPEC conservation guidelines. Waddams, 180.

from the military putsch of 1969 through the restructuring of the Libyan regulatory and taxation regime in the early 1970s and the peak and decline of the Libyan-German oil trade. The German thirst for crude was growing. However, as Italy came to pass the Federal Republic as Libya's primary export market in 1971 and the new junta instituted drastic production cuts, West Germany turned increasingly to Iran and Saudi Arabia for its crude. Although this turn pulled the Federal Republic from such overwhelming dependency on a single state's production, however, it did not diminish Gelsenberg's role as the only German firm with significant foreign production. Indeed, it may have heightened it.

In 1968, persistent rumors that Mobil intended to take over Gelsenberg turned to more concrete claims that the French CFP was set to purchase a majority share in the company from Dresdner Bank and Deutsche Bank. Unlike in Texaco's acquisition of DEA, however, Economics Minister Karl Schiller did not stand by idly. Much had changed Adenauer and Erhard gave way to Kiesinger and the "Grand Coalition" of the CDU/CSU and the Social Democrats. Schiller, a Social Democrat himself, assumed the head of the agency in 1966 and, as one of his first major challenges, attempted to pull the national economy through the brief recession of 1967 by striking a Keynesian middle position between the neoliberal social market economics of the previous two decades and the socialistic command economics of the Soviet East. He settled on the macroeconomic interventionist principle of *Globalsteuerung* aimed at achieving the "magic square" of low unemployment, low inflation, economic growth, and a positive trade balance.[603] With the economic recovery after the 1967 downturn, it temporarily seemed that such anti-cyclical planning was effective and even uniquely appropriate as the postwar boom was petering out.

[603] The magic square was particularly difficult to achieve as the means deployed to achieve one objective often undermined efforts to achieve another. Moreover, such close, refined Globalsteuerung of the economy required near instantaneous decisions and policy actions that were beyond the abilities even of the experts in charge of deploying them. For a dense, detailed account of the rise and all of this economic doctrine and the birth of Germany's postmodern and postindustrial political-economy, see: Tim Schanetzkty, *Die große Ernüchterung:Wirtschaftspolitik, Expertise und Gesellschaft in der Bundesrepublik 1966-1982* (Berlin: Akademie Verlag, 2007).

Schiller applied such interventionism and active state policy to questions of oil and domestic ownership over the few remaining German oil companies as well. When the French CFP claimed that it had come to a "preliminary agreement" with Dresdner Bank to purchase its shares in June 1968 – a claim the bank subsequently and repeatedly denied-, the Schiller acted.[604] After pressuring Dresdner Bank to delay the sale and determining the government could not, for ideological and economic reasons, purchase the company itself,[605] Schiller began soliciting bids from numerous companies (Hoechst AG and Veba among them). It found an eager buyer in the rapidly conglomerating energy firm Rheinisch-Westfälisches Elektrizitätswerk AG (RWE),[606] which quickly moved to acquire the shares, along with an 8 percent stake simultaneously offered by Deutsche Bank. The purchase price was ten percent lower than that offered by CFP.[607] The French firm and the French government were furious.

The process of securing this deal was contentious. Former Economics Minister Karl Schmücker, having opposed the Texaco deal from 1964, responded to French frustrations contending this was no slight to Franco-German economic cooperation, but a foundation to it: "One's own house must first be brought into order, before one can pursue cooperation with France."[608] The Federal

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[604] Aufzeichnung, Voos, October 10, 1968, Betr.: Übernahme der Gelsenberg-Aktien durch die Compagnie Francaise de Pétrole: PAAA B24 633.

[605] As Economics Minister Karl Schiller explained to the American Embassy, he was "personally, not eager to have the government acquire Gelsenberg. He laughed when he added that this was a strange doctrine for a socialist." His reasons included the fierce competition in the oil industry, the current unprofitability of most companies (although Gelsenberg had done well in the previous year), and doubts over whether shareholders would agree to such a takeover. Bonn 14425, June 1, 1967, Subj.: Call on Economics Minister Schiller – German Oil Companies: National Archives and Records Administration, College Park, MD (NARA) RG59 PET 6 GERW B 1335.

[606] The RWE already had majority stakes in Braunkohlenwerke AG and Hochtief AG and full ownership of Union Rheinische Braunkohlen Kraftstoff AG, as well as investments in the nuclear industry of southern Germany. In 1988, incidentally, RWE would purchase DEA from Texaco, marking the return of the company to German hands.

[607] Radzio, 276.

[608] „Gespräch des Bundeskanzlers Kiesinger mit dem französischen Botschafter François Seydoux," Document 35, January 30, 1969, *Akten zur Auswärtigen Politik*, 124. The BMWi made similar proclamations to the Americans, arguing that Germany needed to make a determination on its new oil policy and prospectively a government-facilitated consolidation of the companies that maintained a "German character" before

Republic, he continued, just needed to get its own petroleum affairs together before dealing with such large and complex matters. After industry consolidation (and after the German companies secured better control over oil sources), the companies would be more open to and better able to engage with their French counterparts in questions of energy, and, particularly, taking expensive Algerian oil off of French hands.[609] As Foreign Minister Willy Brandt had explained more directly to French ambassador, this was not a question of cooperation. Although cooperation is important, "a stock purchase is not an element of cooperation let alone – as the ambassador had said – of integration." [610] Instead, it was a question of retaining sovereignty over energy matters, even if the company remained private (as the federal government maintained it would) and the sources of that petroleum lay abroad. It was a question not of western cooperation, but of national energy security.

Behind such explanations lay not only a lingering discomfort with the DEA-Texaco deal – which the government had already decided was a loss worth taking in the interest of shoring up the rest of the German-owned industry - but also fears alternately of French and, even, American control over Gelsenberg's diversified holdings. As State Secretary Karl Carstens explained, the CFP was not the only foreign company to account for. Mobil, Gelsenberg's partner in Libya, had engaged in numerous petro-projects together. In fact, Mobil already owned a small, though on its own relatively insignificant piece of Gelsenberg. As was well known, Mobil had expressed interest in acquiring

contemplating such major acquisitions. Bonn 14425, June 1, 1967, Subj.: Call on Economics Minister Schiller – German Oil Companies: National Archives and Records Administration, College Park, MD (NARA) RG59 PET 6 GERW B 1335.

[609] „Gespräch des Bundeskanzlers Kiesinger mit dem französischen Botschafter François Seydoux," Document 35, January 30, 1969, *Akten zur Auswärtigen Politik*, 124.

[610] Aufzeichnung, Ritzel, Anlage, Dr. von Bismarck-Osten, January 13, 1969, Betr.: Deutsch-französische Zusammenarbeit auf dem Erdölgebiet; hier: Beteiligung der Compagnie Francaise de Pétrole an der Gelsenkirchener Bergwerks-AG: PAAA B24.633; „Gespräch des Bundesministers Brandt mit dem französischen Botschafter François Seydoux," January 10, 1969, *Akten zur Auswärtigen* Politik, 38-9. The French were not happy with the federal government's opposition to the deal and cried afoul. According to the French perspective, the deal would have brought the two energy industries and indeed the two countries closer together. Moreover, as they claimed, Dresdner Bank (which held 30 percent of Gelsenberg's stock and had been looking to unload it since 1967) and the CFP had already come to a preliminary contract. Dresdner Bank denied this claim. The Economics Ministry then scrambled to find a domestic buyer. The RWE was the only to submit an acceptable bid. Horn, 274-5; Karlsch and Stokes, 373.

more of Gelsenberg in the past. The major eventually agreed to restrain its interest in acquiring a greater stake in Gelsenberg, with the understanding that other foreign companies likewise were proscribed from acquiring greater shares. If it was a principled policy, as this reasoning went, Mobil would abide by it. If it was a policy directed solely against Mobil or the majors, however, it would would not refrain from the pursuit. According to Carstens, keeping Mobil out of Germany's primary oil company was the primary objective that worked in the interest of both France and Germany.[611] In other words, this was far bigger than Franco-German economic relations or even European cooperation. It was a question of majors and independents, America and Europe, and energy interdependence and dependency.

It was also a question of a major transformation in petroleum policy to which Gelsenberg, with its Libyan sources, experience, and capital, would be critical. This became clear in 1969, when Schiller's long slog toward a national oil company realized its goal. In July 1969, the eight largest German firms, together holding a 25 percent share of the West German refining and distribution market, and the government came together to establish the Deutsche Mineralöl Explorations Gesellschaft (Deminex).[612] This was, in the words of Falk Illing, a striking example of "corporatist public-private interdependence" wherein "the state reserved subvention as an instrument to sway the companies to bundle their exploration enterprises" to improve competitiveness and place a great portion of the domestic energy portfolio in the hands of the domestic independents.[613] And it was a major change from the situation that companies had hitherto encountered, particularly when expanding abroad. The new company was charged with expanding their operations to bring an additional 20 million annual tons of foreign crude on stream over the next ten years at a projected

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[611] Gespräch des Bundeskanzlers Kissinger mit dem französischen Botschafter François Seydoux," Document 35, January 30, 1969, *Akten zur Auswärtigen Politik*, 125.

[612] C. Deilmann GmbH, Deutsche Schachtbau, Gelsenberg, Preußag, Saarbergwerke AG, Scholven Chemie, Union Rheinische, and Wintershall.

[613] Illing, 121.

investment of nearly DM 3 billion (or, DM 150 per ton).[614]

Despite early support from Libya and other producing countries who expressed a preference for state companies and contracts,[615] Although they would fall far short of their goals in part, as one American observer noted, because of "large capital outlays, increasing political risk, Deminex's inability to do much on its own and the international companies' reluctance to let any latecomers in on their game except as objervers (sic)"[616] and in part because of unrealistic objectives set for an industry that had never produced on such a scale,[617] Deminex itself is emblematic of the new economic and energy policies that were implemented in Bonn. So was Schiller's facilitation of the RWE purchase of Gelsenberg. As the next two chapters show, the global economy was undergoing major structural changes by the end of the 1960s that manifested themselves in the German (and western) economic recession of the 1970s and the Globalsteuerung intended to combat it, the installment of a radical nationalist government in Libya, the shoring up of oil industries in both the North and South, struggles over resource prices and access particularly in the Arab world, and another Arab-Israeli war. In Libya in particular, radical streams of thought were taking over and asserting themselves over western, German, and Gelsenberg interests in the country. The next chapter traces how these changes, tensions, and pressures converged in the one place where a

[614] As Horn notes, "Concerning the financial measures, there also persists here a striking continuity, while the DM 575 million raised by 1974 not completely by chance correspond exactly to the difference between the exploration loans of DM 800 million promised in 1963 and the DM 225 million actually paid out by 1968." As these funds did not produce any significant discoveries during their first run, it is unlikely they will during the second, even if the efforts are better coordinated. Horn goes on to argue that the government needs to commit either "considerably more means from the federal budget or foreign currency reserves of the Bundesbank" to the Deminex project for it to pay off. A third option, he poses, is instituting "rigorous federal control over the energy market in favor of the German concerns" to encourage private capital investment. Horn, 277, 278.

[615] Von Auwers an Schubert, Brief Nr. 170/96/69, May 8, 1969, Betr.: Deminex: montan.dok/BBA 55/5684.

[616] Telegram, Cash, January 6, 1972, Subject: German Negotiations with BP on Abu Dhabi Concession: "Crossroads" for German Oil Policy: NARA PET 6 Ger W.

[617] It was estimated that the German oil industry would require nearly DM 25 billion over the next decade to secure a significant position abroad. By 1980, less than 600 million had been invested and the company fell far short of obtaining a significant petroleum foothold anywhere. Horn, 277, 278.

German company had actually found a foothold, ubt during a time in which that foothold itself was seeming less and less secure.

Chapter 5: Losing Footing: Gelsenberg, West Germany, and Revolutionary Libya

At the beginning of 1967, Ambassador Seydel filed his annual "Libya at the turn of the year" report with the Foreign Ministry in Bonn. Coming before the protests and embargo surrounding the Six-Day War, Seydel offers what in hindsight is an overly optimistic estimation of the stability that massive and sudden oil wealth brought to the country. He not only envisaged that economic growth would allow Libya to abandon the crutch of international economic aid. This indeed came to pass. He also predicted this same expansion would bring about "domestic political pacification" as more and more Libyans could "take part in the blessings of oil." Some of this pacifying potential came from the king's efforts to depoliticize the population; some, from the increasingly centralization of authority in the hands of a distributive government. As there were no legal political parties, according to this construction, there was no major organized political opposition. Former officials who might otherwise have been rivals to the monarchy were instead focused on competing in the statist economic sphere. In Seydel's words, those "who would lead the opposition to the government in other countries, instead establish businesses and come to wealth and riches."[618] Petrodollar-based pounds would substitute for political ideology. State-distributed prosperity and a clustering of indigenous businesses around oil would replace the need for a strong national identity. It would follow, then, that as long as the petroleum continued to flow, the population would remain tacit if not active supporters of the Idrisian status quo.

The same report also offers glimpses at tensions that were simmering below the surface. Although Idris' policies appeared to be working, the king himself was the primary stabilizing factor for a country of people whose allegiances were familial and provincial rather than national. As an anti-regime uprising or coup seemed only a distant threat at the time, the anticipated monarchical succession appeared to be the primary threat to the country's inner stability. This was a pressing issue. As was his wont, Idris had earlier in the year indicated he "wished to withdraw himself to

[618] Seydel, January 28, 1967, Betr.: Libyen an der Jahreswende: PAAA B36 IB4 260.

spend the end of his life in prayer and religious meditation." Although he did not actually abdicate, the very proposition begged an important question: What would happen once Idris, an elderly and eminently reluctant ruler, stepped down? Crown Prince Hassan Rida was slated to succeed the king, although he remained unpopular and, as attested in the last chapter, notoriously open to graft. The succession became even murkier after the crown prince. As at the country's founding, there seemed no single figure who could unite the population. Many Libyans, Seydel continued, did not support the crown prince and would instead prefer a republic. Others would prefer another member of the Senusi to accede to the throne.[619] Still others, as events would show, preferred an alliance with the Arab-nationalist Nasser or the largely Mesopotamian, but pan-Arab Ba'th. The kingdom, Seydel noted, "is not a constitutional monarchy in the European sense," as it lacked a history of self-governance, institutional superstructure, and a systematized process for succession.[620] Turning his attention to the presumed stabilizing power of resource wealth, the ambassador left the questions of succession and, in essence, Libya's future as a conservative, West-friendly, petroleum exporting monarchy unanswered.

Although Seydel's assessment of the condition of the monarchy and therefore the security of West Germany's primary petroleum supplier was bullish, it is important to note that he identified the issue of succession in the first place. There was no nationally acceptable plan to ensure power would be transferred in an orderly manner after Idris' departure. Nor, as it turned out, was there any reason to think petroleum wealth had secured the monarchy's standing in the eyes of the population. The events of June 1967 exposed this fact. Here, the Libyan population showed itself opposed to Idris and his pro-West and pro-German policies. Arab-nationalist ideologies were taking hold. So too was a version of positive neutrality that appeared sympathetic with East over West German interests. As Seydel explained, "Even in the countryside, you get asked: 'Which Germany do

[619] Ibid.

[620] Ibid.

you come from?' It turns out then that the 'GDR' is valued as the true and the Federal Republic as the false friend, who one must be cautious of. This is already being drilled into (*eingehammert*) the children at school." This message was likewise finding reinforcement in Egyptian propaganda. It was even promoted in the government-controlled and otherwise regime-aligned Libyan media.[621]

These changing sympathies, moreover, were not relegated to the streets, schools, and newspapers. They also pervaded the military. By August 1969, sobering reports made their way to the Embassy that claimed cadres of officers were already planning to forcibly prevent Rida's coronation were the king to step aside.[622] There were, in fact, many such groups, some plotting more radical measures to disrupt the monarchy.[623] One of these groups brought their plan to fruition. On the morning of September 1, 1969, a group of young military officers stormed army, police, and government headquarters while Idris was abroad seeking medical treatment. Effectively routing both the national army and the Cyrenaican Security Force (the king's extended Praetorian Guard), the conspirators took to the airwaves to announce Idris' abdication and the formation of a new revolutionary government. One week later, a little-known, 27 year old Muammar Gaddafi revealed himself as the lead conspirator and head of the newly formed Revolutionary Command Council. The Embassy was blindsided by this course of developments. It was able to pull together a list of members of the Revolutionary Command Council (RCC) only several weeks after the coup, even as it continued to misconstrue the putsch as an Egyptian-led effort to extend Cairo's influence

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[621] Seydel, November 15, 1967, Betr.: Libysche Meinungen und Vorstellungen über das Verhältnis zur Bundesrepublik und sich abzeichnende Tendenzen: PAAA B36 IB4 260.

[622] Dresdner Bank AG, August 1969, Zu Länderbericht, Reisebericht: Libyen: PAAA B36 IB4 334. These assessments are much less optimistic than those within the US State Department, Chase Manhattan Bank, and Citibank who, according to Daniel Yergin, who, only in 1968, all expressed confidence in the political stability of Libya, even in the event of the King's death or abdication. Yergin, 559.

[623] These include but are not limited to the young and inexperienced Free Unionist Officers, who had been plotting against the regime since the beginning of the 1960s. By the end of the decade, however, it was not a matter of how the Idris regime would fall, but of who would be the proximal cause of its demise. As Daniel Yergin memorably notes, many of the plotters were called into action on the night of August 31 "without knowing who was in charge, or even which coup it was." Yergin, 559. See also: Allison Pargeter, *Libya: The Rise and Fall of Qaddafi* (New Haven: Yale University Press, 2012), 48-60.

rather than the endogenous action it turned out to be.[624] As the putchists divided top government offices among themselves and publicized their agenda, however, it became clear that the coup was evidence not only of the crown prince's lack of support and Egypt's ideological influence (rather than direct involvement), but also of the monarch's own shortcomings in bridging the expanse that separated his regime from the population. This expanse, it appeared, had been carved by petroleum flows and grew wider with the growing exploitation of the country's crude.

What is notable about this coup is not just the revolution that followed or the republic and, eventually, the *Jamahiriya* that ultimately replaced the monarchy.[625] Much indeed would change over the next few years as Gaddafi and the RCC moved to further centralize the economy and industry, erode the developing modern state apparatus, weed out the corruption that characterized the pre-revolution bureaucracy, mobilize the population toward revolutionary causes, and reorient the country's foreign policy (although less so its exports) from the West to Libya's Arab neighbors and the communist East. Although the new regime would articulate their policies differently, the government also maintained key elements of Idris' administration regarding the Petroleum Law - subject to adjustment but not outright disposal - and the dependency on western petroleum companies and markets. These continuities would prove crucial for Gelsenberg's continued presence in the country, just as their new political and geopolitical contexts would cause the Federal Republic to reassess its heavy dependency on Libyan oil. This chapter will trace the process of change and adaptation, of reluctant retrenchment and withdrawal that arguably posed greater challenges to the

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[624] Tim Szatkowski, *Gaddafis Libyen und die Bundesrepublk Deutschland 1969 bis 1982* (München: Oldenbourg Verlag, 2013), 19.

[625] Replacing the Libyan Arab Republic in 1978, the Jamahiriya was ultimate realization of the Third World Universalist ideology described primarily in Gaddafi's *Green Book*. It was, according to Vandewalle, "an alternative to capitalism and Marxism. Its directives, reflecting a profound distrust of political parties and bureaucratic institutions as obstacles to popular participation, provided the theme for a number of increasingly dramatic economic, social, and political initiatives. These culminated in the creation of a Jamahiriyya - a country directly governed by its citizens, without the intervention of intermediaries." That is, at least in theory. In effect all political power was centered in the RCC and, ultimately, in the person of Gaddafi himself. See Chapter 5 in Dirk Vandewalle, *A History of Modern Libya* (New York: Cambridge University Press, 2006), 97-138.

West German petroleum industry than that of any other country. Some of the tepid and equivocal German response examined below is attributable to the paradoxes of Gaddafi's first two years of rule: destabilizing and government-imposed change and increased national revenues, stunted development and a drive for an indigenous technocracy, and hostility toward the West and utter reliance upon it. The period under examination here is often seen as a lull between the end of 1967 and 1973. It is therefore often overshadowed by the surrounding wars and embargoes. This chapter will show that for West Germany and its primary oil company operating in Libya, the idea that these years were calm, stable, or anything of the sort are unfounded. Instead, these changes in Libya coincided with a critical period of transformation in German energy policy. Some of these changes manifested in the formation of Deminex. Some, in the clear centrality of Gelsenberg to plans for domestic energy security. Others, such as the incomplete erosion of the mutual dependency of the Libyan upstream and the German downstream, were intimately related to the transformations in the Libyan petroleum regime sparked by the RCC's revolution. For reasons both internal and external to the domestic upheaval, the early 1970s in Libya were indeed more of a crescendo to the oil crisis than an abatement of post-1967 tensions. They were the beginning of Gaddafi's consolidation of power- whether in the form of controls over pricing and production, or even outright nationalization – and the realization of a radical articulation of resource sovereignty that reverberated and even repeated through OPEC and OAPEC ranks. The effects of these changes on German-Libyan petro-relations, likewise, were far more lasting, if less radical, than those of the 1973/4 shock.

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The September coup was abrupt and bloodless. And, it was met with a collective yawn by the international community, West Germany and Gelsenberg included. Part of this muted response can be attributed to confusion. The putchists were military officers largely unknown to western intelligence. Uninvolved in Libyan industry and trade, they were likewise unfamiliar to the westerners who had been active in Libyan development and petro-projects for over a decade. At the same time, given the climate sociopolitical intrigue that pervaded the period and the snowballing rumors of Idris' imminent departure, the fact that a coup occurred was hardly surprising. It was the exact timing of the coup and the composition of the conspirators that had been unanticipated. The king's deposition was certainly a temporary loss for the oil companies and their western European markets. The ideological proclivities of the revolutionaries, however, was indeterminate. A strong, centralized leadership that leaned conservative rather than progressive and could garner popular support might actually serve western and company interests over a longer term. Many countries including the Federal Republic had constructed their relations with Libya around petroleum flows. And the purveyor of the petroleum mattered less than its continued production.

Even the immediate aftermath of the coup seemed to reinforce this perspective. On September 3, only two days after the putsch, conditions in Libya were already beginning to normalize. Despite continued tensions in Cyrenaica – the king's home province- ports were once again opening. Communication between the West German Embassy and its outpost in Benghazi had been severed, but would soon be restored. That same day, the telephone and telegraph lines in Gelsenberg's headquarters in Tripoli were reconnected and reports started to circulate that, despite the putchist fog that hung over the previous two days, Mobil-Gelsenberg fields, pipelines, and ports were back on stream and running "practically undisturbed."[626]

This resumption of operations so soon after the coup was remarkable in itself. Production had actually suffered more during the protests of 1967. By October 1969, Gelsenberg was able to report that production had been slightly below targets not because of the putsch and intrusion into oil field operations, but because of poor drilling results, mechanical difficulties, delayed material deliveries, and seasonable weather that had led to the brief closure of Ras Lanuf and Amal.[627] Indeed, according to Cipa, nearly all company activities within Libya had resumed quickly and

[626] Von Auwers to GBAG Exploration and Recovery Division, No. 326/169/69, September 5, 1969, Betr.: Lagebericht: montan.dok/BBA 55/5684; Vermerk, Gehlhoff, September 3, 1969, Betr.: Deutsch-libysche Beziehungen: PAAA B36 IB4 411.

[627] Besprechungsnotiz, Cornelius, October 8, 1969, Anlage 3, Betr.: Libyen – LAC-Meeting am 3. Oktober 1969 bei Mobil Oil International in New York: montan.dok/BBA 55/5692.

continued relatively undisturbed. The primary concerns now were issues with the Arabization of street signs, inscriptions, government dispatches, and forms. There were, indeed, many "serious" difficulties that might prevent the board of directors from making a planned visit to their concessions in November, but few that would prevent oil from traveling the opposite direction.[628] To the extent the coup was noteworthy with respect to production, in other words, it was so because it briefly disrupted imports rather than travel. To the extent that it disrupted other company activities, it did so only minimally.[629]

Early on, moreover, the West Germans had reason to believe their place in the country was protected. Although Gaddafi's first major public address espoused the Ba'thist slogan of freedom, unity, and socialism, there was little beyond such vague rhetoric to shake the Federal Republic's trade position or indicate a serious rupture in petro-relations, beyond a moderate drop in aggregate industrial exports to Libya.[630] And, indeed, despite the petro-political changes would follow, the revolutionary government initially seemed to embrace key features of the pre-existing petroleum regime. It kept the Petroleum Ministry intact. It also refrained from making any immediate alterations to the Petroleum Law that had hitherto governed company-government relations and had just been amended.

This does not mean, however, the RCC was passive or lacked an agenda. Although its early political orientation was a mystery, it soon became clear that the new government had adopted a positive-neutralist foreign policy aimed at furthering the fight against neocolonialism and western hegemony. In terms of domestic policy, it adopted a vaguely defined Islamic socialism of a "specifically Libyan brand" whose economic ideology seemed to revolve around such anti-imperialist

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[628] Cipa, October 7, 1969, Betr.: Libyen; Vorgesehner Besuch des Aufsichtrates Anfang November d.J.: montan.dok/BBA 55/5686.

[629] Westerhausen to Cipa, September 30, 1969, Betr.: Besuch in Libyen – Eindrücke und Informationen: montan.dok/BBA 55/5684.

[630] Turnwald, December 10, 1969, Länderaufzeichnung über der Libysche Arabische Republik: PAAA B36 IB4 334.

objectives as the nationalization of foreign owned banks and hospitals and the evacuation of American and British military installations.[631] Despite such highly visible repudiations of the West, however, the RCC primarily targeted the military installations of the UK and US rather than the economic ties that had given western companies such heavy influence over national petroleum affairs. It had, moreover, largely left the Federal Republic alone. Some of this may lie in the Federal Republic's lack of direct military interests and hard-power presence in the region. Some, however, is attributable to the economic interdependency that had developed over the last decade. An observer from the Embassy inferred that "because of the mutual, conditional economic dependent relations (one third of Libyan oil exports go to the Federal Republic, making up over 40 percent of our imports), the new rulers might be shying away from public attacks against the Federal Republic."[632] Gaddafi himself adopted a conciliatory tone toward West Germany early on. While equivocal on the East German question and critical of West Germany's relations with Israel, Gaddafi nevertheless expressed to the new ambassador Wilhelm Turnwald that national petro-relations, at least, remained "without troubles."[633] Gelsenberg likewise received such assurances.[634]

These gestures and reassurances helped Gelsenberg accept the "autochthonous socialism" of the new regime as an inconvenience rather than an existential threat. Despite the ruling party's

[631] Ibid. Although Idris had already breached the topic of terminating American and British leases on the Wheelus and Al-Adem bases toward the end of his reign, Gaddafi demanded these forces leave the country immediately. The British eventually left Al-Adem in March 1970; the Americans relinquished Wheelus Airforce Base in mid-June.

[632] Aufzeichnung, Dr. Bock, October 1, 1969, Betr.: Fragen der Öffentlichkeitsarbeit in Libyen: PAAA B36 IB4 411.

[633] Telegramm, Turnwald, Nr. 174, October 13, 1969: PAAA B36 IB4 411. In his recent study on the foreign relations of the Federal Republic and Libya during the first two decades of Gaddafi's rule, Tim Szatkowski criticizes Turnwald's apparent corrigibility in his first assessments of Gaddafi. Although Turnwald did mis-assess the situation and Gaddafi's ideology (or lack thereof), that was par for the course in the early days of the coup. Neither the US nor the UK had a much better grasp on the developments at hand. Moreover, both were as interested in maintaining petroleum production as was the Federal Republic and therefore did little to support Idris during the coup or counter Gaddafi in its aftermath. See: Szatkowski, 18-19.

[634] Cornelius, October 20, 1969, Betr.: Libyen – Aktuelle Nachrichten für die Arbeitsgruppe PP: montan.dok/BBA 55/5684.

perceived economic naivety which "could actually become dangerous" if unchecked, the revolution seemed to have the tentative approval of the Libyan populace. Oil flows, it must be remembered, continued with only minor and brief stoppages. Demonstrations were no rival to those during 1965 and 1967. The oil field strikes that did break out after the putsch were quickly suppressed. At the same time the regime moved to conciliate the population and allowed for trade unions to push for wage increases, housing improvements, and education reform.[635] Enno Schubert for his part seemed cautiously optimistic about the new situation in large part because of West Germany's large and still growing take of Libya's oil. Amid talk that the Petroleum Ministry intended to pressure companies to accept posted price increases, Schubert reflected that the these requests were nothing new and, as before, regional and market pressures would promote moderation. "If one producing land were to induce such a cost increase alone, then this country's oil would suffer competitive losses in consequence. It is very questionable whether the Libyan government would risk this effect of a one-sided deal through which Libyan oil's place of preference in the supply of European markets and especially the market of the Federal Republic could be lost."[636] If the RCC were to view the situation from an economic standpoint and take into account their trade relations with the EEC and the Federal Republic, in other words, it would be wise to approach the posted prices cautiously.

Schubert's appraisal, however, overlooked something critical. Gaddafi was not just taking an economic stand. Instead, he was intent on initiating a social, political, and economic revolution aimed at diminishing western influence through asserting national sovereignty over matters previously decided by the companies. For Gaddafi, an apparently unsound tax and production policy could be effectively deployed to political ends. Indeed, some of his earliest actions included the expulsion the remaining Italian and Jewish communities, the Libyanization of foreign firms, and the

[635] VWD-Montan, October 17, 1969 included in Westerhausen an Cipa, September 30, 1969, Betr.: Besuch in Libyen – Eindrücke und Informationen: montan.dok/BBA 55/5684.

[636] Schubert, October 16, 1969, Entwurf: Situation in Libyen (Original: Dr. Blaue): montan.dok/BBA 55/5684.

nationalization of foreign banks.[637] Although these actions promoted Libyan and, more precisely, direct government control over the country's trade, they also stripped Libya of many of its most established and knowledgeable businessmen and skilled laborers, funneled funds to inefficient "high-profit and high-cost businesses," and ballooned the state bureaucracy.[638] Government hostility to nearly all forms of private enterprise, moreover, neither instilled confidence in the remaining business owners nor promoted long-term investment.[639] But these did centralize economic control and aggregate political capital for the government.

The extractive oil industry was immune from these types of intrusions. At least, that is, at first. The Libyanization and nationalizations of other industries initially had caused Gelsenberg concern over its own security as a small, producing oil company with few safeguards against appropriation. As it became clear that appropriations would stop short of the petroleum sector, however, a relieved Gelsenberg was dismissed the recent moves as "a distractive maneuver" intended to draw attention from the economic damage and social discontent caused by import restrictions and other RCC policies. According to Gelsenberg Manager Carl-Detlev Cornelius, "It could even be, that domestic-political difficulties are being overridden by a flight into foreign policy."[640] This interpretation accorded with that of the West German ambassador.[641]

This was one of Gelsenberg's first experiences with even implicitly threatened nationalization. Unlike DEA, which had lost its Syrian investments to a radical Arab-nationalist

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[637] Foreign-owned banks were nationalized in November 1969. Many Libyan-owned banks were allowed to operate independently for another year until their ultimate appropriation by the state in December 1970.

[638] As Vandewalle explains, Gaddafi noticed these trends but failed to address their root cause in the distributive state: "Over and over again, Qadhafi singled out these social and economic perverse effects but never showed any understanding of how the combination of populism and distributive largesse was at the root of many of the country's problems." Dirk Vandewalle, *Libya since Independence: Oil and State-Building* (Ithaca, NY: Cornell University Press, 1998), 73.

[639] Vandewalle, *A History of Modern LIbya*, 92

[640] Cornelius to Schubert, November 18, 1969, Betr.: Deutsch-libysche Beziehungen. montan.dok/BBA 55/5684.

[641] Turnwald, December 10, 1969, Länderaufzeichnung über der Libysche Arabische Republik: PAAA B36 IB4 334.

government just six years earlier, the Gelsenberg situation had two primary distinguishing features that spared its venture from the Souédie fate. The first was situational. Gelsenberg operated in partnership with the American Mobil, a company that exercised considerable clout as a major. Mobil could and indeed did align with the other majors in the region to further their collective interest, which, in Libya, frequently coincided with Gelsenberg interests as well. As I argue below, however, this was sometimes as much a liability as it was a benefit. The second reason resided in subsidies. Learning from some "57 revolutions" western oil companies had experienced in the producing world over the years and informed more immediately by DEA's own expropriation,[642] Gelsenberg had turned to the new system of federal subsidies that was introduced in 1964. And Gelsenberg was not the only one. Between 1964 and 1967 alone, the German companies received credits and over DM 225 million in subsidies and insurance from federal programs. Seventy-two million of this went to Libyan ventures including, until 1966, DEA's interests in the country. Gelsenberg alone received 65 million over this period.[643] What is more, "Cipa had freely insured against possible loss the entirety of Gelsenberg's Libyan property as well as a portion of the oil yields (in total 500 million marks) through the federal Deutsche Revisions- und Treuhand-AG and the Hermes Kreditversicherungs-AG."[644] These most likely came in the form of investment guarantees, rather than the export credits that DEA had previously sought.[645] Although these funds alone were not enough to propel the German companies to international prominence, they were enough to give Gelsenberg financial breathing room were the worst to come to pass. The loans, moreover, were a real and symbolic gesture meant to assure these companies – Gelsenberg foremost among them –would have support in an international scramble for oil that seemed oriented against their success. Through these credit

[642] "Erdöl: Große Unbekannte," *Der Spiegel*, No. 37/1969 (September 8, 1969), 110.

[643] Dr. Krink, Bundesminister für Wirtschaft, March 21, 1969, Betr.: Bericht über die Ergebnisse des Darlehnsprogramms nach Art. 6 des Gesetzes über Umstellung der Abgaben auf Mineralöl vom 20. Dezember 1963: BAK B136/7806.

[644] "Erdöl: Große Unbekannte," *Der Spiegel*, No. 37/1969 (September 8, 1969), 110.

[645] See footnote 97 in Chapter 3.

and insurance programs, Bonn had at least partially reconciled its desire for liberal trade, its need for oil, and the realities of operating in politically unstable postcolonial petro-states.[646] This was a welcome development for West German companies. The balance it struck between ordoliberal ideas and state ensured energy security, however, was far from perfect and prone to challenge.

Some of the largest challenges came directly from Libya. Discontent with the petroleum sector status quo achieved under Idris, the RCC soon took actions to aggregate more control over oil operations. The measures were rooted in the Petroleum Law and amendments described in Chapter 4 and, indeed, departed from Idrisian policy more in tone than in content. First, the Petroleum Ministry drafted new rules for calculating posted prices to better account for the changing global rates and new regional norms regarding taxation and profit-splitting. This type of initiative in itself was nothing new. For it to take hold, however, companies would have to accept Regulation 9, which essentially surrendered authority to determine posted prices to the state.[647] In January, following the path well-trod before the revolution, the government announced negotiations would take place. The companies resisted citing the Petroleum Law, government regulations, and even the concessionary contracts that explicitly granted companies the right to establish posted prices without government consultation and free of government directives.[648] The Petroleum Ministry nevertheless pushed for talks. After early meetings, Mobil officials privately expressed their belief that although the government was unlikely to simply drop their demands, "from case to case it will be possible to exploit holes in the Regulation, to weaken consequences, and to attenuate the regulatory statutes of the Ministry."[649] This type of gradual sabotage, however, required a united and

[646] That is until Chancellor Kiesinger rolled them back in 1967.

[647] The companies resisted on grounds that the regulation conflicted with their concessionary contracts that allowed them to manage their operations and the oil they produced without prior permission from the Ministry. 181.

[648] Cipa to Dr. Alfred Einnatz (RWE), January 7, 1970, Anlage: Situation in Libyen (Stand Anfang Januar 1970): montan.dok/BBA 55/5684.

[649] Westerhausen, November 24, 1969, Betr.: Libyen-Erdölregulation No. 8: montan.dok/BBA 55/5615.

persistent opposition comprised of the majors and independents.

The Ministry likewise knew that the Petroleum Law and concessionary contracts barred posted price changes by government fiat and it recognized that negotiating with the companies as a bloc would diminish the government's own room for maneuver. By November, the RCC had reintroduced Regulation 9 and forced independent and non-producing companies such as Wintershall to accept its terms and the new taxation schema that now accompanied it.[650] At the same time, the government resorted to pressure tactics such as targeted exploration and production disruptions under pretenses of poor field practices and inaccurate reports as well as ominous threats that non-cooperation among companies would be met with government non-cooperation in future petroleum matters. These measures primarily disrupted the production of Esso, Oasis, and Occidental. Mobil-Gelsenberg likewise used one of the drillers targeted by the state, but was contractually allowed to assume drilling operations themselves were the contracted company to cease operations. The consortium therefore met fewer stoppages early on.[651]

By the turn of the year, the RCC pulled these seemingly sporadic although increasingly frequent intrusions into company activities into a more coherent policy of sector wide pressure. Much as Idris had feared the imbalances that came with an overreliance on a small group of majors, so too did the new government recognize the opportunity posed by the proliferation of independents and diversity of majors active in the country. Rather than following the conventional routine of negotiating with a panel of industry representatives, the Petroleum Ministry adopted a divide and rule strategy in which it pressured the most vulnerable companies – those like Wintershall without sizeable sources outside of the country - independently and slowly wear down any collective company opposition. The dependency of the independents on Libyan oil was to be exploited first to undermine prolonged resistance among their ranks. Without the independents the majors would

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[650] Ibid.

[651] Vornhecke, No. 438/227/69, December 3, 1969, Betr.: Regulation 8: montan.dok/BBA 55/5615.

likewise soon fall out of line with each other and give in to government pressures.[652]

The situation, moreover, was not just confined to Libya. This fact was particularly troubling to the Federal Republic. In 1967, neighboring Algeria had nationalized its entire petroleum downstream and was on the path to taking similar measures in its upstream.[653] Such developments not only fed rumors that Libya was planning to follow Algeria's lead, but also that the two countries were coordinating their policies to achieve greater concessions from the companies.[654] This would doubtlessly effect the French, who had interests in both countries and a particularly dominant position in the Algerian upstream. This also posed a potential threat to the Federal Republic's energy security. By this point, Algeria and Libya together accounted for approximately 50 percent of West Germany's annual crude supply. Collaboration between the two states against West German interests could put these flows into jeopardy.[655, 656] At the same time, the Libyan situation was attracting the interest of oil exporting states beyond North Africa. The interested parties included West Germany's second largest supplier: Saudi Arabia. Speaking for both Saudi Arabia and OPEC, Oil Minister Ahmad Zaki Yamani expressed sympathy for the Libyan position regarding the new regulations, though, for him, the issue was as much about bringing the price policies of producing

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[652] Libyan Oil Minister interview with *Al Musawwar* from October 17, 1969, quoted in Cornelius, October 31, 1969, Betr.: Libyen – Arbeitsgruppe Posted Price – B 1.2 Nachrichten ab September 1969: montan.dok/BBA 55/5684.

[653] It achieved this in 1971, when it acquired 51 percent of all oil companies operating in its borders.

[654] For suspicions of Algerian coordination, see: Turnwald, Ber.No. 312, April 28, 1970, Betr.: Libysche-algerische wirtschafliche Zusammenarbeit; hier: Entwicklung libyscher Ölpolitik nach dem Besuch Staatspräsident Ghaddafis und Erdölminister Mabruk in Algerien: PAAA B66 IIIB6 684.

[655] As per the Evian Accords and the close relations between French and Algerian oil industries, most of this crude reached the Federal Republic via French companies. By 1971, Algeria would surpass Iran to become the Federal Republic's third largest source of imported petroleum.

[656] As one article warned on the eve of the capitulation of the majors to the posted price increases and in light of Algeria's recent move toward nationalizing its oil industry (including a subsidiary of Elwerath), "Of course, all of this is hardly pleasant, even though it does not at all indicate that Libya would also be prepared to assume extreme behavior, especially if through that it would endanger its crude flow. However, the more easily the oil companies give up their legally anchored position, the more quickly they will encounter new and still weightier requests. The example of Algeria does not have to be the precedent, but it could be." „Unter uns gesagt…: Druck in Libyen," *OEL: Zeitschrift für die Mineralölwirtschaft*, Vol. 8, No. 6 (June 1970), 189.

countries in line with one another as it was about national sovereignty. Although he was less supportive of the unilateral posted price increase, he had expressed concern that Libyan oil was nevertheless underpriced in relation to that of other regional suppliers.[657] Were Saudi Arabia or OPEC to fall further into the Libyan camp and sour to the western producers and importers, the MENA petroleum landscape might slip out of western control, putting the energy supplies of all of Western Europe, dependent on Arab oil for nearly 78 percent of its supply and Libya for nearly 30 percent, on the line.[658]

Although some of this assessment seems unwarrantedly alarmist, such sentiments gained some credence in Gaddafi's histrionic rhetoric. It was after all at these meetings in early 1970 that the he debuted one of his most well-known and dramatic threats: Libyans had lived for thousands of years without petroleum, and could again can survive without it.[659] Although it was unlikely Gaddafi could actually decouple Libya from the petroleum trade while maintaining any semblance of the standards of living that petro-dollars had already introduced, it was even more doubtful that the industrial West could similarly foreswear Libyan oil without suffering dire economic consequences.

By April, talks had still yielded little progress. The Petroleum Ministry requested a posted price increase of 43 cents per barrel retroactive to 1969. The companies offered a more modest 10-13 cents. A frustrated Libyan Petroleum Minister Ezzedin Mabrouk took respite in a visit to the Soviet Union. This came only shortly after State Secretary Ghiblawi visited East Berlin. Together, as much as these visits may have been genuine inquiries into avenues for cooperation, they were also ways for the government to gain leverage over western companies during tense negotiations.[660]

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[657] Middle East Economic Survey article from December 26, 1969, quoted in Cornelius, January 13, 1970, Betr.: Libyen-Aktuelle Nachrichten für die Arbeitsgruppe PP: montan.dok/BBA 55/5684.

[658] "Preiskampf: Für den Piraten," *Der Spiegel*, No. 34/1970 (August 17, 1970), 77.

[659] VWD-Montan from January 1, 1970, referenced in Cornelius, February 2, 1970, Betr.: Aktuelle Nachrichten für die Arbeitsgruppe PP – Erklärung des Staatschefs am 29.1.1970: montan.dok/BBA 55.5684.

[660] Geblawi had vocalized his intent to visit the Federal Republic as well. Nevertheless, according to Turnwald, "Through the sending of Geblawi to East Germany, the Libyan government would like to exercise pressure during the hard posted price negotiations with the local oil companies, just they already tried to do during the lightning-visit of their petroleum minister to Moscow in March 1970." Turnwald, Ber. Nr. 257, April 8,

After all, petroleum politics are in essence foreign politics in international markets. And in terms of foreign-political concerns, in the construction of French Prime Minister Georges Pompidou, these actions indicated Libya was fast becoming "a dangerous vacuum" that the Soviets were eager to occupy.[661] As Soviet influence meant greater standing for the GDR as well, this was a scenario the Foreign Ministry in particular wanted to avoid at all costs.

There was nevertheless reason to assume the government's eastern gambit would at least not pay off for the communist bloc. Although the Soviet Union seized on the stalled talks as "a chance to achieve influence over the Libyan oil exports indispensable to Western Europe," the Libyan population and government still "stood altogether rather coldly and mistrustfully opposed to the Soviet Union" in a way that Syria clearly had not.[662] Moscow still could and indeed did offer military and technical aid to woo Libyan favor in other trade, economic, and political matters. These belated gestures, however, could only stretch so far in the face of a decade and a half of western investment, trade, influence, and presence. And just as Gelsenberg had done in 1967, some of western countries were quite eager to secure and even extend these ties. In a blow to the Soviet push, France sold 108 Mirage jet fighters to the Libyan military. According to German Ambassador Turnwald, this deal functioned overwhelmingly "in the overall interest of the West" prevented Libya from turning too decisively eastward for its military materiel.[663] Despite the gestures, the threat of a full turn eastward or a sudden embrace of the GDR was overstated, at least for the time being.

This fact, however, did not make negotiations run any more smoothly. The RCC determined that impasse was as much a failure in the Ministry's clout as it was in company recalcitrance and took

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1970, Betr.: DDR Vertretungen in Ausland; hier: Einladung des Sts.Sekr. im Petroleum-Ministerium in die DDR: PAAA B66 IIIB6 684. The Soviets also sent a petroleum delegation to Tripoli in May 1970 which was likewise seen as a means to pressure "American policy and the ongoing oil price negotiations." Telegramm, Turnwald, No. 62, March 11, 1970: PAAA B66 IIIB6 684.

[661] Turnwald, Ber.Nr. 309, April 30, 1970, Betr.: Libyen und die Lage im Mittelmeer: PAAA B36 IB4 413.

[662] Turnwald, Ber.Nr. 309, April 30, 1970, Betr.: Libyen und die Lage im Mittelmeer: PAAA B36 IB4 413.

[663] The British likewise had only recently delivered 200 Chieftan battle tanks, strengthening this Euro-Libyan military bond. Ibid.

over negotiations, an action that reveals how important (and political) the proposed changes were. Major Abdessalam Jalloud, Gaddafi's second in command, seized the initiative and pressured the companies more fervently. Gelsenberg greeted this change with concern that the central command itself had become so heavily engaged in the posted price issue and that "irrational politically motivated actions (*Kurzschlußhandlungen*) by the government were no longer to be completely discounted."[664] Despite speculating that the government would not take the most drastic measures available (including impeding production for individual firms or fields or decreeing posted price adjustments), Manager Dietrich von Auwers was still concerned with its apparent economic naivety. Jalloud knew he wanted to increase state revenue, but, according to von Auwers, had not yet been properly informed "about the complexity of posted prices and the possible consequences of increasing the price of Libyan oil."[665] This presumed ignorance to the nuances of pricing and taxing coupled with the invocation of the still contested Regulation 9, however, seemed only to strengthen the regime's position. As Schubert explained to the Embassy, by this point "it is immaterial whether the companies each do this (give in) only under protest to protect their legal position." The new measures would "lead to a worsening of the investment climate" regardless. Companies, in other words, should simply "deal with a stagnation of Libyan production" as the new reality.[666]

Although the companies had not yet formally capitulated, the majors in particular were showing weakening resolve. With a little more pressure, von Auwers contends, they might even completely concede the posted price increase through which they could potentially avoid a unilateral "price decree that would burden all future negotiations with the Libyan government."[667] Although von Auwers went on to argue that it was still too early for the companies to show flexibility, his

[664] Von Auwers, April 6, 1970, Betr.: Libyen-Posted Price Gespräche: montan.dok/BBA 55/5684.

[665] Ibid.

[666] Schubert, June 18, 1970: Betr.: Libyen – Bericht über die Gespräche am 14./17.6.1970 in Tripolis: PAAA B66 IIIB6 684.

[667] Ibid.

assessment was not far off. The situation in fact rang of the posted price talks from 1961, wherein the Libyans apparently unwittingly folded to company demands to the detriment of Libyan state revenues, resource sovereignty, and ultimately the Senusi monarchy. In May, Jack Crutchfield, former Corporate Planning Manager of Esso Libya, confessed that posted prices were indeed out of balance with regional norms for such high gravity crude.[668] When asked why the Libyans would have agreed to such comparatively unfavorable terms in the first place, "Crutchfield replied that the Libyan official dealing with the oil companies at this time was illiterate and was not informed how Esso had reach (sic) its posting." In hindsight, a predictable, West-aligned, and company-friendly government may have been worth posted prices more in line with those both progressive and conservative governments had achieved. Confronted with the current ordeal, Crutchfield considered Esso's handling of the situation as "unfortunate" and "regrettable."[669]

Since then, of course, the petro-political balance had reversed. The RCC now had the upper hand in the support of regional petroleum states and the ability to declare production stoppages and penalties seemingly without consequence. The companies, on the other hand, were no longer dealing with a Ministry that was as trusting or naïve as that a decade earlier. Unsure of Gaddafi's end game and even his willingness to approach the companies with policies based on economic rather than Arab-socialist and nationalist considerations in mind, Crutchfield conceded that, taking into account price advantages derived from location and quality, Libyan crude was still priced approximately 30 cents below other crude in the region. He quickly followed this claim, however, by raising an issue of increasing concern. Were the Libyan posted price to rise too high, the Persian producers might likewise demand increases. If this were the outcome, "Not all of such an increase

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[668] The regional crudes of comparison were the 34 degree API Arabian and Persian light as well as the 36 degree Kirkuk light. Libyan crude, on the other hand, tended to have a higher gravity (39-40 degree API) and therefore fetched a higher purchase price.

[669] Crutchfield later justified Esso's stance through emphasizing the high-wax content of significant portions of Libyan crude as well as the wide availability of other sources of low sulfur crude. Memorandum of Conversation, Jack Crutchfield, et al., Subject: Posted Price Negotiations in Libya, May 25, 1970: National Archives and Record Administration, College Park (NARA) RG 59, Entry 1613, PET 14 Libya, B 1509.

could be passed on to consumers because of strong market competition and so profits in the Persian Gulf would be cut thinner than ever."[670] Companies, in other words, could not only lose more revenue to exporting governments, but could also be hard-pressed to shift those losses completely to purchasers and consumers. This would amount to significant sudden and unanticipated financial losses for all companies producing in the region.

The companies and the government were at a stand-off and would remain there until the middle of the year. At this point, developments in the Levant compounded the effects of the production disruptions and put further pressure on companies to concede. In May, the Tapline that conveyed oil from Saudi Arabia to Mediterranean ports was accidental damaged, removing nearly 500,000 barrels per day primarily from European markets. As the Suez Canal was still closed, this likewise briefly removed Saudi oil from Mediterranean competition and therefore lent additional support Libyan claims that its crude was underpriced. At the same time, the RCC continued its policy of targeted production cutbacks, claiming that companies were producing at a rate that was detrimental to future efficient production. These measures spread from Occidental in May to Amoseas, Oasis, and, by August, Mobil-Gelsenberg.

Because of this, Gelsenberg was now in a particularly difficult situation. As per government directives, it had cut upwards of 23 percent of its production.[671] As the non-operating partner, moreover, it was unable to make binding decisions for the consortium without coordinating with the operating partner. This aggravated the conflict of interests between the two companies. As would become a patter, Mobil, a major with a wide base of production in other parts of the world, was more concerned about containing Libya' increasingly assertive claims to authority over the regulation and operation of its fields. Gelsenberg, on the other hand, focused on its most immediate concern of maintaining access to its only company-owned supply base. Although it would have difficulty

[670] Ibid.

[671] "Preiskampf: Für den Piraten," *Der Spiegel*, No. 34/1970 (August 17, 1970), 77.

accounting for decreased profits from an increased posted price, Gelsenberg would suffer even more from a lengthy production stoppage or the complete loss of its Libyan fields. This fact made Gelsenberg more amenable to the changes, despite the disproportionate losses they would bring.

The squeeze on the companies continued and market prices rose in step.[672] In response, the most affected companies began to fold. In September, Occidental capitulated to an immediate 30 cent posted price increase with smaller annual increases to follow. The other companies followed along similar lines shortly after. For their part, Mobil-Gelsenberg held out until the German firm along with several other abstaining independents were summoned by the government in October. Having few additional sources and no majors present to consult with, these companies quickly agreed to the new terms of posted prices calculated at an additional 5 cents per barrel and a 55.5 percent tax rate.[673] This at least superficially gave lie to the company position that the increases were unlawful and unreasonable. The remaining majors, including Mobil, followed suit the following week.[674]

For Gelsenberg, the effects of capitulation were negative, although only moderately so. The company's production and take of Libyan crude peaked at the end of 1969 and would steadily fall over the next several years. Some of the decline came from to Libyan production restrictions simultaneously meant to salvage fields the Petroleum Ministry deemed damagingly over-productive and exert government authority over the oil industry. Much of the rest, as von Auwers notes, was

[672] Additional punitive measures included shipment and drilling interruptions, the nationalization of marketing networks within Libya, and the banning of „overseas payments to employees and contractors." Waddams, 234.

[673] Amal crude in particular was high in wax. The company had previously been able to account for this by claiming the going 40 degree posting price minus a deduction for the increased processing cost of high wax crude. The new terms eliminated this allowance, effectively increasing the consortium's posted prices an additional 5 cents per barrel over their 1969 rate. To account for this discount, Mobil-Gelsenberg's retroactive obligations would be marginally higher than those of its competitors. In total, each company in the consoritum was on the line to pay a 55.5 percent tax rate. Other companies were paying rates of between 50 and 55 percent, including the 5 percent retroactivity payment. Frank Waddams, *The Libyan Oil Industry* (Baltimore: Johns Hopkins University Press, 1980), 235-6.

[674] There was one exception. Philips surrendered its one modestly productive field rather than accept the government's offer.

caused by the uncertainties the recent posted price disputes introduced and the worsening short-term investment climate they inaugurated. As posted prices rose and production fluctuated, Gelsenberg recommended redirecting consortial objectives from long-term goals to new "priorities (whose) investments will pay-out in a maximum of 2-3 years." Mobil concurred.[675] And as prices rose and production fell, so too did profits suffer. This would impact not only the companies, however, but also the states dependent on the production and sale of the raw oil for their tax income.

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This taxation and pricing turbulence also had repercussions in the consuming industrial metropole. As one of the largest economic powers utterly reliant on the global oil market, the Federal Republic encountered a paradox that would perplex its planners for decades. On the one hand, it needed for oil from sources in MENA and was at unease relying on foreign companies to exploit those sources ultimately for West German consumption. On the other, the state remained reluctant to offer sufficient support for German companies to compete in those markets. It was not until 1964 – as DEA was coming to terms with its fading prospects in Syria – that the federal government was compelled by Treaty of Rome to replace coal-hydrogenation tax incentives and other energy price controls meant to bolster domestic coal production and deter the dumping of cheap foreign crude with federal loans and credits for oil companies.[676] AS argued previously, such subsidies had great symbolic as well as moderate practical value for Gelsenberg, as well as the other German independents. Indeed, this marked a major change in oil policy, wherein the Federal Republic shed some of the final vestiges of its protectionist past in favor of open trade and European integration. It also, however, marked a coming to terms with the new international energy geography. West German oil policy had hitherto been directed at intensive and extensive

[675] Von Auwers, November 6, 1970, Betr.: Libyen – Investitionsklima: montan.dok/BBA 55/5687.

[676] See Chapters 2 and 3.

development of the country's meager domestic sources. Although domestic production did increase through the mid-1960s, it was far outpaced by rising consumption both because of the modest size of domestic discoveries and the expenses necessary to exploit them. By the mid-1960s, German oil was nearly twice as expensive to produce as that from more copious sources abroad.[677]

This situation not only encouraged German companies to continue courting producers in MENA, but also simultaneously drew their attentions to newly identified prospective sites in the North Sea.[678] Though provoked by EEC regulations, the removal of tax incentives for domestic and the institution of economic subvention aimed not just at the scramble for Arab sources, but also to increase German competitiveness against the Norwegian, Dutch, English, and American firms active to Germany's north. These policies encouraged the formation of a North Sea Consortium to explore the German sector of the continental shelf. The group consisted primarily of German concerns, including DEA[679] and Gelsenberg, as well as several majors, including Mobil.[680]

Although this consortium met no more luck here than German consortia had elsewhere, the redirection of focus and investments to the more sociopolitically stable European north revealed a growing discomfort with recent developments in Libya as well as throughout the Middle East. The federal funds newly dedicated to the search for oil, moreover, indicated a newly active federal oil policy focused on expanding and diversifying Germany's own source base. New measures included DM 1.2 billion of adjustment assistance (*Anpassungshilfe*) for firms that produced sources within federal territory and the DM 800 million credits and loans allocated restrictively to German firms

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677 Rainer Karlsch and Raymond Stokes, *Faktor Öl: Die Mineralölwirtschaft in Deutschland, 1859-1974* (München: C.H. Beck, 2003), 347.

678 Ibid.

679 Again, until the 1966 Texaco purchase.

680 Companies included in the North Sea consortium included Deilmann, Amoco Hanseatic Petroleum Company, DEA, Preßag, Gelsenberg, Mobil, Wintershall, Elwerath, Deutsche Schactbau and Gewerkschaft Brigitta (a joint Shell and Esso subsidiary). Other companies involved in German North Sea concessions included the Bureau de Recherches de Pétrole, Continental, BP, Signal Europe, Caltex, Phillips Petroleum, Scholven-Chemie, CFP, UK Wesseling, Itag, Gulf, ENI, and Superior Oil Company.

exploring abroad.[681] Although these funds were discontinued during an economic recession only three years later (after only DM 300 million out of 800 million were actually made available), many of the German firms in Libya had leapt at the opportunity to claim these and other subsidies.[682] The results, however, were disappointing. The companies were supported by the credits, but produced little in Libya or elsewhere. With the continued threats and obstacles against producing operations, moreover, it was becoming increasingly apparent that the status quo could not hold in terms of the foreign exploits of the German petroleum sector or - in light of the recent Texaco purchase of the DEA, the Esso and Shell purchase of Elwerath, and a series of bids to purchase GBAG and Gelsenberg[683] - domestically.

As the early promise of this new scramble for oil gave way to moderated, more realistic expectations, the growth in Libyan production subsided. In turn, the Federal Republic's own take of Libyan crude peaked in percentage terms in 1969 and raw tonnage in 1970 [Figure 5.1]. Afterwards it declined precipitously. West Germany successfully replaced the slowing Libyan production with crude from Algeria, Iran, Nigeria, and Saudi Arabia. All of this, however, was conveyed through national companies and majors.

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[681] Karlsch and Stokes, 350.

[682] The firms were numerous and distinguished: Deilmann AG, DEA, Deutsche Schachtbau, Gelsenberg, Preussag AG, Scholven-Chemie (later, Veba), Union Kraftstoff Wesseling (Union Rheinische), and Wintershall. Most of these funds, mmoreover, had gone to North Sea (DM 73.5 million) and Libyen (72.3 million) ventures. Dr. Krink, Bundesminister für Wirtschaft, March 21, 1969, Betr.: Bericht über die Ergebnisse des Darlehnsprogramms nach Art. 6 des Gesetzes über Umstellung der Abgaben auf Mineralöl vom 20. Dezember 1963: BAK B136/7806.

[683] The purchase of Elwerath pulled several of these themes together. As Stöckl argued in a report from the week after the sale, the 1964 decision to extend state subsidies to German firms exploring abroad was taken to develop a national oil basis that would head off attempts of foreign firms to dump their excess oil on German markets and destabilize the smaller, less established German independents. As Elwerath was among the many German firms unsuccessful in their Libyan exploits, at the time of purchase they relied heavily on state subvention. The new ownership of the company put this subvention in jeopardy. What is more, the Libyan press has expressed its displeasure with this selling out of an independent to the major internationals. The French and the British have likewise voiced their opposition, potentially provoking a German "loss of prestige" in Libya and on the international petroleum stage. Stöckl, February 14, 1967, Betr.: Erdöl in Libyen; hier: Deutsche Position nach dem Verkauf von Gesellschaftsanteilen der Firma Elwerath an amerikanische Firmen: BAK B102/123670.

Annual Libyan Crude Imports as a Percent of Total German Crude Imports 1968-1975										
	1968	1969	1970	1969	1970	1971	1972	1973	1974	1975
Crude Imports from Libya (million tons)	23.1	26.3	22.6	36.3	40.5	40.9	29.9	28.5	25.6	16.7
Libyan Imports as a Percentage of Total German Crude Imports	39.2	38.9	28.3	43.2	45.2	41.4	29.9	27.8	23.3	16.3

Figure 5.1: Source: *Statistisches Jahrbuch für die Bundesrepublik Deutschland,* 1969-1976.

Despite the production decrease, Libya was not so much retreating from global trade as reorienting within it. By 1971, Italy had replaced West Germany as Libya's largest petroleum market. On the one hand, this could be considered a success for German oil. Over the course of a few years, the country had gone from utter dependence on an increasingly radical and unpredictable state for nearly half of its crude imports to deeper integration into multifaceted and multipolar global market. Barring major collusion among numerous states, shortfalls from one source could be accommodated by increased imports from others. West Germany's successful navigation of the 1967 crisis had set a precedent for such flexibility of flows and providers. Even in a system of diversified sources, however, the Federal Republic still depended on foreign companies and countries for the vast majority of its crude. This foreign dependency was a major point of contention among German policy-makers and companies.

This question of source diversification was a critical element in the new oil policy of Economics Minister Karl Schiller and was a central piece of the rationale behind the 1969 creation of Deminex. In fact, exporting countries including Libya actually encouraged the creation of a state-supported large company in the Federal Republic. This, however, was for reasons altogether separate from the diversification initiative. Only one month before the company officially came into being, the Libyan Petroleum Minister expressed that the ministry was following Deminex "with particular interest" particularly as a potential purchaser of Libyan crude.[684] This preference for large,

[684] Von Auwers an Schubert, Brief Nr. 170/96/69, May 8, 1969, Betr.: Deminex: montan.dok/BBA 55/5684.

state interests and therefore politically pliable companies would form a key continuity between the Idris era linking of politics, private enterprise, and petroleum flows (as evidenced in the helicopter deal of 1967) and the Gaddafi era integration of geopolitics, industrial regulations, and oil.[685]

It would also breed trepidation in a US State Department that was only recently forced to come to terms with tightening crude reserves both at home and abroad. Deminex, according to one report, was an "ominous step" toward bilateralism and could hinder the western ability to grapple with the broader challenges of growing global demand, dwindling global sources, and the United States' own looming peak production.[686] Vulnerable companies such as Deminex acting in the explicit interest of their home country might even offer "immediate accommodation with major oil producing states in the Middle East in the event of an emergency such as nationalization order to assure West Germany's security of supply." Other European companies might then follow their lead, to the detriment of the hitherto relatively unified position the majors had been able to enforce among companies.[687]

This was exactly the reason that governments such as that in Libya preferred to deal directly with state companies that operated in the interest of national energy security rather than profit and that could offer clear avenues into the Economics Ministry and the Chancellery. Preferences, however, did not always translate into cooperation and Deminex failed to gain much of a foothold in Libya in its first few years. This was in large part because of the state of the Libyan fields. Although early assessments of Deminex's exploratory potential even in Libya were wide-eyed, the reality of its prospects was more sobering. Libyan daily production had reached the maximum capacity of the

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[685] In an interview with Alfred Stahmer of the Erdöl-Informationsdienst, for instance, Petroleum Minister Ezzedin Mabrouk stated plainly that although the petroleum regime would no longer enter into concessionary agreements, it – and Brega Petroleum Marketing Co. - did "prefer service contracts or eventually 50:50 joint ventures" specifically between Deminex and the LNOC. Alfred Stahmer, Mabrouk Interview: Original-Notizen, January 20, 1971: montan.dok/BBA 55/5687.

[686] This was achieve in 1970 with a total daily production of 11.3 million barrels.

[687] Julius L. Katz to E-Mr. Trezise, July 28, 1970, Annex A: Effects of Current Oil Problems in the Arab World, Subject: Oil Problems in Libya and the Middle East – Action Memorandum: NARA RG59 Pet 2 Libya B1506.

country's pipeline system by 1970. This coincided with a slowdown in discoveries and encouraged the government to impose tighter production quotas and stricter regulations to compel companies to explore less-promising territories. The RCC's exercise of sovereignty over domestic petroleum was not just a product of ideology, therefore, but, as the government saw it, of necessity. By the time Deminex entered the fray, Libyan production had already peaked. That is, even as its authority was expanding. Because of both government policy and the shrinking room for expansion, terms for entry and exploration were becoming less favorable particularly to new companies in absolute terms. The scramble for new Libyan oil was subsiding. The fields that were available had already been purchased as concessions, deemed unprofitable and unproductive, and returned to the government for redistribution. As Deminex frankly explained a few years later, the available lands were just "not appealing to a newcomer."[688] By the late 1970s Deminex was able to acquire minority stakes in several onshore and offshore ventures. These, however, came late and produced little.[689]

Deminex's failure to engage in the Libyan upstream was not just a question of the concessions that were available. It also began at a significant disadvantage from its earliest days. It was, of course, perennially undercapitalized. In a sense, it was also starting from scratch despite the at least domestically high profile of its constituent companies. It started with a mandate rather than an acquisition. This is largely because of Gelsenberg's success in keeping its productive fields out of Deminex's portfolio. Indeed, including an opt-out option for projects that were already up, running, and, in Gelsenberg's case, producing were a significant concession that alternately encouraged companies who felt their overseas prospects were already promising to join while maintaining their rights to the fruits of their earlier investments and that prevented Deminex from coming into being with any crude basis of its own.[690] If the promise of new finds was not in the companies' favor a

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[688] Cornelius, November 2, 1976; Libyen-Verhandlungen mit dem Erdölministerium am 2.11.1976: montan.dok/BBA 55/5689.

[689] These fields were along the western Libyan border in Ghadames and offshore on the northern tip of the Sirte Basin.

[690] Karlsch and Stokes, 373.

decade earlier, it would hardly be more likely for Deminex to make a major discovery in areas of the world that had already been undergone another decade of exploration. That is, barring a major breakthrough into already proven or highly competitive territory or ventures into promising but hitherto unexplored regions. The new company would not produce any significant in-kind return on its investments until it became involved with an already proven field in the English sector of the North Sea in 1978.[691]

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For the time being, in other words, Germany's oil supplies resided in the Middle East and North Africa, even as their prospects increasingly seemed elsewhere. To the chagrin of the western companies and consumers, however, the oil rich countries in this region were adapting to their role as the West's primary petroleum providers. The world petroleum balance was changing. Global demand for oil was growing, above all in the capitalist world.[692] Sources, however, increasingly seemed limited. American production was peaking, as demand outpaced supply.[693] Apart from a few large discoveries in Alaska at the end of 1967 and several in the North Sea at the turn of the decade,[694] they also were concentrated in a part of the former colonial periphery that had only recently attempted a blanket boycott of several western markets in exchange for political concessions. This was, nevertheless, a part of the world that was well aware of the global reorientation that was taking place. World crude prices had remained rather steady since the late

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691 A BP-BNOC (British Nation Oil Company)-Deminex consortium would make one of Deminex's first economical discoveries on the Thistle Block in the British North Sea in 1978. This field was initially estimated to have the potential to produce 4 million barrels per year. Anlage I, Cornelis an Krekchi, March 18, 1977, Spiegel Article...: montan.dok/BBA 55/5689. The company would dissolve in 1998 and its assets were split amongst the RWE-Dea, Wintershall, and Veba. The latter received the majority.

692 Demand in the West more than doubled from 19 million barrels per day to 44 million between 1960 and 1972.

693 This situation led to changes in American petro-policy, as well. These changes included easing Eisenhower-era import quotas. This nearly tripled the amount of imported crude between 1967 and 1973. Yergin, 549.

694 These include Ekofisk field discovered in the Norwegian sector at the end of 1969 and the Forties and Brent fields in the English sector in the early 1970s.

1940s and plateaued around $1.80 per barrel. These low prices were in the interest of the consumers. They were even arguably in the interest in to the integrated companies.[695] These same rates, however, worked against the economic interests of the countries that relied on posted prices sometimes for the virtual totality of state revenue. Many exporters considered these rates were not just low, but, considering Esso and BP debacles a decade earlier, artificially and detrimentally so. Such grievances had been the impetus to form OPEC, an organization which, as it approached the end of its first decade, was becoming increasingly activist in its price setting policies and its calls for resource sovereignty, and, soon, state ownership.

The Libyan success in the 1970 posted price negotiations showed how a single country could pressure the companies for concessions, even those that effectively broke through the 50:50 benchmark that guided company-government profit sharing since the end of the Second World War. As predicted at the time, other producing countries soon sought similar arrangements and the companies were unable to effectively resist. What followed was a "leapfrogging" of profit distributions.   Iran claimed 55 percent as its new benchmark; Venezuela, 60. By December 1970, OPEC had endorsed a blanket 55 percent minimum government take.[696]

Fearful that Libya would perpetuate this escalating cycle by breaking through the fragile 55:45 ceiling on its own, the companies adopted a two-pronged approach. First, as a measure of insurance against Libyan attempts to target the weak links among the companies operating in the country, the Americans took measures to re-cartelize their overseas operations to present a united front against the exporters' cartel. To do so, they first pressed the American government to loosen

[695] Francisco Parra argues that, although low prices may have served the interests of the majors initially, they were able to adapt relatively easily to the higher posted prices by passing on the posted price and therefore tax increases directly to consumers. What is more, the new discoveries that would form the backbone of American and northern European petroleum security for the next few decades were expensive to develop. In other words, the companies needed global price increases to make these new sources profitable. Francisco Parra, *Oil Politics: A Modern History of Petroleum* (New York: I.B. Tauris, 2010), 144.

[696] Yergin, 562.

anti-trust restrictions.[697] Not only did the Nixon Administration readily concede that the companies could coordinate their foreign price policies, but it also sent State Department representatives to Iran, Saudi Arabia, and Kuwait to urge them to moderate demands.[698] Enabled by the lifting of these regulations, the companies, both major and independent, soon gathered into their own coordinating bloc. As the Libyan negotiations of the previous year had shown, even the majors had become vulnerable to the independents' dependency on Libya for the mass of their crude. The companies that were unintegrated were particularly susceptible to the sometimes aggressive and erratic tactics so often deployed by Gaddafi, Jalloud, and the Petroleum Ministry. The integrated firms – primarily those from West Germany – were not as dependent on their concessions for their financial security. In aggregate, however, they were dependent on long-term supply agreements with companies that were producing in Libya. In other words, had they wanted to keep these South-North flows continuing, they had incentive to comply with government demands. The resultant Producers' Agreement, then, attempted to codify a united company front against the increasingly aggressive negotiating tactics and demands adopted foremost by Libya. To do so, the document affirmed that no signatory should "make any agreement or offer of agreement with the Libyan Government with respect to 'government take' as applied to crude oil without the assent of the other parties." If a company were punished with cutbacks for adhering to this agreement, the other companies would make up for any short falls with their own sources of crude.[699] The deal was to last

[697] Fear of transgressing anti-trust statutes played a role in the majors' reluctance to come to Occidental's aid during the Regulation 8 issues of 1970. Enno Schubert, *Vom Bergmann zum Ölexperten: Stationen einer Karriere* (Frankfurt a.M.: R.G. Fischer, 2007), 44. These regulations, however, were loosened to accommodate the "Message to OPEC" and the Producers' Agreement discussed below. Indeed, representatives of the State and Justice Departments took part in many of the meetings that established these coordinated policies. The Justice Department in particular gave its consent to both, determining these were not non-competitive arrangements, the day after the Message and Agreement were finalized. Hunt vs. Mobil Oil Corporation, 410 F.Supp 195 (United States District Court S.D. NY, 1978).

[698] Shukri M. Ghanem, *OPEC: The Rise and Fall of an Exclusive Club* (New York: Routledge University Press, 1986), 125.

[699] According to the plan, cutbacks would be matched 100 percent in 1971, 80 percent in 1972, and 60 percent in 1973. Some of the oil notably would come from Iran. Producers Agreement, January 15, 1971: montan.dok/BBA 55/5738.

for the next three years until the end of 1973. Gelsenberg and the other independents fully supported the agreement. The majors, having production elsewhere including the oil-rich Arabian Gulf, were less enthusiastic about the supply sharing provisions but nevertheless consented to the initiative in hopes of creating a united company front.[700]

Company actions, however, were not constrained to Libya. Libyan successes had emboldened OPEC more generally and even obligated countries such as Saudi Arabia and Iran that were otherwise reluctant to take such swift, dramatic action to follow suite. Therefore, as the second prong to the company coordination and an effort to neutralize Libya and the other more radical voices among the exporting countries, some twenty-one majors and independents companies active throughout OPEC territory – including Gelsenberg and Elwerath as the only German representatives - also drafted a “Message to OPEC” calling for negotiations over a durable, binding settlement that would apply to all OPEC members. Now that the companies had consolidated their ranks in response to the rapid wave of interdependent (if not completely coordinated) initiatives to increase the share of government take, they sought to bring an end to the continuous renegotiations of individual country-company revenue distribution schemes. In their stead, they hoped to establish new OPEC-wide norms for all current and future agreements.

OPEC rejected this request. Libya suspected OPEC would provide more restraint than aid in pursuit of a drastic increase of government revenue predicated on compensating for rising company profits and the geographical advantages Libya, situated west of the blockaded Suez Canal, offered. For their part, many other member countries, especially those situated along the Arabian Gulf, were concerned that Libya would make demands and promises that were too radical to support, but too popularly appealing to denounce.[701] OPEC remained united in its charge to acquire national control

[700] Schubert, 47.

[701] Ghanem, 123.

over posted prices, but divided in the particularities of this control.[702] Companies, therefore, had to negotiate two agreements: the first with the more conservative states centered around the Persian Gulf and the second with a more radical bloc of Mediterranean producers led by Libya.

Among whispers of embargo were the companies to demand too much, too obstinately, the producers' coalition led by Exxon and BP came to an agreement with the committee Gulf exporters on February 14 1971. Known as the Tehran Agreement, it officially established the 55:45 taxes paid split as the new baseline for current and future agreements and increased posted prices by 35 cents per barrel. This latter number was generated to contend with recent market price increases and the Libyan increase of 1970. The agreement also included a commitment from the signatory countries to hold posted prices at levels stipulated in the agreement for a period of five years. This matter of cents, as western companies and governments well knew, would amount to billions of dollars in annual extra expenses that would most likely be transferred to the consumer.[703] With this in mind, Economics Minister Schiller responded to the agreement with a stern warning to the companies – and namely those of American incorporation – who supplied the majority of the country's crude from the Gulf region. They had met success in West Germany because of the country's liberal, non-interventionist petroleum policy. This did not mean, however, that the German consumer would bear the full cost of the Tehran increases. "A necessary precondition" for free markets, as one reporter paraphrased Schiller, "is that oil companies conduct themselves in a correspondingly liberal

[702] As Ian Skeet has argued, once this goal was reached, OPEC found itself in an unfamiliar position. With company authority over the pricing question neutralized, OPEC member states had to quickly come to terms with the new situation they had created. The companies could no longer serve as a check to their demands. Therefore, the posting price battles of the early 1970s and, especially, 1973/4 were the process through which the now resource sovereign governments wrestled with questions of supply and demand, optimal production, market prices, and national entitlement. The period between 1970 and 1973 were, as Skeet states, the "interval between the end of company price management and the beginning of Opec" wherein there were no clear boundaries or uncontested regional norms on pricing. Ian Skeet, *Opec: Twenty-five years of prices and politics* (New York: Cambridge University Press, 1988), 95.

[703] According to *PIW*, a 15 to 35 cent posted price increase coupled with a 55 percent tax rate would add up to approximately $2 billion in additional annual expenses when spread across the 15 million barrel per day production rates in MENA. "Common Front Sought As Oil Costs Soar For Importing Nations," *PIW*, Vol. X, No. 3 (January 18, 1971), 1.

manner."[704]

Despite company intentions, the Tehran Agreement did not end the leapfrogging. Libya instead convened a summit for the Mediterranean producers that used the Tehran Agreement as a basis from which to generate its own slate of demands. This was a notable departure from Gulf country intentions that Libya would work to reconcile its policies with those of other MENA producers.[705] As had become conventional in Libya, talks commenced between state negotiators and individual companies. These included BP, a major producer, and Esso, a company that had become the "LARG's favorite whipping boy" due to its large holdings in the country and its previous aggressive stance on the questions of posted prices and revenue distribution.[706] After a period of posturing that included well publicized East German and Soviet delegation visits to Libya[707] and the conspicuous absence of Libya's chief negotiator Abdessallam Jalloud,[708] the Petroleum Ministry called on Gelsenberg's Schubert and Mobil's Andy Ensor to promote the company position. As was their wont, the American and West German Embassies observed the company-Ministry talks with interest but at a distance.[709]

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[704] "West German Minister warns oil companies," *Petroleum Times*, Vol. 75, No. 1910 (Feb 12/26 1971), 36.

[705] Representatives of Libya, Algeria, Saudi Arabia, and Iraq – the latter two party to the Tehran talks – took part in the Tripoli summit. Saudi Arabia and Iraq, however, offered support for the Mediterranean agreement only up to parity with the Tehran formula. They refused to get involved with Libyan demands in excess of those achieved in the Gulf.

[706] Telegram, Palmer, Tripol 00415, March 2, 1971, Subj: Oil Situation: Libya: NARA RG59 Pet 6 Libya B1507.

[707] The GDR had sent a delegation to Tripoli in January, according to West German intelligence, with the charge of discussing tanker contracts and other unenumerated opportunities for technical cooperation in petroleum matters. The Soviets had shown a consistent "low-level interest" in Libyan petroleum and had sent its own delegation presumably to discuss deepening petro-relations between the two countries. This latter visit, as American Ambassador Palmer notes, was in effect a "useful tactical ploy" to increase pressure on the western companies just then preparing to engage the government in talks of posted prices and taxes. Telegram, Palmer, Tripol 00214, January 28, 1971, Subj: Oil Situation: Flies Around the Honey Pot: NARA RG59 PET 6 Libya B1507.

[708] Telegram, Palmer, Tripol 00415, March 2, 1971, Subj: Oil Situation: Libya: NARA RG59 Pet 6 Libya B1507.

[709] In fact, not only was the Federal Republic non-interventionist in these business matters. Economics Minister Schiller had even to planned to deepen the government's liberal turn by abolishing voluntary quotas on crude imports. The reform, however, would be put in jeopardy were the companies to increase European

This configuration of negotiators was unconventional. Although Ensor represented a major international, he participated only in conjunction with Schubert, a representative from a West German independent. Mobil-Gelsenberg were indeed significant producers; they were also far from the largest or most vulnerable. This did not, however, prevent Libyan negotiators from backing the two companies into a corner. After all, Ensor and Schubert were not just arguing for a long-term agreement on prices that would end these frequent calls for price realignments and negotiations. They were also trying to undercut the zero-sum logic that had instigated the cyclical posted price leapfrogging in the first place. In this system wherein the interests of all regional if not global exporters were involved, the companies had to tread a fine path between resisting demands deemed unrealistic and appeasing the claims to sovereignty of their Libyan counterparts – as well as the Iraqi, Saudi-Arabian, and other representatives directly invested in the talks.

Early meetings yielded little. The Ensor-Schubert led team rejected the Petroleum Ministry's initial proposals for a 39 cent posted price and 5 percent tax increase as well as low sulfur, inflation, freight, and Suez premiums that would raise company costs by nearly $1 per barrel. In some estimations, cost producers and, therefore, Western European markets would lose an additional $1 billion per year under these conditions.[710] Although the companies would not normally give in to such demands, they were in a particularly vulnerable position. Libya had little reason to accommodate company requests too readily and, feeding off of the momentum generated in Tehran, had every reason to encourage negotiations to come to a quick conclusion. And Jalloud recognized this. When he actively joined the talks in March, according to Turnwald, he had shed the "business-like" demeanor with which he had approached the companies. Rather than prolonging the

prices above those necessitated by the Tehran and Tripoli Agreements. Telegram, Rush, Bonn 03294, March 19, 1970, Subject: Libyan Oil Negotiations: NARA RG59 Pet 6 Libya B1507.

[710] Taken unilaterally, according to some estimates, an effective cost of $2.57 per barrel was well above what the crude could fetch on open markets. "Libya's Far-Out Oil Demands This Time May Meet A Wolf," *PIW*, Vol. X, No. 3 (January 18, 1971), 2. Were other OPEC members to meet or preempt Libyan increases with their own, however, the Libyan schema would be more feasible, even if it would either eat into company revenue or effect drastic price increases in the European metropole.

stalemated back-and-forth between companies and the Ministry, Jalloud adopted a more aggressive tactic: he demanded the companies "name the highest price that they were still in the position to directly pay." He gave them three days to do so. Were their offers to intrude on Libyan claims to sovereignty (i.e. were the terms not favorable enough to Libya), the companies would be subject to unenumerated penalties. Had they not already been strongly suspicious of Libyan intentions, this convinced the companies that Libya was now prepared to impose punitive measures – or even deploy the oil weapon – with or without consulting the other Arab producers.[711] Despite their efforts to decouple the Tehran from the Tripoli negotiations and prevent Libyan interests from dictating the course of OPEC policy, Iraqi and Saudi ministers nevertheless explained that many Arab states were nevertheless prepared to join an embargo against companies that did not recognize Libya's right to bring its prices in line with Tehran.[712] OPEC had established the starting point for the negotiations with its 55 percent baseline. Libya interpreted this as the foundation on which to erect a much grander edifice of demands. Bound by a mutual interest supporting all members of the organization and presenting a semi-united front against the companies, the Gulf producers were forced to at least passively play along with Libya. Producers' unity in this case trumped organization-endemic disputes over the ultimate terms.

After three more days of unproductive talks, Jalloud declared negotiations on the verge of failure. In this case, the companies feared, failure would mean retributive action. The pressure tactic worked, and the Schubert-Ensor team soon came to an agreement with Jalloud. Retroactive to September 1970, posted prices including low sulfur, freight, and Suez premiums would increase by 90 cents - far surpassing the 35 cent precedent established at Tehran – and would accrue annual increases in line with price inflation in western markets.

The Tripoli Agreement was a clear victory for the RCC, at least in the short term. It widened

[711] Telegramm, Turnwald, Nr. 83, March 8, 1971: PAAA B66 IB4 685.

[712] "Here Are The Terms of New Five-Year Oil Deal In Libya," *PIW Special Supplement* (April 5, 1971), 4.

the previously 63 cents price differential between Gulf and Libyan oil (a considerable blow to company objectives) and therefore would pressure prices upwards in major regional price adjustments in the future. More concretely, it added an additional 50 percent to annual state income in one fell swoop. This, of course, was now the burden of the foreign oil companies. As with the increase of the previous year, it was also one which would be difficult for companies to absorb without transferring the new expenses directly to consumers.[713] It was likewise a considerable setback for companies struggling to come to terms with the new international balance of North-based producers and exporters in the Global South. Closed after the painful capitulations of the previous year and the concessions made to mollify the Gulf countries in Tehran, the Tripoli Agreement was just one more nail in the coffin of the 50:50 profit sharing benchmark and, indeed, in the primacy of company control of the oil trade in MENA.

Although signatories on the recent posted price, taxation, and operating changes, some companies nevertheless made accused that Schubert and Ensor had been over-compliant to Libyan demands. After all, there was now a Producers' Agreement that was designed to give companies support in just such situations but was never invoked. Some producers were flummoxed as to why that Schubert and Ensor were not able or willing to take a stronger stand against government negotiators on their own. To such accusations, Schubert contended that he and Ensor (as well as the rest of the companies) had only limited room for maneuver in the face of the recent rebalancing of powers between companies and countries in the region. Rather than being too weak to achieve much, according to Schubert, the negotiators had "brought 'the cow back from the ice'" and salvaged what they could out of an adverse situation.[714]

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[713] According to one report on the Tripoli Agreement, the parallels are striking. As in 1971, in 1970 "the companies were willing to pay the higher tax rate, which could be passed on to consumers in higher prices, rather than making a huge lump sum settlement for past under-payment of taxes and royalties on oil already sold, which would have been more difficult to recover from the market." Airgram, Rogers, No. CA-1950, Subject: Oil Agreement in Libya: NARA RG59 PET 6 Libya B1507.

[714] Schubert, 48.

There is something to be said for this argument. The Libyan side was well-acquainted with the vulnerabilities of the independents and the majors' unwillingness to leave a country that had masses of petroleum with which they could still turn large profits. Jalloud also understood and worked to arouse the visceral fear many companies and consuming countries felt when confronted with the possibility of embargo, nationalization, or other petroleum flow disruptions. These threats would continue to be a constant worry for all western companies operating in Libya and throughout the Middle East even after 1971. As shown below, the Libyan government would already resort to nationalization to exact political revenge by the end of the year.

This is not to say, however, that Schubert and Ensor exacted no concessions of their own. Although the final agreement had flaws and shortcomings – including the ultimate failure to adequately reconcile Mediterranean and Gulf prices[715] - the agreed upon $3.05 posted price did fall roughly in the middle of Libya's initial demand of $3.75 and the companies' rebuttal offer of $1.90. The companies likewise escaped Libya's demand for retroactivity to June 1967 (the closure of the Suez Canal) and an obligatory 25 cent per barrel reinvestment initiative, albeit in exchange for an additional 2 cents of posted price.[716] With its five-year duration – a point of contention since the agreement of the previous year and something Jalloud had adamantly resisted in negotiations - the agreement also gave the companies some confidence that, barring any major unanticipated disturbances, the recent spate of posted price leapfrogging would subside.[717]

As was customary in these talks, Jalloud continually fell back on his own lack of maneuverability on pricing and retroactivity questions, arguing that the RCC gave him little room to negotiate to a five year agreement without significant concessions on other matters, a Libyan

[715] The Tripoli Agreement set Libyan prices $1.16 above those for comparable Gulf oil, increasing the tax basis but chipping away at the oil's cost advantage. The discrepancy between Gulf and Libyan oil would reach its apex in 1974, when Libyan oil was priced $4.12 per barrel above Gulf rates.

[716] "Here Are The Terms of New Five-Year Oil Deal In Libya," *PIW Special Supplement* (April 5, 1971), 3.

[717] Telegram, no author, Tripoli 00692, April 3, 1971, Subject: Oil Agreement Signed with Libya: NARA RG59 PET 14 Libya B1508.

exclusive temporary Suez allowance and freight premiums among them.[718] To this, Schubert replied, "We too have our RCC who must look into the future."[719] As it turned out, the companies, united in the negotiations but divided in interests, were willing to give much more than Jalloud. Their respective "RCC's" – whether their home governments or their boards of directors – looked into the future and turned to defense through concessions and repositioning rather than the staunch opposition to change that enabled the rise of a resource nationalist regime in Libya in the first place. Even considering the arguable successes of the Schubert-Ensor team, the companies had taken what they could get and cut their losses. Whether short-sighted or tactically prudent, they avoided a major standoff in one of the most radical petroleum producing states. And, indeed, most would, in the end, avoid the most radical of fates: full nationalization.

Adding to the case that Schubert and Ensor succeeded in negotiating a manageable agreement, the effects of the increased prices on European and German markets would turn out much more moderately than some of the more fatalistic predictions of European energy security and price stability. Even as Libyan production decreased, aggregate production MENA continued to increase until October 1973. This wealth of supply was reflected in prices. Global crude prices would increase approximately two percent as a result of the Tripoli Agreement, climbing above 1960s levels in raw terms but hovering below them once factoring for inflation by 1972.[720] At the same time, significant portions of those increased payments to the petroleum exporters would end up returning

[718] This was not a tactic employed by Jalloud alone. Toward the end of negotiations on March 20, in fact, Jalloud and Ensor got into a quick bout of one-upmanship based on who could potentially suffer worse consequences when answering to their superiors for their concessions. Ensor hyperbollically invoked his own firing several times. Jalloud, his execution. "Exhibit 100: Meeting at the Ministry – Noon, March 20, 1971," "Hearings before the Subcommittee on Multinational Corporations of the Committee of Foreign Relations, United States Senate, 93rd Congress, Second Session on Multinational Petroleum Companies and Foreign Policy, August 30, 1974," *Multinational Corporations and United States Foreign Policy*, Part 6 (Washington: US Government Printing Office, 1974), 221-2, accessed through Hathitrust (https://babel.hathitrust.org/cgi/pt?id=mdp.39015078591818;view=1up;seq=9).

[719] Exhibit 100, 118.

[720] World prices reached $1.90 per barrel in 1960 and $2.48 in 1972. In terms of the 2013 dollar, those prices are $15.19 and $14.05 respectively: BP Statistical Review of World Energy 2016.

to Western Europe through increased purchases of industrial products and contracts for projects in the exporting states.[721] This circulation of primarily of gold-tethered petrodollars – even among countries that dealt domestically in Deutsche Mark and Libyan dinar – paradoxically served as the foundation of the world economy as it undermined that very same superstructure. This was not just because of the unbalanced growth of world trade in comparison to gold production. It was also because crude oil was displacing gold as the foundation to the dollar. Petroleum – presumably inexhaustible in its sources and applications - was becoming the stuff of world trade. Tanker and pipeline routes its network.[722] Oil, in other words, was the lubricant of the global economy not only as a feedstock but as a physical and financial commodity. In this system, the industrial North purchased southern petroleum, exploited it to produce industrial products for sale back to those petroleum exporting countries. As long as this system functioned smoothly, there was every reason to believe that the producing companies – Gelsenberg included - would quickly recover from the minor shock of the posted price increases as their home markets could pay just a little more for that crude. There was every reason to think that despite the blow, things could have been much worse.

. . .

Indeed, industrial and trade ties had been growing despite the decrease in oil production. By 1971, there were 15 German contractors working on industrialization projects in the country, while numerous others were active in the agricultural sector. That is, in addition to the four oil companies operating in the country.[723] Twenty Libyan students had taken part in German education programs for broadcasting, printing, and other forms of professional development. Many others had participated in company-sponsored industrial training programs.[724] German exports to Libya,

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[721] Intelligence Note (Bureau of Intelligence and Research), April 28, 1971, Oil Confrontation Aftermath and Outlook: NARA RG59 PET 14 Libya B1508.

[722] Timothy Mitchell, *Carbon Democracy: Political Power in the Age of Oil* (New York: Verso, 2011), 111, 141-2.

[723] Wintershall-Elwerath, Union Rheinische, Gelsenberg.

[724] Werner, Ber.Nr. 1127/72, December 20, 1972, Betr.: Länderaufzeichnung Libyen: PAAA B36 IB4 494.

meanwhile grew from DM 168.5 million in 1970 to 208 in 1971.[725]

Oil, however, remained the primary economic linkage between Libya and the Federal Republic. Despite the welcome decrease in dependency on its sources to a "reasonable proportion," Libya was still providing upwards of 30 percent of West German oil imports.[726] Non-petroleum trade still made up less than one percent of Libya's exports to the Federal Republic while German exports to Libya – primarily motor vehicles, electrical equipment, machines, and food products – constituted only one-tenth of intercountry trade. Although this ratio would shrink to a more manageable 3.5 to 1 by 1973, the trade imbalance was still striking, even considering petroleum had constituted nearly all of Libya's exports since the early 1960s. Economic relations, then, were petro-relations at their core. So too were political relations.

That is why Jalloud embarked on his first unofficial yet well publicized visit, or victory lap, of Western Europe just after the Tripoli summit. He spent two days in the Federal Republic in July, meeting with a range of German officials from the Minister of Economic Cooperation and Development Erhard Eppler to the Foreign Minister Walter Scheel to Chancellor Willy Brandt. The visit was approached with great anticipation by the West Germans. It offered a chance to mend relations that had been somewhat strained since the revolution. The trip could also present a chance for deeper engagement in the Libyan upstream, an opportunity that could give West German companies greater control over petroleum at its sources at the same time that the country was actively diversifying its source base. Jalloud had even previously expressed a desire to cooperate with Deminex and might even offer the company its first, best chance for a crude source. Although Gelsenberg - the company that had successfully withheld Amal, Hofra, and Ora from the conglomerate – opposed this avenue of engagement citing Deminex's charge to operate "where no oil-dependency exists whatsoever," the issue nevertheless remained on the table with possible offers

[725] This amount would nearly triple to DM 590 million by 1973. Länderaufzeichung über die Arabische Republik Libyen, January 30, 1974: PAAA ZA104835.

[726] Werner, Ber.Nr. 1127/72, December 20, 1972, Betr.: Länderaufzeichnung Libyen: PAAA B36 IB4 494.

of Hermes credits and companion development projects in exchange for exploration and production contracts.[727]

The highest ranking member of the RCC to visit Europe since the revolution, Jalloud had an agenda that extended far beyond the avowedly apolitical energy and economic concerns of a deal with Deminex or ensuring that the Tripoli Agreement would become the new normal, rather than the new minimum baseline. Instead, the Foreign Minister came further emboldened by the creation of a Federation of Arab Republics that politically tied Libya with the East-friendly regimes in Syria and Egypt. Relations particularly between Libya and Egypt had been worrisome to the Foreign Ministry since the latter days of the Idris regime. Given renewed economic and technical cooperation between the two countries as Libya simultaneously came into windfall profits from its wealth of oil and embarked on a massive development plan absent of domestic experts in any technology-driven field, this political union continued to be an object of concern for the West Germans.[728] The question now, however, was not whether Egypt would radicalize Libyans in the cause of a Nasserian positive neutralism or anti-westernism[729] but whether Gaddafi could radicalize Egypt's policies

[727] Aufzeichnung, Müller-Chorus, July 12, 1971, Betr.: Besuch Major Jallouds; hier: Gesprächesthemen im Bundeswirtschaftsministerium: PAAA B66 IIIB6 685.

[728] According to the Embassy in Tripoli, Egypt had already sent or would soon send 242 doctors and medical teachers, 51 medical assistants, 200 nurses, 58 motor technicians and engineers, 680 teachers, 47 professors, 6 engineers for dam construction, 70 technicians for similar projects, 180 technical and other civilian advisors, 300 military advisors, and 3700 other people active in various business endeavors. Turnwald, Ber. Nr. 210, March 17, 1970, Betr.: Wirtschaftsbeziehungen anderer Staaten zu Libyen, hier: Beschäftigung von ägyptischen Medizinern, Krankenschwestern, Dieselfachleuten, Dammbauern u.a.m.: PAAA B66 IIIB6 685. That is compared to just over 500 Germans in the country, 470 of whom were engaged in private enterprises (numerous construction and development projects as well as the petroleum sector) and 30 charged with diplomatic duties. The remaining 25 were visitors, scientists, teachers, and students. Werner, Bericht Nr.: 291, March 26, 1972, Betr.: Kulturpolitischer Jahresbericht 1971, Deutsche im Gastland: PAAA B97 236.

[729] Ambassador Werner assessed the situation at the end of September, arguing that although Gaddafi had consolidated his position in North Africa, he was "ambivalent" toward to the US and UK and "willing to cooperate" with Western Europe. Economic concerns assumed prominence over assumed sympathies for the East. The West, he noted, continued to also exercise considerable influence over Libyan military matters. Werner, Ber.Nr. 702, September 14, 1971, Betr.: Politische Lage Libyens: PAAA B36 IB4 413.

toward the Arab-Israeli conflict.[730]

Although Jalloud did not adopt the same mercurial approach to these ministerial meetings that he did during the company negotiations, he nevertheless made clear that his trip was not just a good-will tour to drum up support for Libyan development projects and secure further petroleum outlets. Instead, there were three major issues that pervaded all discussions. The first two were issues related to bilateral German-Libyan relations: petroleum and technical and economic cooperation. The third was expected but focused on a third party geographically separate from the other considerations: Israel. Jalloud "used every opportunity, even a (meeting over) a breakfast the Chancellor had provided for him, to explained the Libyan solution to the Near East conflict and criticize German Near East policy."[731] It was unimaginable, he stated in talks with the new Chancellor Willy Brandt, that the Germans would toe the American line on the issue rather than assert its own policies in its own energy-political interests.[732] Jalloud, however, was tactful enough to stop short of directly threatening to intervene in petroleum flows to the Federal Republic.[733] Still, he was particularly provocative in these discussions denouncing the "Zionist and Hitlerian Israeli regime" and declaring that the Federal Republic had been supporting an Israeli occupation policy that was a crime "against nature. It (Israel) will disappear, even if it will last another 100 or 200 years."[734]

Jalloud, however, was more conciliatory in what followed. Noting the Libyan "trust in the technical abilities and economic possibilities of the Germans", he appealed for economic cooperation. In particular, he sought help expanding the exploitation of Libya's gas reserves as well

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[730] Szatkowski, 23.

[731] Demikonzept, Pfisterer, July 28, 1971, Betr.: Besuch des stellvertretenden libyschen Ministerpräsident Abdulsalam Jalloud in Bonn vom 18. bis 20. Juli 1971: PAAA B66 IIIB6 685.

[732] Vermerk, July 20, 1971, Betr.: Gespräch des Stellvertretenden libyschen Ministerpräsidenten Jalloud beim Bundeskanzler: PAAA B36 IB4 412.

[733] Demikonzept, Pfisterer, July 28, 1971, Betr.: Besuch des stellvertretenden libyschen Ministerpräsident Abdulsalam Jalloud in Bonn vom 18. bis 20. Juli 1971: PAAA B66 IIIB6 685.

[734] Vermerk, July 20, 1971, Betr.: Gespräch des Stellvertretenden libyschen Ministerpräsidenten Jalloud beim Bundeskanzler: PAAA B36 IB4 412.

as growing its petrochemical industry into a major trading partner with the Federal Republic itself as well as with the EEC. Brandt replied that he had serious interest in deepening economic cooperation. When Jalloud once again returned to the Israel question, Brandt emphasized that, as part of the EEC, the Federal Republic abided by United Nations Resolution 242, which called for the return to the pre-1967 borders.[735] This divergence between Israel-Palestine policies, he continued, should not preclude cooperation in petroleum and development matters, even if it did strain the two countries' political relations.[736]

Despite such exchanges, Jalloud's visit was nevertheless a moderate success for the Federal Republic. It reinvigorated educational, economic, and technological cooperative efforts between the two countries that had been waning over the years. Although the joint projects that ranged from refineries to iron-ore smelters to railroads did not reach ambitious scale posited by Jalloud, these contracts did contribute to an approximate DM 200 million portfolio of German-Libyan development projects that improved trade ties with and promoted industrialization in Libya. Coupled with additional development and military supply agreements signed with western powers such as England and France, they also neutralized Soviet efforts to provide development and military aid packages and disrupted East Germany's recent efforts to improve their trade with and status in the country.[737] This is particularly notable in light of recent gestures toward improving relations between the two countries, including the State Secretary of the Petroleum Ministry's trip to East Berlin to visit the Minister of Petrochemical and Industrial Cooperation in April 1970 as well as the East German delegation that visited Tripoli in January 1971 to discuss tanker contracts and other petro-related

[735] Aufzeichnung, July 22, 1971, Betr.: Besuch des Stellvertretenden libyschen Ministerpräsidenten Abdulsalam Jalloud in Bonn vom 18. bis 20. Juli 1971: PAAA B36 IB4 412.

[736] Demikonzept, Pfisterer, July 28, 1971, Betr.: Besuch des stellvertretenden libyschen Ministerpräsident Abdulsalam Jalloud in Bonn vom 18. bis 20. Juli 1971: PAAA B66 IIIB6 685.

[737] Werner, November 28, 1971. PAAA B66 IIIB6 685; Werner, Ber. Nr. 702, September 14, 1971, Betr.: Politische Lage Libyens: PAAA B36 IB4 413.

matters.[738] Despite all that had transpired, Libya still remained one of the only Arab states that had not established diplomatic relations with GDR. As Counsellor of the Embassy Gerhard Müller-Chorus wrote in anticipation of Jalloud's trip, this East-skeptical, positive neutralist policy would be ensured in part by Gaddafi's own aversion to the "atheistic and anti-private property" tenets of Soviet communism, though his continued cooperation on this issue could only "be maintained through the large financial means" West Germany had at its disposal for development projects and other investments.[739]

Müller-Chorus was correct in this assessment. Libya would not establish diplomatic relations with East Germany until June 1973, six months after the Federal Republic abandoned the Hallstein Doctrine in favor of the Basic Treaty and the semi-normalization of relations with the GDR.[740] This owes as much to Gaddafi's own ideological aversion to the atheistic, state-bureaucratic, and world communist tenets of East German Leninism as it did to the strength of West Germany's relations with Libya.[741] Indeed, Jalloud himself was inspired more by socialism than Gaddafi's "Islamic idealist conceptions" and was more inclined to cooperate with the communist world.[742] On this trip, however, he represented the RCC rather than himself and quite effectively toed the Gaddafian line.

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[738] For the former see: Telegramm, Turnwald, No 54, April 29, 1970; for the latter, see: Telegram, Palmer, Tripol 00214, January 28, 1971, Subj: Oil Situation: Flies Around the Honey Pot: NARA RG59 PET 6 Libya. By March 1971, East German ships had become involved in transporting Austrian-purchased LNOC royalty oil to Trieste. Turnwald, Ber.Nr. 185, March 10, 1971: Betr.: Entwicklung der libyschen Aussenpolitik: PAAA B36 IB4 413.

[739] Aufzeichnung, Müller-Chorus, July 14, 1971, Betr.: Die politischen Grundlagen für eine deutsch-libysche Zusammenarbeit: PAAA B36 IB4 412.

[740] According to the treaty, both states agreed to recognize each other's sovereignty (Article 6) and to exchange "permanent representatives" (Article 8). For West Germany, this treaty compromised the *Alleinvertretungsanspruch* while stopping short of officially recognizing the GDR's status as a separate country.

[741] "Apart from stalwart political and economic motives, emotions might have also played a role with Gaddafi in this point, as he himself tenaciously and with great engagement repeatedly tried to establish a unified Arab state and from there also saw the adherence to the unity of the German nation and the pursuit of the national unification of both German states as fully legitimate." Szatkowski, 24.

[742] Bente, n.d. (although likely before June 13, 1971), Betr: Besuch des libyschen Ministers Abdusalam Jaloud: PAAA B36 IB4 412.

There were, of course, downsides to the imbalance inherent in these North-South petro-relations. For West Germany, the lingering though diminishing dependency on Libyan crude was far from ideal. It was not, however, without its own advantages. Even as it exposed the Federal Republic more directly to increasingly volatile petroleum policies and decreasingly reliable flows, so too did it create trade linkages between the two states that neither side sought to abruptly sever. Those linkages came in their greatest strength by the American concerns producing in the country. They came most directly, however, in the Mobil-Gelsenberg venture. As much as the Federal Republic relied on Libya for the plurality of its crude for the time being, Libya depended on West Germany as a primary outlet. "Economic interests and political considerations" – ultimately based on petroleum – would take precedence over any unilateral reorientation toward the East.[743] They would also ideally curb RCC's tendency toward unilateral radical policies that were less appealing to the larger and more conservative members of OPEC.

Although these ties generated a degree of stability in trade, they needed to be maintained in the face of Libya's changing domestic petroleum policy. To do so, the Foreign Ministry first installed Hartwig Berghaus as one of only two oil advisors in German Embassies. He was charged not only with acting as specialist in Libyan petroleum matters, but also, with the anticipated diversification of sources across the Sahara led by Deminex, the other Arab exporters in North Africa.[744] At the same time, the Foreign Ministry attempted to reconcile their largely Embassy-oriented diplomatic approach RCC by embarking on a limited campaign of state visits and other intensification of direct diplomacy that would counter communist intrusions. The unofficial visit by Jalloud came in the midst of a Soviet and Eastern European diplomatic offensive of an exchange of ministerial visits. West Germany responded with its own spate of invitations to high level officials in the Libyan Petroleum Ministry and other government officials to encourage trade deals, explain the Federal Republic's

[743] Turnwald, Ber.Nr. 185, March 10, 1971: Betr.: Entwicklung der libyschen Aussenpolitik: PAAA B36 IB4 413.

[744] The other, Dr. Hahn, was installed in West Germany's second major crude exporter: Iran.

non-interventionist approach to the Arab-Israeli conflict, and ensure that West Germany's primary supply of crude was safe and steadily flowing.[745] As far as the objective was to outmaneuver eastern attempts to secure Libyan favor and petroleum, these measures were largely effective.

In the end, the Jalloud trip had made Libyan-West German relations appear secure despite the transformations taking place within Libyan borders and the realignments taking shape in the Libyan petroleum sector. They opened an avenue of dialog that generated a considerable degree of enthusiasm in the Foreign Ministry, the Ministry of Economic Cooperation, the Economics Ministry, and, particularly, the Office of Geological Surveys that saw opportunities for deeper cooperation in promising geological ventures in the Sahara and the petroleum and natural gas refineries.[746] Improved relations based on such cooperative projects was achievable, however, only as along as oil continued to flow from Libya at high enough rates to slake West Germany's growing thirst and the Libyan government rested content with the compliance of the companies, government revenue levels, and, as it would turn out, western geopolitical alignment.

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The September coup brought into power a government that was enigmatic to West German observers. At first, Gelsenberg and the Embassy adopted a cautious approach to the new government. As much as the putsch came as a surprise, after all, the unpopularity of Idris had been apparent for years and a contested succession was all but assured. At the least, the RCC's seizure of power avoided potential political conflict if not outright civil war. At the same time, the new government maintained order from its first days in power and even ensured oil continued to flow form the central Sahara to Western Europe. These were all taken as positive signs.

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[745] The first such visit was taken by Parlamentary State Secretary Karl Moersch to the Libyan International Trade Fair in March 1971, nearly a year and a half after the revolution. Jalloud's calls for increased cooperation during his July visit initiated further visits by members of the Foreign Ministry and the BMWi before the end of the year.

[746] Vermerk, Plesser, July 20, 1971, Betr.: Besprechung mit dem stellvertretenden libyschen Ministerpräsidenten Jalloud bei Herrn Staatssekretär Emde am 19.7.1971: BAK B103/123675.

In 1970, it became clear that the cautious optimism of 1969 was misplaced. Muammar Gaddafi emerged as an uncompromising and state-centralist leader and Abdessalam Jalloud his messenger and as well as a significant and sometimes unpredictable force in his own right. The coup turned out to work against the German interests in Libya. The erosion of company autonomy in favor of state authority did not end with the posted price increase of 1970, the imposition of the Idris-era Regulation 9, or the Tripoli Agreement of 1971. As the next chapter shows, these early actions prefigured the further radicalization of Libyan petro-policy over the next two years that would culminate in the partial-nationalization of all companies operating in Libya, the full nationalization of certain uncooperative companies, the increasing frequency of OPEC-coordinated and unilateral posted price increases, and the pan-Arab embargo of 1973/4. Excluding the boycott, Idris had pushed for similar goals, albeit in a less confrontational, more gradualist fashion. In April 1968, he established the Libyan General Petroleum Corporation (Lipetco), a nationally owned company whose responsibilities included marketing crude paid to the state in-kind instead of monetary royalty payments and, once the company acquired its own productive fields, crude it produced itself. Lipetco, however, made little impact during Idris' reign and was replaced in 1970 by the Libyan National Oil Corporation (LNOC). The LNOC was initially charged with carrying out similar duties as Lipetco and its marketing subsidiary Brega Petroleum Marketing Company made its first sale of royalty crude to the Österreichische Mineralölverwaltung AG (ÖMV) of the same year. In that same year, the LNOC acquired its first small but productive fields surrendered by Phillips Petroleum Company during the 1970 posted price negotiations. At first, the Libyan company had little impact on the Mobil-Gelsenberg venture or the amount of crude flowing to the Federal Republic. As the LNOC grew, however, it became a major player in the petroleum industry and at times a threat to the companies already producing there.

At the same time that it created a state company to both work and compete with the foreign firms already in the country's fields, the government decreed in May 1971 that other autonomous firms would have to undergo a rapid process of Libyanization of the upper ranks of their operations.[747] This would entail not only the integration of Libyans into management, but also training programs to prepare the Libyan workforce to take over these positions. By the end of the year, there were approximately only 150 Libyans at different stages of their traineeships in US, Egypt, and France. Despite offers to accept five of their own, the Federal Republic still hosted none.[748] Mobil was able to increase its Libyan employment to nearly 70 percent of the total payroll.[749] Gelsenberg, having a staff of fewer than ten mostly in managerial and engineering positions centered in Tripoli, encountered greater difficulty in meeting these objectives. Despite a "comprehensive training program" designed to prepare Libyans of these higher-level jobs, Mobil-Gelsenberg produced few people who met the prerequisite qualifications to join management, one of the primary goals of Libyanization: a degree in business administration, five years of comparable experience, "excellent experiences in American and German methods of accounting," "perfect" German and English abilities.[750] They were able, however, to hire Fadil Krekchi, a petroleum engineer who had recently embarked to West Germany for advanced studies. He would assume his duties as an operational technician Gelsenberg the following year, and head of Gelsenberg Libya in September 1975.[751] Although Gelsenberg, a small non-operator, suffered few consequences, it is important to note a single manger-level Libyan employee fell far short the RCC's demands. The Libyanization of

[747] Issued in May, Decree 28 required that Libyans occupy "all leading positions" in education and maintenance by July and the leadership of all personnel departments in charge of Libyan employees by January of the following year. It also called for the position of Public Relations Manager to be filled by a Libyan and steadily increasing Libyan representation over the next few years. These demands were often not met within the established timeframe. This decree strengthened language in the Petroleum Law that called for 75 percent Libyanization of all firms. The early statute, however, had never been enforced. Werner, Ber.Nr. 964, December 14, 1971, Betr.: Ölwirtschaft und Ölpolitik in Libyen 1971: PAAA B66 IIIB6 685.

[748] Werner, Ber.Nr. 964, December 14, 1971, Betr.: Ölwirtschaft und Ölpolitik in Libyen 1971: PAAA B66 IIIB6 685.

[749] Vornhecke, Nr. 122/54/71, May 5, 1971, Betr.: Libyanisierung: PAAA montan.dok/BBA 55/5687.

[750] Draft letter to the Ministry of Petroleum, Director of Training and Employment, May 1971: montan.dok/BBA 55/5687.

[751] Draft: Ministry of Petroleum, Director of Training and Employment, May, 1971: montan.dok/BBA 55/5687; Edtinger to Registratur Gels Min, N0. 114/85/75, July 30, 1975, Betr.: Besuch beim Unterstaatssekretaer des Erdoelministeriums Dr. Shukri Ghanem; montan.dok/BBA 55/5723.

the petroleum industry was indeed a primary objective. Although it was a two year process by decree, however, it was by nature a long-term one.

The Libyanization of the oil industry through the LNOC and greater indigenous representation in firms, however, was only one piece of a broader effort by Libya (as well as other Arab exporters) to expand their relationship to domestic oil beyond their roles as gatekeepers and rentiers. Libya for one wanted much more. It wanted to be a producer. It wanted to gain sovereignty over its raw materials. And it wanted to transform its petroleum into geopolitical power as well as revenue. Just as the still vaguely defined Libyan brand of socialism, following Jalloud's explanation, was not a goal but a means to the sociopolitical transformation of the country, so too was nationalization an economic weapon to be deployed to broader political and geopolitical ends.[752] Fittingly, then, the first major nationalizations were not an economic matter, nor were they part of grander designs to expropriate the industry from the companies that had spent the last decade and a half developing it (even though they doubtlessly proved effective means for LNOC to acquire proven fields). Instead, they were a matter of geopolitics that were inextricable from global petro-politics.

After the withdrawal of British troops from the Straits of Hormuz at the end of November 1971, the Iranian military moved to occupy the Tunb islands. Up until this point, the British had recognized these as territory belonging to Ras al-Khaimah, one of a small collection of Gulf kingdoms that would soon merge into the United Arab Emirates. Many considered the Iranian action as a Persian invasion of sovereign Arab territory encouraged by a former colonial power who still had an obligation to protect the islands but willingly failed to act. In retaliation, Gaddafi nationalized all BP's

[752] Turnwald describes a discussion he had about Libya's economic and political goals during the Tehran and Tripoli negotiations. Jalloud "named the development of additional economic branches to solve the one-sided dependency on oil and the gradual material and cultural lifting of the differences between individual sections of the population as political economic goals. *Socialism is not a goal in itself, but merely a means toward the building up of society.* The public hand should therefor the most important means of production control and manage. At the same time, foreign trade should be reorganized, without penalizing merchants and consumers (italics mine)." Turnwald, Ber.No. 147, February 24, 1971, Betr.: Rede Major Jallouds in Homs: B36 IB4 411.

Sarir enterprise.[753] Although this action left untouched most of the German firms,[754] it was consequential. On the one hand, it reinforced fears of further nationalizations and disruptions in oil flows. Although most Sarir oil was going to England and Italy, modest but significant quantities did make their way to West Germany.[755] More importantly, however, this move against BP gave the LNOC its first major source crude. In an effort to prevent other producers from making up for BP's shortfalls with their own crude, the government froze all production levels to those at the time of the action. The companies responded to the BP action as well as other regional government claims to partial nationalization by reaffirming the Producers' Agreement. The agreement, however, had minimal effect. Although BP received substitute crude at tax paid cost, the primary issue for BP was not short-term production. Instead, it was precedence. If Libya could nationalize a British major in such a manner, what would prevent the other companies from taking such retaliatory action against BP or any other firm in the future? What would prevent a state from doing so, moreover, invoking UN Resolution 1803 or OPEC's Resolution 90 from 1968 and Resolution 139 from 1971, the later of which actively urged members to seek participation in the name of resource sovereignty? Although it was deployed, the Producers' Agreement ended up being of little consequence, especially as the regional trends toward state-participation and nationalization began to outpace those in Libya.[756] More important than the agreement among producers was Western Europe's refrainment from purchasing the crude. Bunker Hunt – the non-operating partner in the Sarir fields – refused to market BP's share of the oil. This policy, however, was effective only for a short time. The LNOC's Brega marketing subsidiary quickly found eager purchasers initially in the Soviet Union - whence

[753] The government of the UK controlled upwards of 50 percent of the firm.

[754] That is, except for Wintershall, which held a 25 percent stake in one of the BP's yet unproductive fields

[755] Fernschreiben, Werner, No. 290, December 8, 1971, Betr.: BP-Verstaatlichung: PAAA B66 IIIB6 685; Hunt vs. Mobil Oil Corporation, 410 F.Supp 195 (United States District Court S.D. NY, 1978).

[756] These include the Algerian nationalizations particularly of the early 1970s, the Kuwaiti cutbacks (which paved the way for full nationalization of the Kuwait Oil company in 1975), and Iraq's nationalization of the Iraq Petroleum Company in June 1972.

some of the oil was redirected to Western Europe – and afterwards in Western Europe itself. Notably, this trade with the Soviet Union soon evolved into a larger five-year barter agreement that exchanged oil for cooperation in the Libyan petroleum and energy sectors. It also opened the Eastern Bloc to similar deals and deeper involvement in Libyan development projects.[757] Libyan oil, nevertheless, remained beyond communist reach.

Although jarring in itself, the expropriation of BP was just one small piece of a broader regional push for nationalization that had been burgeoning since the MENA states achieved independence and opened their fields to foreign companies. Indeed, partial nationalization (or participation) had been a preferred form of agreement in MENA for some time. It was a driving force in Mohammad Mossadegh's Prime Ministry in Iran in the early 1950s and a key feature of Arab-nationalist ideologies from Nasserism to Syrian and Iraqi Ba'thism to what would develop into Gaddafi's Third Universal Theory.[758] State control over essential raw materials, of course is not peculiar to the Arab and Persian world. As explained in the introduction, it played a critical role in the German mining industry and posed a critical and insufficiently answered question in the country's postwar turn to foreign sources of crude. If petroleum was the feedstock to postwar modernity for the West and the Arab South, so then was nationalization always a looming question and a persistent if sometimes distant threat to western petroleum price stability and energy security.

The next chapter will address these tensions between private sector endeavors and state-control with a particular focus on the critical period from 1972 to 1974. For the West German quest for Libyan oil, the 1973 oil crisis was a symbolic turning point but is nevertheless only part of broader trends that were set in motion by the agreements and partial-nationalization campaign of 1971. The

[757] Judith Gurney, *Libya: The Political Economy of Oil* (New York: Oxford University Press, 1996), 128.

[758] Gaddafi's Third Universalist Theory was the political ideology he first explained in detail in his *Little Green Book*. It was to rival the world-embracing ideologies of capitalism and communism wherein politics and state institutions would be replaced by direct popular participation in principle, but consultative participation mediated through state-sanctioned and -monitored committees in practice. The ultimate political and economic power lay solely in Gaddafi and the small cadre surrounding him. Vandewalle, *A History of Modern Libya,* 136-7.

period of relative calm that followed was merely a lull and harbinger of the rupture in regional tensions that set off a crisis in North-South relations. It was a period of increasingly assertive and evolving Arab claims to resource nationalism and company attempts to alternately deflect and accommodate these. Indeed, this period was characterized by worsening financial and regulatory conditions for the producing companies and importing countries as well as increased control for the exporting governments. Participation was a critical element of this. So too was the logical endpoint of these competing claims to contractual rights and national sovereignty, expertise and ownership, market and posted prices, and Arab and Israeli claims to an 8000 mile, oil-less strip in the Levant: the confluent OPEC posted price increase and OAPEC boycott of western markets in 1973. The next chapter, then, will focus on the further consolidation of pricing and producing authority in the hands of the Libyan state in the context of the OPEC and OAPEC claims to national resource sovereignty and the latter's deployment of political-economic mechanisms of pressure. It will examine the ways that Gelsenberg continued to negotiate a diminished space for itself and West Germany among the majors and an increasingly hostile regime amidst the birth pangs of a new petroleum world order.

Chapter 6: The Price of Precarity: Gelsenberg Libya and the Long Crisis of the early 1970s

In mid-1969, Gelsenberg Manager Enno Schubert offered this prediction in *Oel: Zeitschrift für die Mineralölwirtschaft*: "The competitive situation in the world oil market does not allow for an oil price rise. As a result, neither the old nor the new producers are prepared to accept cost increases because of additional dues to the producing lands. One can therefore act on the assumption that the oil market will remain price-stable through a great many years."[759] Written before the September coup, before the posted price struggles of the early 1970s, and before the oil price crisis of 1973/4, Schubert had no way of knowing how much markets would shift from buyers to producers and how great of price fluctuations markets would experience over the next few years. The comment is nevertheless telling. Previously, oil markets had been relatively stable as Europe and the US were at peace, and West Germany's own economic boom had only just given way to stagnation. Predictable prices and flows had become customary, as had the presumed weakness of exporting countries.

Changes in the petroleum balance between the consumers and the producers, moreover, further undermined Schubert's calculations. The Tehran and Tripoli Agreements of 1971 had marked a particular symbolic turning point from company to state dominance. Indeed, these agreements embodied two primary, countervailing trends that nevertheless pointed to regional consolidation at the expense of western interests in low prices and uncontested production. The first was that the petroleum exporting countries of MENA shared a common interest in asserting control over their domestic resources, but disagreed on the extent of control each government should claim. The second was that, despite these divisions, OPEC member states would increasingly determine posted rates.[760] What is more, despite messages to contrary, the 1971 agreements would prove only

[759] Enno Schubert, "Die Erdölpolitik der OPEC-Produzentenländer," *OEL: Zeitschrift für die Mineralölwirtschaft* (June 1969), 179.

[760] This was, as future Petroleum Minister and Prime Minister Shukri Ghanem notes, the first instance wherein the companies were pressured by the exporting countries to reset posted prices along significantly compromised terms. Over the next few years and building off of their 1971 successes, countries would

temporary. As the world economy ebbed on a devaluing (petro)dollar, the agreements soon fell out of line with state revenue goals. In turn, the producers introduced new schemes to increase the government take. And, as had been the case since 1970, Libya would produce some of the most demanding among these.

I argue below that prolonged tensions between the government and the companies plagued the post-agreement period in Libya. Some of this discord grew out of RCC Libyanization polices. They also manifested in initiatives aimed at the partial-nationalization of all producing companies. Rather than just affecting the national and ethnic makeup of company personnel as with the former, these latter policies were directed at raising Libyan national income and, in the process, jeopardizing company bottom lines. How much participation did the Libyan government require to exercise sufficient influence over company operations? What, moreover, was sufficiency? Did Gaddafi seek outright control, or just a greater take of revenues? Did he intend to dictate company activities or secure a Libyan voice in foreign concerns whose interests had seemed opposed to Libyan resource sovereignty? And, how much could companies such as Gelsenberg take in lost revenue? How much would market prices have to rise to keep the increasingly expensive production ventures profitable? How much could the European and German downstream feasibly absorb?

All of these questions would be answered by 1974. As it turned out the companies could bend considerably to accommodate government participation that, in Libya, generally stopped short of out-right nationalization. Western markets could indeed sustain significant price increases that resulted from the new pricing schemas, it was thought, as long as prices remained relatively stable. Stability, however, was an elusive option. By October, Egyptian and Syrian forces had invaded Israel, only to be mired in a nearly three week war that ended in an Israeli victory with only modest territorial concessions to Egypt. In an effort to pressure western governments to reconsider their support for Israel, the Arab producers' group OAPEC instituted a series of coordinated production

forgo the consultations and raise posted prices unilaterally with little company resistance. Shukri Ghanem, *OPEC: The Rise and Fall of an Exclusive Club* (New York: KPI, 1986), 128.

decreases as well as an embargo targeting primarily the Israel-supportive United States and the Netherlands. Because of its heavy reliance on the port at Rotterdam, West Germany was likewise dragged into the morass. It was at this same time, moreover, that the OPEC producers' cartel abruptly increased prices in response to a falling dollar and the consequential effective decrease in state income that consisted primarily of petro-dollars. Posted prices increased overnight from $3 per barrel to $5.11. This would be the first of several upward revaluations of petroleum over the next few months. In the face of an anticipated shortage of affordable crude, western governments, followed in turn by their publics, panicked. The confluence of these events – the war, the OPEC posted price increases, and the OAPEC embargo and production cut-backs – culminated in an oil price shock that reverberated throughout western economies.

Gelsenberg sat at the epicenter of West Germany's crisis. Libya was one of the most outspoken countries in oil-producing Arab world, frequently threatening boycotts and nationalization as political retaliation. Yet, its fields still provided the Federal Republic with a plurality of the national crude supply, a small but significant portion of which was conducted through Mobil-Gelsenberg. Gelsenberg's operations therefore suffered considerably during the petro-political radicalization between 1970 and 1974. In the West, the last quarter of this period is often remembered for the OPEC-OAPEC action, gasoline rationing, car free Sundays, and other manifestations of the oil-deficit, crisis mentality with which western governments responded. For Gelsenberg, the crisis entailed production quotas, destabilizing currency fluctuations, precipitous and sometimes overnight tax basis increases, unanticipated production interruptions, substantiated and unsubstantiated threats of expropriation, and a general operating climate of overwhelming uncertainty and, its counterpart, insecurity.

As this chapter shows, these issues have roots that predate the Yom Kippur/Ramadan War of October 1973 and therefore need to be considered over the long crisis period of 1970 through 1974. Although the market and price crisis that ensued may indeed mark the culmination of petro- and geopolitical tensions in the region, therefore, it cannot be adequately understood in its German and

Libyan contexts separated from the years-long build up that preceded it. It cannot be properly comprehended, moreover, solely as a matter of government policy, or government-company relations, or even western societal and governmental reactions to the possibility of an oil shortage. Rather, these facets need to be considered in aggregate. For the Federal Republic, the best way to do so is to study them from the perspective of the German companies producing in Libya and tracing those diminishing oil flows from the fields and ports of Libya to the ports, markets, and refineries of West Germany. Gelsenberg, after all, stood to lose considerably from price increases and disruptions in its foreign production. An integrated independent, these upstream restrictions likewise rapidly effected the company's downstream investments. West Germany's largest oil company operating abraod, its plights are exceptional in their localized particularities. They are also, however, emblematic of the wider vulnerabilities and precarities inherent in West Germany's total dependency on foreign and, to a great extent, Libyan sources particularly during a period of heightened North-South and company-government tensions. It is this very dichotomy of singularlity and representativeness that makes Gelsenberg Libya such an effective lens through which to examine German-Libyan business relations, petro-political relations, and, through those, Germany's broader integration into the globalized petroleum trade.

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Gelsenberg had entered 1971 with a bang. Although Mobil-Gelsenberg had been forced to cut back its Libyan activities in August 1970, total production was only slightly below that of the previous year and remained above 1968 levels. What is more, the companies had discovered a new modestly sized field, and brought four additional wells from already producing fields on stream. It is true that posted prices and, therefore, effective tax rates were increasing as production was decreasing. These increases, however, affected the entire industry, which together absorb the cost increases through raising prices. Meanwhile, Gelsenberg's German downstream continued to expand. Company refineries had increased their output by 17 percent over the previous year. The Mobil-Gelsenberg Neustadt refinery in particular had just brought into operation a new bitumen processing complex and expanded its refining output nearly to its capacity of 7 million tons of primarily Libyan crude. The quantity refined by contract for other firms had likewise increased by 86 percent over the previous year. And while the company was expanding downstream, it continued to integrate into the midstream as well, bringing one company-owned tanker into operation and ordering an additional two to be brought into operation over the next few years.[761] Despite the difficulties in Libya, Gelsenberg had overall performed well throughout 1970 and projected it would continue to do so through the next year.

This projection, of course, was not realized. The following year's annual report noted that the company had recently encountered major unforeseen challenges: currency issues accompanying the abandonment of the Bretton Woods system, a downturn in the business cycle, and "intensifying competition."[762] Some of the latter can be traced back to the Tehran and Tripoli leapfrogging that had pushed the companies to consent to terms they would likely have rejected outright only a year earlier. Although these agreements did institute a degree of posted price stability for a few months, they also increased tax-rates which were immediately reflected in increased consumer prices. Moreover, the agreements offered no finality, not even that of the five year term spelled out in their texts. Indeed, the terms agreed to in April 1971 would once again become a point of contention and therefore subject to revision by the end of the summer.

Although some of these difficulties are attributable to the recent resource nationalist wave working its way through OPEC countries, much blame likewise resides in broader economic trends that had been burgeoning for years.[763] Since the end of the Second World War the dollar had

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761 Gelsenberg AG Bericht über das Geschäftsjahr 1970: montan.dok/BBA 55/858.

762 Gelsenberg AG Bericht über das Geschäftsjahr 1971: montan.dok/BBA 55/859.

763 Rather than a side effect of some inconsistencies in the postwar economic system, scholars such as Francis J. Gavin have argued that they were the very stuff of the gold-pegged dollar and the Bretton Woods foundation of the postwar international monetary system. See: Francis J. Gavin, *Gold, Dollars, and Power: The Politics of International Monetary Relations 1958-1971* (Chapel Hill: University of North Carolina Press, 2007). This being the case, the German economy which prospered only because of the temporary stability imposed by the Bretton Woods system, was bound to be hit particularly hard by that system's collapse, especially as it coincided with the emboldened claims of petroleum exporters to a greater share of oil

become the de facto global reserve currency. Even in Libya where the companies were required to make tax and royalty payments in Libyan pounds (or dinar as of September 1971), the banks would accept only the US currency to which the pound was pegged. In effect, banks functioned as vessels through which the government accrued petro-dollars, while taxation schemes served as avenues of circulating pounds back to government coffers. Notably, this system took its heaviest toll on companies who otherwise operated on non-dollar foreign currency. Among these was Gelsenberg, who was forced to make double exchanges – first from Deutsche Mark to dollars, then dollars to pounds - before it could pay its Libyan employees and taxes.[764]

As much as this system particularly disadvantaged European companies, it also ensured that the Libyan economy was not just deeply embedded in western globalizing trade networks, but was also dependent on the health of the dollar for the value of its own currency and consequently its state income. Therefore, President Richard Nixon's August 1971 announcement that the US Treasury could no longer guarantee dollar convertibility at $35 dollars per ounce of gold – the rate set at Bretton Woods - sent shockwaves whose reverberations were felt in Libya and the rest of the non-communist producing world. Still, as parties to the Bretton Woods system, western economies took the first major steps to adapt. Indeed, the abandonment of the prescribed convertibility rate caused the Federal Republic to significantly revalue its own chronically undervalued currency. This move effectively increased the price of German exports, the prime pillar of the West German economy.[765] With the Smithsonian Agreement of December 18, the Deutsche Mark as well as several other

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revenues and greater influence over markets. For a study that follows this theme through the crisis, see: Tim Schanetzky, "Ölpreisschock 1973: Wendepunkt des wirtschaftspolitischen Denkens," *Deutschland in der Welt: Weichenstellungen in der Geschichte der Bundesrepublik*, Andreas Rödder and Wolfgang Elz, eds. (Göttingen: Vandenhoeck & Ruprechts, 2010), 67-82.

[764] Werner, Ber. Nr. 875, November 9, 1971, Betr.: Gegenwärtiger Erdölkonflikt der libyschen Regierung mit der Esso Libya: PAAA B66 IIIB6 685.

[765] Unsurprisingly, the Federal Republic resisted these measures, as William Glenn Gray argues, to its own disadvantage, especially as the overvalued Deutsche Mark became a beacon for speculators fleeing the low-interest, devalued dollar. William Glenn Gray, "Floating the System: Germany, the United States, and the Breakdown of Bretton Woods, 1969-1973," *Diplomatic History,* Vol. 31, No. 2 (April 2007), 295-323.

deflated European currencies were allowed to float freely, as the German currency would do two additional times before the ultimate collapse of the convertibility regime in March 1973. The dollar was devalued by 8.57 percent in relation to gold at the initial floating and even more in relation to other currencies. Anything valued in dollars, in other words, drastically and abruptly lost value.

These economic issues, of course, emanated from the West. The Arab producers, however, were likewise posed to contribute to the turbulence if and when they deemed necessary. And they would do so through their primary means of global global economic engagement: petroleum. Indeed, many of these same exporting countries had already deployed the oil weapon once in the 1967 boycott. Although that embargo was short-lived and had little sustained market or economic impact, it nevertheless showed the western world that Arab governments were prepared to wield their collective economic clout toward political ends. They were avowedly willing to do so even to their own economic detriment were it to pressure the western powers on the Israel question. Other Arab states such as Libya that had been only reluctant participants in the first embargo, moreover, had recently radicalized on the resource nationalist and Arab-nationalist questions. Gaddafi himself had already embraced Palestine not only as his rhetorical *cause célèbre* but as his professed personal mission. At the same time, he was constructing one of the most restrictive petroleum regimes in the region.

This posed problems for Gelsenberg. The confluence of the global monetary repositioning, the price increases, the welling state claims to greater shares of the profits and participation, and the constant threat of production disruptions hit the company particularly hard. By 1971, Gelsenberg faced both increasing costs in extraction and decreasing revenues in refining and sales particularly in the primary consumer petroleum product in Europe: heating oil.[766] At the same time, its largest

[766] Achieving more favorable economies of scale through increased sales were initially sufficient to make up for losses in the upstream. They, changed as stocks piled up and sellers markets rapidly converted into buyers markets: "While the higher oil costs in the first half of the year could still be offset by correspondingly increased revenues, a price decrease above all in heating oil kicked in in the second half of the year. This was so strong that the costs could no longer be covered by revenues and the still relatively satisfying yields

supplier had cut production quotas across the industry. This precipitated a rapid decrease in Gelsenberg's supply of approximately one million tons of crude per year between 1970 and 1971 and would result in an additional drop of 500 thousand through 1972. Together with the recent conversion of a sellers' to a buyers' market of overproduction, high stocks, and diminishing company influence over prices, these measures did little to stem the worsening financial situation of Gelsenberg, which was forced to half its dividend in the fiscal year 1971.[767] The situation would only worsen through the end of the year, making 1972, "most difficult year since (the company's) founding in 1953."[768] Shareholders received no dividend in 1972.

Gelsenberg's struggles were not for lack of effort to adapt and diversify. Gelsenberg continued to prospect in Mozambique, Oman, and Somalia and as a member of Deminex in Canada, Trinidad, Indonesia, Nigeria, Jordan, Iraq, and Guyana.[769] These ventures, however, produced no marketable finds. In line with industry-wide efforts to seize on new areas now open to intensive exploration, Gelsenberg joined a consortium of primarily German companies in a turn to the hydrocarbon sources of the North Sea. They met some success in these cooperative ventures, taking part in two gas discoveries in Bergen, Netherlands that were brought into production in the fall of 1972.[770] In the end, however, they found few liquid hydrocarbons. Libya and the Arab world would have to remain the primary supplier of West German crude and a primary focus of Gelsenberg's upstream activities. That is, despite the sinking production and revenues emanating from its holdings there. As Chairman Walter Cipa ominously reflected in an address to stockholders in August

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from the first half of the year were more than used up." Gelsenberg AG Bericht über das Geschäftsjahr 1971: montan.dok/BBA 55/859.

[767] Ibid.

[768] Gelsenberg AG Bericht über das Geschäftsjahr 1972: montan.dok/BBA 55/860.

[769] These are just some of the exploratory ventures in which Deminex expressed serious interest. Concerned above all with securing a steady supply of oil for the West German industry, they pursued supply agreements with major producing states, including Iran and Libya. As with the exploratory ventures, these efforts were largely disappointing.

[770] Gelsenberg AG Bericht über das Geschäftsjahr 1971: montan.dok/BBA 55/859.

1972, “We cannot yet foresee whether the recent developments in the international oil market – here I am thinking primarily of events in the Near East – will strengthen these tendencies and induce a rapid reversal of the overall situation. In particular, we cannot yet determine how far a reversal in the oil market potentially introduced in the coming months can cover already accrued losses.”[771] Gelsenberg, in other words, was falling victim not only to forces beyond its own control, but to those increasingly determined by the petroleum states in MENA.

This is not to say that all of these price and revenue issues emanated from the OPEC constituency. Instead, years of company-imposed low prices and overproduction had led to problems of discontent among exporters and oversupply. According to a 1972 company report, the latter problem had been exacerbated by the Federal Republic’s “liberal economic system” which offered few means to fight the twin dangers of rising crude and refining costs and declining revenues for finished products.[772] Tariffs had been removed. In times of growing global production, European and German markets had simply been flooded with historically cheap and, as subsequent events would show, severely undervalued crude. At the same time, the events of 1967 and the continued calls for national control over production had encouraged the EEC to mandate that companies hold strategic reserves of petroleum to insulate against the potential of another pan-Arab boycott. These polices, however, also contributed to what was already a glut of refined products. In such a market, prices and therefore per barrel profits had been stunted, encouraging a zero-sum competition that favored the large, established majors at the expense of the German independents and the producers.[773]

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[771] Dr. Walter Cipa auf der Hauptversammlung der Gelsenberg AG am 17. August 1972 in Essen, Gelsenberg AG Bericht über das Geschäftsjahr 1972: montan.dok/BBA 55/860.

[772] Ibid.

[773] The reason for this elasticity of supply lay in part in the interchangeability of crude oil from one source and crude from another. Although petroleum had varied qualities and characteristics, the finished products derived from these were more uniform. Were one company’s light heating oil to become too expensive, another company could substitute their own light heating oil at a lower price without concerns over its adaptability. The qualities and applications of these were the same. The qualities and characteristics of the

Although in the short term this led to an unsustainable balance between capital costs and revenues there was nevertheless some cause for moderate optimism. According to Cipa, this period of "extraordinarily fierce competition" and producer-driven price increases did not inaugurate a new adverse norm, but instead an opportunity for market recalibration. This rebalancing might even offer Gelsenberg "the best guarantee that the required price increases can be economically justified and the publicly necessary returns shall not be exceeded."[774] Barring major unforeseen disruptions, in other words, competition would soon settle at a manageable equilibrium between production costs, supplies, and market prices.

The foreign upstream sector, however, was a separate question. Whereas competition among companies might have been desirable, competition between western companies and the governments of producing countries in the Arab world was not. By the early 1970s, it was a reality. Former Secretary General of OPEC Francisco Parra encapsulated the situation of distrust and one-upmanship in pricing and taxation regimes as follows:

> When a change in taxation averaging about 3 cents per barrel per year since the decreases of 1959 (which had sparked the creation of OPEC), can only be introduced on the back of threats (widely credited though barely credible) to shut down production entirely and cause untold damage to the world economy, then there is something terribly wrong with the system. That flaw was not addressed in the Tehran/Tripoli agreements, because the *kind* of relationship that existed in the consumer-company-producer triangle was not perceived as the central problem at the time.[775]

As the system of adjusting prices had not been sufficiently reconstructed, the posted price wars would continue to follow every ebb and flow of western economies. Were the industry not able to

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crude, on the other hand, contributed to differences in transportation and refining inputs and cost more than the resultant product quality.

[774] Dr. Walter Cipa auf der Hauptversammlung der Gelsenberg AG am 17. August 1972 in Essen, Gelsenberg AG Bericht über das Geschäftsjahr 1972: montan.dok/BBA 55/860.

[775] Francisco Parra, *Oil Politics: A Modern History of Petroleum* (New York: I.B. Tauris, 2004), 144-5.

reconcile itself to these fluctuations quickly enough, moreover, the Cipa opportunity would soon be lost.[776]

Meanwhile, the currency issues that had been eroding the Bretton Woods consensus continued. In December 1971, a group of representatives from ten primarily western companies met in Washington to discuss the floating and depreciating US dollar. By the 18th of the month, they had come to an agreement. According to this Smithsonian Agreement (named after institution at which it was drafted), the dollar would be re-pegged to gold at the new rate of $38 per ounce, effectively devaluing the currency and causing other linked currencies to revalue.[777] To make up for this sudden decrease in petro-dollar value, the Gulf exporters pressed the companies to readjust the posted price schema established just a few months before. The companies acceded in the Geneva Agreement. This document built off of the Tehran terms. It increased posted prices at a rate of 8.49 percent and included the possibility of future increases to account for continued fluctuations in currency valuations. This again, however, was hardly the end of the matter. Scant one year later in February 1973, the dollar was again devalued in response to fluctuations sewn by aggressive market

[776] This question of adaptability – especially when taken with its oft-times counterpart intercompany coordination – was paramount to later industry interpretations of the failure of the companies to effectively resist the OPEC leapfrogging and resource sovereignty reorientation of the early 1970s. According to George Schuler, Chief London Policy Group Representative of Bunker Hunt, the primary issue as an inadequate "mechanism for coordination between industry and government" wherein the companies failed to consider their economic acts political and the western policy makers failed to consider "the economic and financial consequences" of their political acts. Although he notes that western petro-policy gave fertile ground to OPEC's growing resource nationalism, however, he does not go as far as Parra in arguing that early intransigence and price manipulation constituted a primary part of the problem. "Hearings before the Subcommittee on Multinational Corporations of the Committee of Foreign Relations, United States Senate, 93rd Congress, Second Session on Multinational Petroleum Companies and Foreign Policy, August 30, 1974," *Multinational Corporations and United States Foreign Policy*, Part 6 (Washington: US Government Printing Office, 1974), 1, accessed through Hathitrust (https://babel.hathitrust.org/cgi/pt?id=mdp.39015078591818;view=1up;seq=9).

[777] A major issue with the fluctuating exchange rates can be found in the limits placed upon those fluctuations. Known as "the snake in the tunnel," bands allowed for 4.5 percent appreciations and depreciations against the dollar. This created a maximum difference of 9 percent, an amount that could potentially disrupt European economic cooperation. Moreover, the snake still effectively pegged the European currencies to the dollar, which, at the time, offered little stability. The snake system would not last the decade. See: Barry Eichengreen, *The European Economy Since 1945: Coordinated Capitalism and Beyond* (Princeton: Princeton University Press, 2007), 246-51.

speculation. The Geneva mechanism adjusted posted prices upwards only by 5.4 percent, hardly accounting for the effects of the devalued dollar. In response, the Gulf producers negotiated an additional 6.1 percent increase in a second agreement in June.

As before, Libya was not party to the Geneva or subsequent agreements between the companies and the Gulf producers. It therefore adopted its own approach. The RCC had already sought to address the dollar issue back in September 1971, wherein it replaced the Libyan pound with the dinar and set the exchange rate ten cents higher than that of the pound. This caused problems among the companies that calculated their fees and taxes on the still effective international rate but was forced to convert currencies at the latter.[778] Indeed, the situation these measures created was confusing, laborious, and untenable. And it did little to solve the dollar issue in the long run.

At the same time, the Petroleum Ministry pursued a more far-reaching fix building off of the terms achieved in the Gulf. After revaluing the dinar once again in February, Libya called for another round of negotiations with the companies. Talks began on February 8. Petroleum Minister Mabrouk and later Minister President Jalloud called for a posted price increase of 12.2 percent, the companies replied with offers of the Geneva rate. Despite this early disparity between positions, the Gelsenberg officials taking part in the negotiations were optimistic that these would not just be a repeat of the Tripoli negotiations of the previous year. This time it seemed that company and government positions were reconcilable. What is more, this time a panel of independent experts from the Bank of Libya would be taking part. It was Gelsenberg's and the Embassy's hope that these largely foreign educated technocrats would moderate the economically unreasonable (at least in Gelsenberg's eyes) demands Jalloud would doubtlessly make.[779]

That is not to say that things did not grow heated. In the midst of stalled progress and

[778] Frank Waddams, *The Libyan Oil Industry* (Baltimore: Johns Hopkins University Press, 1980), 246.

[779] Werner, Ber.Nr. 153, February 16, 1972, Betr.: Gegenwärtige Ölverhandlungen in Tripolis: PAAA B66 IIIB6 709.

government frustrations over the growing stockpiles of recently nationalized Sarir crude (produced from formerly BP fields), Jalloud made an abrupt and unannounced visit to Moscow. Sarir oil had been an object of contention since the nationalization of the previous year. BP, of course, was displeased with the sudden expropriation and refused to renounce its claim to the fields and their contents. The British government supported its national concern by pressuring companies to foreswear purchasing any crude from the appropriated fields through the LNOC, Brega, or other organizations acting on their behalf. Despite a few leakages to the United States and elsewhere, this policy proved largely successful in deterring potential western buyers from purchasing the crude for the first few months. Jalloud recognized this temporary success in applying economic pressures to a political concern as well as the companies' prime vulnerability. By the beginning of March, the Prime Minister had closed a Treaty on Cooperation with the Soviet Union, effectively neutralizing the British-BP cause and displaying to the other companies that nationalization would remain viable redress for obstinacy. Aimed at diminishing dependence on western companies and post-Nasser Egypt, the agreement included clauses concerning assistance for prospecting, extracting, and refining crude, surveying Libya's natural gas prospects, and building Libya's electrical grid.[780] Although the Foreign Ministry believed early on that the Soviets had declined extending the deal to include nationalized crude,[781] the first Soviet shipments of Sarir crude in June made clear that Libya the western bloc's influence only extended so far.[782]

This maneuver elicited fears of further Soviet incursions into the still West-dominated Libyan fields. It also showed that the Libyan government – as per the Geneva accords –had recourse if

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[780] Fernschreiben, Beckert, Nr. 565, March 3, 1972, Betr.: Sowjetisch-libysches Verhaeltnis; hier: Besuch Jallouds in Moskau: PAAA B66 IIIB6 710; Müller-Chorus, Ber.Nr. 215, March 8, 1972, Betr.: Libysch-sowjetische Beziehungen: PAAA B66 iIIB6 710.

[781] According to Ambassador Karl-Günther von Hase, although Jalloud introduced the topic, the Soviets decline the offer, fearing it would worsen relations between the companies and the Soviets and would hinder the cooperation between BP and Soviet companies in other ventures. Fernschreiben, Hase, Nr. 579, March 8, 1972, Betr.: Sowjetisch-libysches Ölabkommen: PAAA B66 IIIB6 709.

[782] Telegramm, Müller-Chorus, Nr. 99, June 4, 1972, Betr.: Libysch-sowjetisches Abkommen über Abnahme von Rohöl vom Ölfeld Serir: PAAA B66 IIIB6 709.

companies proved too unyielding. It was against this backdrop that the new Tripoli Agreement was closed. Post-visit talks reached an early compromise. Jalloud now request an 8.57 percent posted price increase with retroactivity to December 19, 1971 (the date of the Smithsonian Agreement) and the official devaluation of the dollar by the same amount. Notably, there was no mention of participation, and no threats of expropriation accompanied this offer.[783]

This last point is critical. Gaddafi and Jalloud had made numerous threats about production stoppages, nationalization, and participation that had been acted upon only in isolated circumstances. Though these often gave German observers pause, Gelsenberg and the Foreign Ministry generally viewed them as histrionic outbursts rather than firm policy declarations. The BP nationalization introduced new uncertainty into these calculations, though, again, few companies – especially those of the non-interventionist Federal Republic - were in a situation that would elicit such political retaliation. Rather than to outright expropriation, fears instead gravitated toward Libyan claims to resource sovereignty articulated most effectively in the form of partial nationalization.

Growing calls for greater national and local control over a country's raw materials had been emanating from Third World petroleum exporting states for over a decade. They had provided the rationale for nationalizations, profit divisions, and participation agreements. By 1968, OPEC had even officially codified the latter into its Resolution 90, which prescribes that governments "shall endeavour as far as possible to explore and develop their hydrocarbon resources directly" and even have the right (and, as member-states, the duty) to "acquire a reasonable participation on the grounds of the principle of changing circumstances." [784] (This measure was expounded upon in OPEC's Resolution 139 from September 1971). According to former Acting Secretary General of OPEC Fadhil Chalabi, this concept was "the most influential factor in shaping the future of the oil

[783] Werner, Ber.Nr. 354, April 17, 1972, Betr.: Gegenwärtige Ölverhandlungen in Tripolis: B66 IIIB6 709.

[784] Fadhil Chalabi, *Oil Policies, Oil Myths: Analysis and Memoir of an OPEC 'Insider'* (New York: I.B. Tauris, 2010), 45-6.

industry" regionally and globally.[785] It was likewise a hugely important factor in the next steps the Libyan government would take.

In April 1972, the West German Embassy reported on a troubling development. The Italian firm AGIP was ready to agree to acquire 49 percent of a concession, leaving the LNOC with 51 percent ownership. That is one percent above the terms outlined in AGIP's 1969 contract. More strikingly, the company seemed willing to cede a controlling share to a national company whose government was already entitled to over 50 percent of the venture's profits. According to Ambassador Werner, this development was "a meaningful milestone in Libyan oil policy" that would soon spill over into the German concessions. Indeed, a Wintershall-Elwerath-LNOC consortium seemed on the verge of announcing an economical discovery. Were this to happen, Werner surmised, it was likely Libya would seek to force up its ownership to a controlling 51 percent share.[786]

Such participation would come to pass, but not until 1973/4. Instead, the new Tripoli posted price agreement proposed by the LNOC was surprisingly palatable to companies both major and independent. Jalloud had compromised on the retroactivity date, pushing it forward approximately one month from the original proposed date of the dollar devaluation to January 20, the day the Geneva Agreement came into effect. Post prices moreover would increase by only 8.49 percent based on the commercial – rather than locally determined - rate for the dinar. These terms, in other words, essentially echoed those from Geneva.[787] By early May, most of the majors had conceded. Gelsenberg signed the agreement soon thereafter.[788]

These new terms would again offer little permanency, although they would serve as a basis for future negotiations. The dollar continued to sink through the beginning of the following year and

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[785] Chalabi, 46.

[786] Werner, Ber.Nr. 392/72, April 26, 1972, Betr.: Libysche Erdölpolitik: PAAA B66 IIIB6 709.

[787] Fernschreiben, Werner, Nr. 51, May 4, 1972, Betr.: Abschluss Ölpreisverhandlungen in Tripolis: PAAA B66 IIIB6 709. Or, as the president of Mobil opined, the results were reasonable and pragmatic - "straight Geneva terms." Telegram, Palmer, May 4, 1972, Subj: Parity Negotiations: NARA RG59 PET 14 LIBYA B1508.

[788] Notiz, Hoffmann-Rothe, May 4, 1972, Gespraech im Ministerium am 4.5.1972: montan.dok/BBA 55/5688.

Bretton Woods continued in its death throes. By February, the dollar had shed another 11 percent of its value. Though including mechanisms to account for inflation, the Geneva and Tripoli Agreements had not accounted for such a precipitous dollar decline. The companies and Gulf producers met in Geneva once again and negotiated a 12 percent increase in posted prices. Libya met with companies the same day and signed another settlement that again followed the basic parameters of the Gulf Agreement.[789]

Regardless of the poor results of these measures to account for the falling dollar,[790] these policies had particularly adverse effects on company morale and therefore investment. Some of this, of course, was related to the worsening financial conditions of company operations likewise linked to the western recession and increased costs in Libya. Much, however, has to do with the pervasive environment of uncertainty and anxiety that colored nearly all government-company interations.

Such concerns were causing companies to contemplate drastic action. Non-producing companies such as Wintershall AG had reportedly begun to reconsider the extent of its exploratory operations in Libya because of the increasing operating costs and restrictive operating conditions.[791] Gelsenberg itself was beginning to express doubt in the security of its position in the face of strict production cuts, unsuccessful exploration ventures, and an "investment climate" that did not seem conducive to stability or company revenue streams.[792] As the regulatory regime in Libya grew more

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[789] The main deviations were in adjustments for crude quality and location. Waddams, 248.

[790] As Frank Waddams has argued, Libya's earlier revaluation of the dinar had the paradoxical effects of increasing dollar income through inflated currency exchange rates while decreasing company revenue calculated first in devalued dollars. This, in turn, adjusted company valuations and therefore tax liabilities downward. Posted price increases brought Libyan state revenue upward, but would continue to do so, in other words, only as long as the dollar remained relatively high and stable. Waddams, 247.

[791] Telegram, May 15, 1972, Subj: Parity Negotiations; Other Developments: NARA RG59 PET 14 LIBYA B1508.

[792] Gelsenberg AG Bericht über das Geschäftsjahr 1972: montan.dok/BBA 55/859. Production in the first half year of 1972 was 16 percent lower than in the same period in 1971. Coupled with the posted price increases and therefore the market price increases achieved in the Tripoli Agreement, these developments were creating significant operating losses for Gelsenberg's downstream investments that were unlikely to be reversed anytime soon. Dr. Walter Cipa auf der Hauptversammlung der Gelsenberg AG am 17. August 1972 in Essen: montan.dok/BBA 55/859.

cumbersome, so too did company operating conditions and the working conditions of their employees. Since coming to power, Gaddafi instituted an Arabization initiative intended to insulate Libyan society from western influences. In addition to the Libyanization of the workforce, policies included a strict alcohol ban, [793] widespread church closures, restrictions on travel, the Arabization of official communications and documents,[794] travel restrictions (particularly in reaction to West Germany's own travel restrictions and surveillance measures instituted after the 1972 Munich massacre),[795] restrictions on the activities of cultural institutions such as the Goethe Institut. Coupled with the anti-western and –company diatribes of government officials, these proscriptions and regulations promoted not only uncertainty, but feelings of unwelcomeness and "isolation" among westerners.[796] A break-in into the Gelsenberg offices in Tripoli apparently for the purpose of

[793] The German press in particular was fascinated with the ban on alcohol. According to a 1973 article from *Der Spiegel* subtitled "Head of State Gaddafi battles alcohol. Subjects and foreigners battle thirst," for instance, oilmen had been struggling to enjoy non-alcoholic beverages to little success. Situations like the following, moreover, had been taking their toll on the workforce. As the journalist describes the pre-ban situation with relish, "In the club of the Amal oil fields which the American Mobil Oil and the German Gelsenberg AG patronize together, domestic technicians must look on as beer would be poured for foreigners between 7 and 8 PM. At the turn of 1971, the nonnatives could officially get 2 glasses of whiskey. The compassionate ones, who procured schnapps for their Libyan colleagues, were threatened with expulsion." Now, however, diplomats, oilmen, and other foreigners have been forced to substitute "Pepsi-on-the-Rock" (sic) for alcohol at cocktail parties. In private, however, they have turned to fermenting their own alcohol to circumvent the production and import ban. "Libyen: Blind oder Tot," *Der Spiegel*, 33/1973 (August 13, 1973), 81.

[794] Although the Federal Republic and the Libyan government came to a workable agreement after several months, the Libyan demand that all passport documents and work permits needed to be in Arabic caused considerable trouble for employee travel to and from Libya. See: Telegramm, Hoffmann-Rothe, January 1973: montan.dok/BBA 55/5688; Hoffmann-Rothe, Nr. 82/37/73, May 1, 1973, Betr: Libyen-Allgemeine Situation: montan.dok/BBA 55/*5688; Westerhausen, June 26, 1973, Betr.: Visaangelegenheiten: montan.dok/BBA 55/5688.

[795] Although the Libyan ties were difficult to parse at first, Libya had "deep ties" to the Black September action of September 5, 1972 at the Munich Olympic Games. The terrorists directly involved in the abduction and execution of members of the Israeli Olympic Team had trained in Libya, quite possibly with the knowing and direct support of Gaddafi, a notorious sponsor of international terrorism in other facets. For these reasons alone, as Szatkowski correctly notes, Gaddafi bears significant "moral, material, and financial" responsibility for the attacks. German authorities responded by instituting stricter border and immigration controls particularly concerning citizens of Arab states, Libya among them. See: Tim Szatkowski, *Gaddafis Libyen und die Bundesrepublik Deutschland 1969 bis 1982* (München: Oldenbourg Verlag, 2013), 35-42.

[796] HG Josif, March 8, 1973, Subject: The Oil Companies and the LARG: Points of Friction, Old and New: NARA PET 2 Libya B1506. The post-Munich restrictions remained a point of contention for Libya through 1974. See, for instance: Vermerk, Dr. Louis, August 13, 1974: Besuch des libyschen Botschafters bei Herrn Staatsekretär Dr. Gehlhoff am 13. August 1974: PAAA ZA104834.

stealing company information did nothing to ease company or employee anxieties.[797]

Although many of these policies and the corollary anti-western climate dated back to the first days after the RCC assumed power, they were formally conjoined on April 15, 1973, in a three-hour speech at Zuwara. Here, Gaddafi outlined several primary intertwining elements of a plan that were to guide Libya's development and Libyan-company relations henceforth: the replacement of secular with revolutionary proclamations, the "cleansing of all enemies of the revolution from the population," the establishment of a paramilitary revolutionary force of workers, and the "revolution of management" and bureaucracy. All of these pointed to the final point of the program, the initiation of a "popular revolution" carried out by spontaneously erected and decentralized popular committees of Libyan workers in all business and educational institutions.[798]

Gelsenberg, a non-operator who employed few Libyans, was not targeted. Mobil, on the other hand, was a large operator of American origin that refused to recognize the legitimacy of the popular committee cells created in the wake of the Zuwara speech. Consequentially, the company bore the brunt of a particularly radical committee's actions. On April 18, a group of Libyan employees occupied Mobil offices and demanded the end of confidential communications, greater control over scholarships in foreign countries, the installment of more Libyans in administrative and managerial positions, and the expulsion of the company's legal advisor.[799] The secret police visited Mobil offices several days later to seize previously undisclosed company foreign communications.[800]

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[797] Berger, January 16, 1973, Betr.: Libyen – Einbruch in den Büroräumen der Libyan Branch: montan.dok/BBA 55/5688.

[798] Hoffmann-Rothe, Nr. 73/32/73, April 17, 1973, Betr.: Libyen – Programmatische Rede Col. Gaddafi's am 15.4.73: montan.dok/BBA 55/5688.

[799] These had personal as well as political dimensions. For instance, the latter demand was apparently made as retribution for a spat the advisor had with Libyan employees a few weeks earlier. Hoffmann-Rothe, Nr. 79/32/73, April 26, 1973, Betr.: Libyen – Auswirkungen der Gaddafi-Rede vom 15.4. (II. Teil): montan.dok/BBA 55/5688; Telegram, Josif, Tripoli 515, April 23, 1973, Subject: Popular Committees and the Oil Companies: NARA RG59 PET 6 Libya B1507.

[800] Hoffmann-Rothe, Nr. 76/32/73, April 23, 1973, Betr.: Libyen – Auswirkungen der Gaddafi-Rede vom 15.4.: montan.dok/BBA 55/5688.

Although similar developments plagued nearly the entire industry, from Occidental to Esso to Amoseas to Oasis to the Libya's own Brega Oil Co., Mobil was "the most severely effected company," albeit it for a limited time.[801]

Despite the popular committees' apparent disinterest in Gelsenberg, the German Embassy viewed them and the broader Libyanization campaign with great worry. By May 1973, production quotas had fallen once again. This meant Mobil-Gelsenberg could now extract only a fraction of what it had produced at its peak, giving Gelsenberg a take that was now "too insignificant to play any role in the country's energy supply program" [Figure 6.1].[802] Meanwhile, government demands for the Arabization of western passports, the banning of alcohol, the closure of nightclubs, opened mail, the apparently random and often citizen-driven searches of company property and mail, the retributive firings of management, the burning of blacklisted books all contributed to an environment of uncertainty, confusion, and anxiety.[803] Some orchestrated by the regime, others apparently uncoordinated initiatives of isolated popular committees, these actions led Ambassador Müller-Chorus to describe the new Libya as follows:

> We are now experiencing a kind of absurdist theatre here. If everyone here were not so directly affected, one could portray the whole thing as a *comedia del arte* (sic) of a perverted fascism. Here we are practically and factually without rights which were surrendered in a national delusion to an overbearing military. There is neither law nor order, nor are international conventions and courtesies toward diplomats respected. New chicaneries come every day.[804]

[801] Hoffmann-Rothe, Nr. 76/32/73, April 23, 1973, Betr.: Libyen – Auswirkungen der Gaddafi-Rede vom 15.4.: montan.dok/BBA 55/5688.

[802] At this time, production was limited to 56,000 barrels per day. Gelsenberg's take was only 17,000 barrels per day. *Petroleum Times*, Vol. 77, No. 1960, (May 4, 1973), 4.

[803] Werner to Müller-Chorus, May 29, 1973: PAAA ZA 104834; Werner, Bericht Nr. 438/73, June 6, 1973, Betr.: 6 Wochen Volksrevolution in Libyen: PAAA ZA 104834.

[804] Werner to Müller-Chorus, May 29, 1973: PAAA ZA 104834.

Indeed, amidst the conflux of the actions of the popular committees, the government, and, as I show below, other regional petroleum exporters, there remained little of the normalcy of operations that had accompanied the later years of Idris, or even the early months of Gaddafi's reign.

To the extent that the popular committees were to serve as the backbone to the revolution and inaugurate a new form of Libyan-company relations, however, they failed to do much more than harass and disrupt. In fact, they quickly revealed themselves as emblematic of a critical weakness in Libya's newly assertive and unconventionally unorchestrated approach to company-government relations.[805] Their primary demands, in fact, necessitated long-term planning and investment, rather than uncoordinated edicts, as company representatives rejoined. The lack of Libyans in western enterprises or domestic competition, for instance, had much to do with insufficient training and education. A neocolonial legacy in itself, the lack of basic, let alone higher, education was particularly pronounced in a Libya that still relied on Egyptian instructors to populate their faculties. It was one thing to demand more Libyans in engineering and managerial positions; it was another to produce enough qualified Libyan applicants.[806] Even amidst Petroleum Ministry threats to close Mobil-Gelsenberg operations down, Mobil management privately expressed confidence that the government was backing itself into a corner. On the one hand, the LNOC was not ready to incur the financial losses the cessation of consortial operations would generate. The debacle that followed the piecemeal nationalization of the BP-Bunker Hunt fields had shown as much. On the other hand, were Mobil management to suddenly step down, the government would then be forced to moderate popular committee calls for management positions that they were unprepared to fill. It would also have to deal with the ripple effects among the companies that feared their own security. The whole

[805] Jalloud himself was "flabbergasted" by Gaddafi's Zuwara speech. Allison Pargeter, *Libya: The Rise and Fall of Qaddafi* (New Haven: Yale University Press, 2012), 78.

[806] Telegram, Josif, Tripoli 515, April 23, 1973, Subject: Popular Committees and the Oil Companies: NARA RG59 PET 6 Libya B1507.

industry would fall into disrepair and, absent western exports, unworkability.[807]

Although Mobil eventually gave in to the committee's demands, this did little to quell the unrest or the government's own growing discontent with the perceived recklessness and lack of coordination among the committees. This tension between the desire for the thorough Libyanization if not also nationalization of the oil industry and the logistical obstacles posed by the still undereducated and undertrained population – an issue that was not helped by Gaddafi's own distrust of technocrats and intellectuals[808] - pulsed throughout the next several years, but remained a moderating force that prevented the repeat of such industry-wide nationalizations as those in Ba'thist Iraq in the middle of 1972.[809] This fact, however, did little to alleviate the insecurities associated with repeated threats of expropriations, nationalizations, and other punitive actions in Libya. And, indeed, the real threat lay somewhere in between.

. . .

Libyan-West relations had soured over the course of the first years of the Libyan Republic. They were not, however, unworkable for either side. Indeed, the Jalloud victory lap through Europe in 1971, the seemingly spontaneous trip to Moscow during company-government negotiations in 1972, and the concessions made by both producers and Libya itself show that the relationship was

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[807] Telegram, Josif, May 9, 1973, Subject: Ultimatum to Mobil to Accept Popular Committee Management Demands or Be Shut Down May 9: NARA RG59 Pet 6 Libya B1507. Indeed, even after Mobil conceded on the question of a Libyan-first hiring policy, company representatives complained that the Libyan understudies of the executive secretaries are "barely qualified to fill (the) role of file clerks and are causing further problems for expatriate secretaries, most of whom are already filling slots of secretaries outside the country because of passport restrictions." Because of this, according to management, morale was tanking and "critical personnel shortages" were looming. Telegram, Josif, June 6, 1973, Subject: Popular Committees in Oil Companies: NARA RG59 Pet 6 Libya B1507.

[808] Indeed, as the Republic turned into the Jamahiriya over the course of the 1970s, the regime's approach to technocrats wavered between reluctant acceptance and outright hostility, particularly after an attempted coup in August 1975. Dirk Vandewalle, *A History of Modern Libya* (New York: Cambridge University Press, 2006), 101.

[809] As Dirk Vandewalle noted, although the educational and training deficiencies produced some major obstacles, so too did the size and complexity of "one of the world's most sophisticated oil infrastructures that constantly needed fine-tuning and upgrading." Because of this, outright nationalization was unfeasible in the near future. Vandewalle, 89.

something that the RCC recognized the value of and, though working to tilt it in Libya's favor, sought to maintain. All companies except those affiliated with the LNOC were western. The Americans were the primary producers. The Western Europeans and, more specifically, West Germans were still the largest purchasers and would remain so through 1972. With that in mind and despite the RCC's vocal animosity toward all things western, it is therefore not surprising that the government was one of the last remaining Arab states to official grant recognition to the GDR. Although diplomatic ties were eventually made public in dramatic fashion in June 1973, the announcement came right as the December 1972 Basic Treaty between the Federal Republic and the GDR came into effect. It was, in other words, a theatric presentation of an event of decreasing audacity. Indeed, as Tim Szatkowski has argued, despite talk in certain circles of the presence of two Germanies in popular conversation, West Germany remained *the* Germany of any real economic or political significance.[810]

Despite the public reproval of West Germany's Israel-friendly policies that encouraged Gaddafi's action on the East German question, the fact that it came several years after nearly all other Arab states had breached the Hallstein line shows how deep the ties between the Federal Republic and the Libyan Arab Republic ran. It likewise points to the interconnectedness of political and economic relations that often moderated potentially conflictual national interests.

These ties, however, did not allay fears that the status quo in Libyan petroleum would soon and once again get upended. The West German Embassy was already succumbing to the stresses of the unpredictability of the new petroleum regime in Libya and in its OPEC affiliates. All of OPEC had been involved in the recent posted price reconfigurations. Even if it did not negotiate as a single bloc, the OPEC membership had also claimed a right to participation and, if necessary, nationalization in the name of resource sovereignty. Gaddafi's steps toward majority participation (or, rather, partial nationalization), though severe, were hardly isolated or even the most radical steps taken during this period. Effective coordinated action against the western investments and other

[810] Szatkowski, 43.

interests was no longer unimaginable. West Germans had been discussing the possibility of coordinated Arab action since even before the 1967 boycott. Although such talk ebbed after the end of that conflict, it once again flowed on the rising tide of prices and geopolitical tensions. In April 1973, Petroleum Advisor Hartwig Berghaus sent a dispatch to the Economics Ministry reflecting on the limited room left for resistance to partial-nationalization. According to Berghaus, two options lay before the German firms. They could either cut their losses, capitulate, and lose autonomy over the concessions; or risk sparking an energy crisis with its epicenter in Libya. By now, not only was the Federal Republic still importing the vast majority of its crude from MENA countries and the plurality of that from Libya via American concerns, but the American companies had already begun shipping increasing quantities of their foreign production to the US, which was now importing nearly 20 percent of its crude from many of the same sources. For two years now, Berghaus continued, Western Europe had realized the US could no longer simply substitute its own excess production to make up for European shortfalls in the event of a 1967-style boycott. "In accordance with the line, 'It is every man for himself in a time of need,' many fear that the US firms that today principally and primarily provide (oil) to Western Europe could channel their supply streams from Europe to the US in a supply crisis, a concern that is not to be dismissed."[811] To prepare, Berghaus outlined a series of petroleum and other feedstock diversification initiatives intended not only to soften the blow of a potential embargo and protect the Federal Republic from OAPEC, OPEC, and American influenced shortages, but also to seize on the opportunities posed by the weakening American regional standing. These included state-protections for domestic coal production, nuclear power, and gas exploration, the expansion of oil stocks, the creation of a national tanker fleet, the intensification of Deminex's activities, and closer coordination among EEC and Organization for Economic Co-operation and Development (OECD) states. In the new economic and political environment of uncertainty, these were as much federal issues as they were private sector concerns. Indeed,

[811] Vermerk, Berghaus, April 1, 1973, Betr.: Überlegungen zur Erdölpolitik*:* BAK B102/123678.

Berghaus explained, "Energy supply policy is a federal duty. The security of the oil supply is not, as ten years before, solely a private duty, workable with private economic instruments. Everything having to do with oil-dependent contracts with the producing countries has recently (acquired) strong political…benefits." Energy flows therefore must be secured through political rather than solely private sector means.[812]

Other observers, such as Assistant Secretary to the Economics Ministry and future Director of the International Energy Agency (IEA) Ulf Lantzke discussed more concrete measures directly with the Americans. The State Department had begun discussing the possibility of imposing an embargo against Libyan imports in the event of a nationalization. A marginal purchaser of Libyan crude, however, the US needed to enlist additional large consumers for the embargo to have any effect. Still, Lantzke was skeptical of the project, given the short time in which the companies would have to organize and the outsized sacrifice the Federal Republic would have to make. Were the majors to promise to provide crude to make up for the anticipated shortfall or, were Gelsenberg first to be nationalized, West Germany might be willing to rally against Gaddafi's actions. It did not, however, want to jeopardize Libyan production even temporarily. In the end, the Americans failed to guarantee replacement deliveries in the event of resultant short-falls. The issue flagged and the prospect that Gelsenberg would be among those fully nationalized remained remote.[813]

Even so, ever since the OPEC Resolution of June 1968, participation was a clear and likely unavoidable next step in company-government relations throughout the region. And, ever since the AGIP agreement of 1972 and subsequent talks with Bunker Hunt and Occidental in August of 1973, it seemed that participation in Libya would take the form of bare majority nationalization. Even if Gelsenberg were to capitulate in the interest in avoiding more onerous penalties, there was good reason to fear that the developments in Libya might nevertheless spiral out of control. In May,

[812] Ibid.

[813] Embassy Bonn to DoS, Telegram 07531, May 24, 1973, Bonn07531, Central Foreign Policy Files (CFPF), 1973-1979/Electronic Telegrams, NARA RG59 (Accessed January 19, 2017).

Schubert noted that government talks with Oasis had "unexpectedly exacerbated" the situation, causing the government to take "confusing" and drastic measures such as restricting travel for all westerners not directly involved in the negotiations.[814] In the same month, Iraq, Algeria, and Kuwait joined Libya in interrupting production for an altogether different reason: to bring renewed attention to the decreasing value of the dollar and the unresolved question of the Israeli occupation. These coordinated actions likewise fueled rumors that Oasis, resistant to regime demands and dependent on Libyan liftings for 97 percent of its crude, was on the verge of nationalization.[815] Several days later, Tripoli expanded its policy of targeting the more vulnerable independents and began pressuring majors Socal – whose Amoseas operations exported through Ras Lanuf - and Texaco. Although the Embassy doubted this would result in outright nationalization, the change in tact was particularly troubling. The companies targeted together provided the Federal Republic with nearly two-thirds of its Libyan imports.[816] Moreover, no one was quite sure about the RCC's endgame or through what means it intended to achieve its objectives were the companies to continue to resist.[817]

One week before the participation policy was formally announced, Petroleum Minister Mabrouk had sought out Enno Schubert of Gelsenberg. Although Mabrouk offered few concrete details about the new pronouncement, he did indicate that something major was about to change in company-government relations and hinted that certain American rather than German firms were to be targeted. He even openly inquired to what extent Gelsenberg would be able to take over operations of the consortium's fields and cooperate with the LNOC were Mobil to be nationalized. Schubert quickly responded that this was not an option.[818] It was, nonetheless, a lingering question

[814] Fernschreiben, Schubert, May 2, 1973, Betr.: Libyen-Beteiligungsverhandlungen: BAK B102/123678.

[815] Fernschreiben, Werner, Nr. 3255, May 15, 1973, Betr.: Libysche Erdoelpolitik: BAK B102/123678

[816] That is, nearly 20 percent of Oasis, Shell, Occidental, Texaco, and Socal's total production, or 337.5 barrels of crude per day.

[817] Werner, Bericht Nr. 409/73, May 22, 1973, Betr.: Libysche Erdölpolitik: BAK B102/123678.

[818] Enno Schubert, *Vom Bergmann zum Ölexperten: Stationen einer Karriere* (Frankfurt a.M.: R.G. Fischer, 2007), 51. Telegramm, Müller-Chorus, No. 368, August 26, 1973, Betr.: Gelsenberg: PAAA, AV-Tripolis 4400; Embassy Tripoli to DoS, Telegram 01192, September 16, 1973, TRIPOL 01192, Subject: Oil Nationalizations:

that was circulated internally within Gelsenberg as well as the Embassy. Despite certain criticisms of Mobil's self-interested actions and its hesitation on breaking ground on projects that Gelsenberg sought to add to its portfolio, Mobil provided a valuable service that Gelsenberg itself was unwilling and unable to fulfill. Gelsenberg was bound to its consortial partner.

That does not mean they were united in opposition or even bound to collectively negotiate with the LNOC. In fact, there was little agreement between majors and independents on the questions of whether and under what terms they should give in to Libyan demands. Both sides, however, continued to resist Libyan overtures toward any participation through June, when the RCC took its most drastic action yet on the issue. Wishing to outdo his conservative Saudi Arabian competitors who had just secured an immediate 25 percent stake in Aramco[819]– the first stage of an OPEC-Gulf plan from October 1972 - Gaddafi nationalized Bunker Hunt's share of the fields formerly shared with BP.[820] The RCC had taken issue with the company since the BP nationalization and Bunker Hunt's refusal to market BP's former share of production. According to Müller-Chorus' paraphrasing of Mabrouk, the company had been "so inflexible and insufficiently cooperative that its presence in the country might no longer be desired."[821] A non-operator itself but utterly dependent on its Libyan holdings, the company likewise offered an easy target for a government wishing to send a message both to the other companies and to an American government considered too pro-Israel and imperialist. Bunker Hunt indeed had little recourse by this time. Although it received some support via an inter-company Producers' Agreement, global market conditions were becoming

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Questions about the Future: NARA RG 59 CFPF, 1973/1979/Electronic Telegrams; Von Zitzewitz to Dr. Oschmann and Dr. Mattheis, May 25, 1982, Betr.: Libyen: Ergebnisse des Meeting mit Shearman & Sterling am 20.05.1982, soweit sie für das bevorstehende Gespräch mit Bugaighis relevant sein können: montan.dok/BBA 55/5755.

[819] The 25 percent share was only a starting point. As per the agreement, the Saudi stake would intermittently increase to 51 percent 1983.

[820] As of June, they were producing nearly 120,000 barrels per day, slightly less than the Mobil-Gelsenberg fields to the east.

[821] Fernschreiben, Mueller-Chorus, Nr. 30, January 9, 1973, Betr.: Libysche Erdoelpolitik- hier Participation: BAK B102/123678.

decreasingly favorable to firms producing anywhere in MENA at this time. What is more, the Producers' Agreement that was supposed to redirect flows to company's resisting Libyan demands was insufficiently mobilized, as it became mired in the broader petro-economic and political issues encountered by all signatory companies. By the end of the next year, it would be effectively rendered void.[822]

It was after the nationalization of Bunker Hunt that the RCC initiated an aggressive push for sector-wide 51 percent participation, one percent higher than the seminal agreement with AGIP from September of the previous year. The fears from April 1972 had come to pass. Specific demands included a majority government share, company compensation at net-book value, uninterrupted liftings (apart from interruptions instituted by the government to encourage compliance), and company-specific agreements on bridging and phase-in crude.[823] What is more, the transfer was to take place immediately.[824] Oasis and Occidental were the first to come under heavy pressure. By August, Jalloud had offered them an ultimatum: were they not to find some acceptable way to accommodate the demand for a 51 percent stake, the government would again tighten production. If that did not work, nationalization a la Bunker Hunt remained on the table.[825]

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[822] This is not just because of the oil crisis as commonly understood. Instead, it is a result of two primary processes. The first are corollaries: a decrease in economical finds in MENA and the government mandated production cut-backs. Because of these phenomena, companies simply felt less secure in their own operations and therefore were less giving than they might have anticipated in 1971. The second is the unforeseen situation many majors found themselves in. Because of cut-back, shut-in, and other policies pursued in Libya, many Gulf producers were simultaneously petitioning for substitute crude to make up for Libyan crude losses and supplying such oil to other companies from their sources along the Persian Gulf. Especially in the context of the confusion and price fluctuations promoted by the oil crisis, such a situation was unsustainable. Hunt vs. Mobil Oil Corporation, 410 F.Supp 195 (United States District Court S.D. NY, 1978).

[823] Bridging oil is a classification of buy-back crude – oil the company is allowed and in some cases obligated to purchase from the government's take, known as equity crude - allowed to companies at market rates to enable them to meet obligations determined before participation came into effect. Phase-in crude, on the other hand, is oil sold to companies at a temporarily discounted price in addition to bridging crude as the national oil company develops its own network of outlets.

[824] Waddams, 257.

[825] Fernschreiben, Schubert, August 2, 1973, Betr.: Libyen-Beteiligungsverhandlungen: BAK B123678.

Gelsenberg received a similar 24 hour ultimatum later in the month.

Although Gelsenberg again had limited room for maneuver, it was not without recourse. The nationalization of Gelsenberg could have been relatively easy for the government. The company's continued reliance on its operating partner Mobil, however, lent Gelsenberg some assurance against such targeted action. After all, Mobil was actually producing the oil. Nationalizing the minority holder Gelsenberg would have granted the LNOC much less influence over the concessions than they had sought. And, as the difficulties marketing BP oil and forcing Bunker Hunt to comply with its terms revealed, the government was in no position to take on more production and marketing responsibility so suddenly. Were Jalloud and Mabrouk to nationalize Gelsenberg or even Mobil, they would likely be biting off a larger piece of the industry than they would be able to chew. In celebrating early government victories of several companies, Jalloud himself conceded as much. As the independents were succumbing to government-imposed production restrictions,[826] Jalloud announced that the government could now ensure that Libyan crude would continue to flow were the majors to resist participation and suffer punitive production cut-backs; the compliant independents would be granted permission to increase their own production to make up for any shortfalls.[827] That is, with government investment and consultation, but otherwise through company operations.

By mid-August, Gelsenberg's Schubert reported that Occidental had given in to participation, thereby opening the floodgates for a number of other American independents would likely soon

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[826] Occidental, in fact, had requested the companies be left to negotiate with the Libyans without interference of the American government. Fernschreiben, Noebel, Nr. 2470, August 16, 1973, Betr.: Energieversorgung der USA; hier: US Interessen in Libyen: BAK B102/123679. This was presumably out of fear that an American overreaction would encourage the RCC to take more drastic measures than it was currently proposing.

[827]Hoffmann-Rothe to Schubert, September 6, 1973, Libyen-Wochenbericht No. 37/73: montan.dok/BBA 55/5699.

follow.[828] "It should be reckoned further," Schubert continued, "that all other large producers in comparatively short time will be pressured under the threat of production bans or a 100 percent nationalization (without buy-back rights to the oil) to agree to a 51 percent nationalization."[829] Petroleum Minister Mabrouk would formally make this threat in August. Among those producers, to paraphrase Jalloud, on the verge of becoming caught between the rock of the government's demands and the hard place of its retributive punishments, would have been Gelsenberg. And as Schubert reflected, "In any case, our leeway as a non-producer is not great."[830] It was certainly not as wide as that of the majors.

This bred considerable disagreement between the majors and independents. Soon after the September 1st announcement, the majors and several independents including Gelsenberg met in New York to discuss how to collectively address the question of participation. Since the end of 1972, participation had become a prerequisite for operating in OPEC countries. The Gulf agreement itself provided that state interests in all petro-ventures would immediately commence at 25 percent, and slowly creep up to 51 percent over the next decade. The level of such involvement at any given moment and the rapidity of its realization, however, were far from forgone conclusions. Indeed, there was considerable disagreement within OPEC about these same questions.[831] There was

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[828] Oasis, Conoco, Marathon, and Amerada Hess. Lantzke, August 17, 1973. Betr.: Ölsituation in Libyen: BAK B102/123679; Fernschreiben, Schubert, August 13, 1973, Betr.: Libyen-Beteiligungsverhandlungen: BAK B102/123678.

[829] Fernschreiben, Schubert, August 13, 1973, Betr.: Libyen-Beteiligungsverhandlungen: BAK B102/123678.

[830] Fernschreiben, Schubert, September 4, 1973, Betr.: Libyen-51% Verstaatlichung: BAK B102/123678.

[831] For complying, companies were to be reimbursed at an updated book value that took into account inflation as well as other factors agreed upon from company to company. This was the schema most famously adopted in Saudi purchase of 25 percent of Aramco in 1973. The other pole argued that exporting governments should claim the 51 percent stake immediately and recompense the companies on net-book value (not taking inflation into account). This was the path taken by Algeria in February 1971 and pursued by Libya more recently.

Iran pursued a version of this that was formed by its peculiar situation. Since 1951, the country owned its domestic oil supplies and infrastructure. The western consortium, however, remained the operator. After Saudi Arabia successfully secured its 25 percent stake, however, Shah Reza Pahlavi sought to increase Iran's standing in its own industry. He therefore pushed for the National Iranian Oil Company, established after Mohammed Mossadeq became the prime minister, to assume operating responsibilities with the western likewise, however, disunity among the companies. The American majors were protective of their position in Libya, in large part because they feared the snowballing that could engulf their other holdings throughout MENA. As had been the case for some time, the exporting states were competitors with each other.

This system had worked out in the companies' favor when the companies were in control. However, as western hegemony was rolled back by the rising tide of resource nationalism, so too did the tables turn. The countries were no longer in a race to the bottom to attract western companies to prop up their governments in the face of anti-imperialist and anti-western resource sovereign and Arab-nationalist popular movements. Instead, the governments were now avowedly anti-imperialist and resource nationalist themselves, even though many paid only lip service to the Arab-nationalist objectives of regional political and economic unity,[832] rather than just loose geopolitical and ethno-religious affiliation. The situation now resembled that of the leap-frogging year of 1971. Were Libya to squeeze higher participation out of the companies, so too would Saudi Arabia, Kuwait, and other regional exporters. And the majors, of course, held concessions and contracts in these other territories as well. In a sense, they had more to lose by capitulating. The independents, however, would lose more in intransigence. Integrated firms such as Gelsenberg would effectively de-integrate, at least as far has they would no longer have any producing upstream interests. Non-integrated firms would have been stripped of their only productive and therefore economical assets. Unsurprisingly, these companies were eager to come to quick, even if disadvantageous settlements in Libya.[833]

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consortium assuming the role of contractor and making the NIOC the first operator state oil company. Daniel Yergin, *The Prize: The Epic Quest for Oil, Money, and Power* (New York: Free Press, 2009), 567.

[832] Gaddafi himself was fond of unity programs and proposed several pan-Arab governing coalitions with Egypt and Syria (1972) and Tunisia (1974). The former was, in effect, still-born due to conflicting visions of the balance of powers and the nature of a unity government. The latter was rejected outright by Tunisian President Habib Bourguiba.

[833] One participant in this policy group summed up the independent stance with the aphorism, "If you can't avoid rape, relax and enjoy it." While this was tasteless, it also summed up the opinions of many of the independent representatives in sentiment, if not in form as well. Schubert, 52.

Because of such divergent interests, the recently convoked New York Policy Group of major and independent international producers adjourned with little to show for its discussions. Mobil and the other majors continued to resist such heavy participation and indeed suffered government harassment and production interruptions that contributed to a nearly 25 million ton shortfall in anticipated production by the end of August.[834] Although the Federal Republic likewise felt this squeeze in the form of a deficit of 8 million barrels of Libyan oil, Gelsenberg, at least, was able to maintain supplies to its own downstream operations in part through its continued willingness to cut its losses before they piled too high.[835] Gelsenberg's Schubert had participated in the meetings in New York. He was not, however, particularly sympathetic to calls for solidarity for the sake of the majors' regional interests and at the likely expense of Gelsenberg's own (and only) productive fields.[836] Seeing little to gain from continued resistance, Gelsenberg capitulated at the end of September, as would most other independents within a short time.[837]

Gelsenberg's capitulation reflected not just one company's sentiment, but also those of officials back in the Federal Republic. As much as the German companies, the Foreign Ministry, and the Economics Ministry might not want to cave too readily to Libyan demands and thereby embolden other petroleum exporters to demand even more radical terms, they were also in a position that offered limited opportunity for resistance. Some of these limitations emanated from the Federal Republic's continued reliance on Libyan sources. Some also came from a society that had recently become somewhat comfortable with petro-dependency and an economic system built upon the assumption that crude flows would continue uninterrupted. The country, it seemed, was unwilling to

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[834]This amounted to nearly one-fifth of West Germany's Libyan imports from the prior year.

[835]Schubert contends that the company was likewise able to make up for Mobil shortfalls. This point gains substance by reports that, although Gelsenberg received over 5 million barrels in shared Iranian crude as per a 1971 company-sharing agreement, it was still able to share over 4 million barrels of its Libyan takings with other companies over the same October 1972- April 1974 period. See: Schubert, 53; Hunt vs. Mobil Oil Corporation, 410 F.Supp 4 (United States District Court S.D. NY, 1975).

[836] Mueller Chors, Nr. 367, August 23, 1973, Betr.: Gelsenberg: BAK B102/123679.

[837] Fernschreiben Schubert, September 28, 1973, Betr. – Libyen – 51 proz. Verstaatlichung: BAK B102/123679.

sacrifice this security for the cause of the majors' profits, even if it meant permanently higher petroleum prices back home. Indeed, Lantzke explained to the American ambassador that West Germany simply could not commit to a consumers' embargo and "ask the consumers to pay, through shortages, for support of foreign oil companies' position in Libya."[838] Maintaining such a policy would be political suicide.

Of course, this was not just a federal issue. Much as the Federal Republic was squeezed between the Libyan demands, the American interests, and its own energy security, so too was Gelsenberg, according to the Embassy, "caught between two milling stones" of Libya and the majors. Both wanted different concessions from the company. Neither side was thinking in the immediate interests of the German firm.[839] The office director of the Economics Ministry soon after elaborated on this unfavorable position. Gelsenberg, he argued, was a private company and therefore must operate in the interest of its shareholders. This was especially challenging not only with the pressures of Mobil - whose operations were indispensable to Gelsenberg's own take – and the other majors – whose operations were essential to the German petroleum economy – but also to a hard-bargaining and sometimes unscrupulous Petroleum Ministry and government in Libya. Although the companies had a strong legal case against Libya's recent actions, as the Ministry of Foreign Trade related to the American Embassy, "If you get into a confrontation with an Arab government where your position is solely a legal one the chances of protecting your interests are not very good."[840] That is, especially if you were in the compromised situation in which Gelsenberg found itself.

Nevertheless, alternately fearing a domino-effect of worsening operating terms elsewhere

[838] Embassy Bonn to DoS, Telegram 12715, September 5, 1973, BONN 12715, Subject: Bilateral Energy Consultations: FRG Views on Libya, Oil Sharing Arrangements, EC Energy Policy: NARA RG 59 CFPF, 1973/1979/Electronic Telegrams.

[839] Embassy Bonn to DoS, Telegram 12715, September 5, 1973, BONN 12715, Subject: Bilateral Energy Consultations: FRG Views on Libya, Oil Sharing Arrangements, EC Energy Policy: NARA RG 59 CFPF, 1973/1979/Electronic Telegrams.

[840] Embassy Bonn to DoS, Telegram 14107, September 28, 1973, BONN 14107, Subject: Gelsenberg Settlement in Libya: NARA RG 59 CFPF, 1973/1979/Electronic Telegrams.

and somewhat confident in their ability to make up for potential shortfalls in Libyan production with their sources in Saudi Arabia, the majors continued to resist the participatory pressures.[841] Mobil, Exxon, Atlantic Richfield, Shell, Chevron, and Texaco collectively drafted a letter contesting the legality of the decree and threatening to cease production. Having no immediate Gulf interests and wishing the matter to be done with sooner rather than later, Gelsenberg declined to join the majors in registering these objections.[842] The American government likewise sent a note to the Libyan government in support of the majors contesting the forced participation as an illegal appropriation and contending that the net-book value compensation was not in line with regional norms.[843] These complaints availed little. Meanwhile, after threatening to have the LNOC lift its 51 percent take on its own were the companies to carry out their own production stoppages,[844] the majors dutifully lifted the mandated participation crude, but maintained that the oil nevertheless was company rather than government oil. As with the Sarir oil of the previous year, purchasers needed beware litigation.[845] This stand-off over proprietary rights ran into early October when separate OPEC and OAPEC initiatives came to disrupt and overshadow them.

It was against this background, and on the Jewish holy day of Yom Kippur (October 6) and

[841] This, however, was not an absolute confidence. One of the major obstacles to the one-for-one substitution of Saudi for Libyan crude was the higher lead content of the former. This would make its refinement more expensive and time-consuming, especially after the 1972 institution of gasoline lead limits. Notiz, Schmidt, September 13, 1973, Betr.: Situation in Libyen; hier: Gespräch mit Mr. Klaerner (Vizepräsident der Mobil Oil Corporation), Mr. Docters und Dr. Lewinski (Mobil Oil Deutschland): BAK B102/123679.

[842] (N.A.)EID JG. XXVII, Nr. 11, September 14, 1973, Betr.: Libyen: Majors strengen Schiedsverfahren an: BAK B102/123679.

[843] Kling, September 17, 1973, Betr.: Protestnote der amerikanischen Regierung an die libysche Regierung: BAK B102/123679.

[844] Werner, Nr. 448, October 23, 1973, Betr.: Libysche Erdoelpolitik; hier: 1. Teilnationalisierung (Roem I); 2. Folgen der Posted-Price Erhoehung (roem2): BAK B102/123680.

[845] Waddams, 258. Although the majors requested the US government remain on the sidelines in Libya, presumably out of fear of a governmental over-reaction threatening their standing in the region or even their company autonomy, they did make clear that they would pursue all legal means necessary, including deploying government lawyers and legislators, to protect their property and investments for the time being. Noebel, Nr. 2563, August 24, 1973. Betr.: US-Erdoelinteressen in LIbyen; hier: Nationalisierungsabsichten der libyschen Regierung: BAK B102/123679.

amidst the Islamic holy month of Ramadan, that Egypt and Syria launched a coordinated surprise invasion of the Israeli-occupied territories of Sinai and Golan. Plans had been drawn as early as June 1972, a year after Algeria had successfully imposed its 51 percent nationalization program and just a few short months after the Tehran and Tripoli Agreements. All Arab exporting states had been primed on their role in the event of renewed Arab-Israeli tensions. Some agreed to contribute soldiers and armaments; many contributed money. Those with the largest crude reserves such as Saudi Arabia, however, accepted a particularly critical charge: the sustained deployment of the oil weapon.[846]

The oil weapon was not wielded in isolation. In fact, it gained much of its force because of the developments in pricing and supply that, although unassociated, surrounded it. As was not the case during the brief and haphazard boycott of 1967, petroleum markets had become sellers' rather than buyers' markets. Recently imposed Libyan and Kuwaiti production limits had kept a good deal of anticipated oil out markets. Meanwhile, new sources of crude – such as those in Alaska – and alternative, namely nuclear energy sources were slow to come on stream. Although there was as yet no shortage in any major market, speculation that there would be persisted throughout the year.[847]

Some of these speculative anxieties can be traced back to the shift from a global glut of crude. Others fed off of the concurring trends toward resource nationalism that took the form of higher posted prices, participation, or, if the companies were not concede, outright nationalization. Indeed, some of the blame lay in the companies' own resistance to any sort of rebalancing of company and government revenues. Much, however, likewise resides in more immediate reional policies enacted to account for the changing market conditions. By October 1973, the Tripoli and Tehran Agreements of two years prior had already been upended by the continued turbulence in western economies. As before, the Gulf producers called company representatives back to the table

[846] Parra, 175-6.

[847] Parra, 176.

to renegotiate terms. As talks came to an impasse, the Gulf OPEC delegation made an abrupt and definitive move that the companies had not anticipated. It unilaterally decreed a posted price increase of 70 percent bringing the ratio between posted and realized prices roughly in line with that established at the end of 1971. It no longer consulted with the companies, but instead wrested control over posted prices from the West in one fell swoop.[848]

On October 19, Libya again capitalized on Gulf assertiveness and unilaterally increased its own posted price for light, low-sulfur benchmark crude by 94 percent to $8.925 per barrel. This was approximately one and one half times the Saudi benchmark at the time.[849] It also rendered void the pricing and taxing terms established just a week before.

The companies had little say in the matter. The new Arab-Israeli War had strengthened the hand of the producers. Such a conflict in itself could sew enough discord and confusion to weaken western resolve in petroleum price and participation matters, especially considering the increase in realized prices over the last several years and the reactive efforts to stabilize prices even at elevated levels. The war, moreover, was not wholly external to the petroleum problem. Instead, taking place in the most oil-dense region in the world (albeit among countries with only a few oil deposits of their own), it had a direct effect on prices both through market uncertainty and damage incurred through the normal course of the war. These tendencies were only compounded by the collaterals of the war. Early on, Israel had targeted the ports of Tartous and Baniyas in Syria. The latter had been a key piece of DEA's plans for exploiting the now producing northeastern fields of Al-Hasakah and was a critical point of departure for Iraqi and Saudi crude on its way to Europe. As Saudi Arabia cut its flows through Syria, one million barrels per day of short-haul (Mediterranean) were taken out of circulation. This had the twin effects of perpetuating fears of an oncoming scarcity of supply and

[848] Parra, 179.

[849] To be precise, Libya increased its base posting by 70 percent. The additional 24 percent increase came through raising the sulfur, shipping, and Suez premiums.

redirecting more oil to the lengthier, more expensive, and less capacious long-haul tanker routes.[850]

This was a reaction taken in response to strategic infrastructure targeting. As the war turned against the Syrian-Egyptian effort after three days of coalition advancement, a group of ministers from ten Arab petroleum exporting states met in Kuwait to discuss more proactive measures to deploy against Israel's western supporters. Although many of these ministers had been present at the OPEC conference in Vienna only the day before, they were now acting in the name of the Arab-nationalist OAPEC rather than the Third World producers' cartel. Though the decisions made by one group sometimes magnified the effects of the measures taken by the other, the two organizations operated autonomously toward separate political and economic objectives. The OPEC posted price decision had little bearing on the OAPEC production reductions and embargos, and vice versa. On October 17, one day after the unilateral OPEC-Gulf posted price decree – and only two days before Libya followed suit – OAPEC announced its first major joint action: a five percent per month cut in oil production as long as Israel continued to occupy the Sinai Peninsula and the Golan Heights.[851] This was a fitting course for an organization that was created in the aftermath of the same Six Day War that enabled to the occupation and the same failed embargo that failed to prevent it. As it turned out, the production decrease was just one small, initial step. Two days later, the United States delivered a plane load of military aid to Israel. Although the delivery was supposed to arrive secretly under the cover of night, strong winds had forced the plane to touch down in the Azores delayed the arrival. It reach its destination in full view the following day. In retaliation to this and renewed American promises of military aid to Israel amounting to $2.2 billion, OAPEC declared a total embargo on the United States, followed by other Israel-friendly states such as the Netherlands and, as punishment for allowing American use of the Azores airfield, Portugal. This was all in addition to the production cuts. After an additional two days, Israel and Egypt agreed to a ceasefire. Although

[850] Parra, 180. Tanker rates, however, would fall precipitously in several weeks' time as Arab producers rolled back their production.

[851] Timothy Mitchell, *Carbon Democracy: Political Power in the Age of Oil* (New York: Verso, 2011), 198.

Syria protested the agreement in absentia, it effectively ended the war. The OAPEC boycott and production decreases, however, persisted with further cuts in November and only slight increases in December and January.[852] This threw the spot-price market into chaos.

Libya often takes second seat in accounts of the 1973/4 crisis. Saudi Arabia and Iran, after all, were the major producers of time, especially for the American market. Egypt and Syria were the primary players in the war against Israel. Libya, whose eastern border lay 500 miles west of the zone of conflict, whose military was weak and focused more on pacifying the country's interior and immediate borders, and whose petroleum flows were uniquely oriented toward Europe – and above all Italy and West Germany – was of little significance to the course of the war. Its oil was a fraction of that produced by OPEC and OAPEC. Although it followed and built upon the policies of these organizations, it simply was not an important player or key negotiator in the conclusion of the crisis. This appraisal, however, does not take into account Libya's centrality to West Germany's energy security and experience of the crisis. Libya still provided nearly a quarter of West Germany's imports in 1973. It still contained the only economically productive wells claimed by a German firm outside of Germany itself. For the Federal Republic and Gelsenberg, Libya was an epicenter of the crisis. And not just the 1973/4 crisis as commonly understood, but the broader period of confrontation over prices, participation, and flows that characterized the first half of the 1970s.

By the end of August – before the crisis as conventionally understood – the Federal Republic had already entered a period of declining Libyan imports and increasing prices that was a burgeoning crisis in its own right. Because of government imposed production cutbacks, Germany was already on track to import 8 million fewer tons of Libyan crude than anticipated, potentially compromising nearly 8 percent of the Federal Republic's total crude imports.[853] And this was more than just a

[852] At the beginning of November, OAPEC reduced production to 75 percent of its pre-war level. In December, production increased to 78 percent. In January, to 86 percent. Parra, 181.

[853] Kling, August 30, 1973, Betr.: Erste Überlegungen zur Überwindung einer eventuellen LIbyen-Krise: BAK B102/123679.

German problem. Western Europe as a whole was losing approximately 25 million tons of anticipated crude from the same sources. Before the OAPEC decision, major regional producers Saudi Arabia and Iran had already increased production by 75 million and 50 million annual tons respectively to acquire additional market share. These amounts would account for growth in demand and growing Western European emergency stockpiles as well as the Libyan cuts. That is, however, only as long as future disruptions did not come in tow.[854] By the end of October, Libyan production decreased further in line with OAPEC prescriptions and crude prices skyrocketed from $2.80 per barrel to a peak reported spot price of $20 per barrel. To account for these new realized prices, posted prices were increased from $4.60 per barrel right before the OPEC/OAPEC decisions to $8.93 on October 19, to $15.77 on January 1 of the following year, marking a threefold increase over only three months and roughly correlating to concurrent increases in benchmark Arabian Light Crude in the Gulf.[855]

Why did the companies stand for such prices when there was no actual shortage of crude? Broadly speaking, there are two primary reasons. The first is the anxieties of the fallout from future shortfalls in oil. As Rüdiger Graf has shown, fear (*Angst*) played a major role in OAPEC's rationale for the boycott as well as western responses. Viewing the crisis through the lens of the sender-target model, Graf argues that the Arab exporters sought to effect political change not through breaking western energy economies, but through transforming displeasure with the West's pro-Israel sympathies into petro-economic penalties. The message and medium, moreover, displayed in dramatic fashion that the Arab exporters of 1973 were not the disunited and tentative entities that had instigated the 1967 boycott. Instead, buoyed by victories in the pricing wars, these states were

[854] Ibid.

[855] Arabian Light 34° posted prices stood at $5.12 on October 19 and 11.65 on January 1. As had been the case for all post-revolution posted prices, Libyan crude was valued higher because of nationally determined gravity and freight differentials, low sulfur and Suez closure premiums, and, more recently, a freight premium intended to account for temporarily elevated freight rates caused by disrupted flows to the Mediterranean and tanker routes that circumvented the southern tip of Africa. Waddams, 250.

assertive and measured. They were better prepared and even eager to illicit uncomfortable and fear-derived reactions among western governments, companies, and consumers through manipulating petroleum markets in order to gain political concessions. The target, after all is no passive receiver, but a potentially reactive agent in itself.[856] According to this construction, reactive fear of future fallout guided the companies' newfound acquiescence as did more tangible, financial considerations.

The second reason for such high realized and posted prices is simple uncertainty. The fog of the crisis was dense. None of the OPEC and OAPEC states, the producing companies, nor the consuming governments knew how the conflict would end. Indeed, the sellers' market - wherein exporting countries such as Libya had already limited production out of fear of overproduction and premature resource depletion and the companies were cast into a scramble for new, elusive economical finds – only encouraged confusion and overreaction. The scramble had been years in the making and even engulfed one of the largest producing and consuming power, the United States. This fact only fed fears of looming scarcity. In 1970, production of conventional oil in the contiguous United States peaked at 11.3 million barrels per day, given some credence to the previously fringe predictions of geologist M. King Hubbert and his logistical curve model of production. But as production declined, consumption continued to grow in the US and elsewhere, allowing Texas fields to produce at full throttle for the first time since 1919; when this proved insufficient, import quotas were raised over the next several years until President Nixon replaced the quota system with a collection of tariffs and taxes in 1973.[857] As a result, the US, the world's largest producers, was also becoming one of the largest net importers, forfeiting its ability to be Europe's swing provider were flows from MENA to stop up.

Contributing to the insecurity frenzy, in 1972 the Club of Rome –established after the Six Day War and as the western world was dipping into economic recession – published its seminal *The*

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[856] Graf, *Öl und Souveränität*, 89.

[857] Imports increased from 2.2 million barrels per day in 1967 to six million in 1973. That marked an increase from 19 percent of domestic consumption to 36 percent. Yergin, 549.

Limits to Growth. Based on computer models generated at MIT, the report argued that population growth, energy consumption resource depletion, pollution, food production, and deepening industrialization were putting immense pressures on the planet. The limits of industrialization and, more immediately, the postwar boom, it famously argued, could be reached within a century, thereafter precipitating a global contraction.[858] This claim of irrevocable resource depletion was troubling for numerous reasons, including environmental, that will not be addressed here. It also spelled trouble for the world petroleum economy as it argued authoritatively on a public stage that world conventional petroleum reserves were finite and drying.[859] This had several major implications. First, it meant that the countries containing exportable sources were potentially overproducing at undervalued prices. If the finitude were real, for instance, Libyan crude should have been fetching well above the $2 per barrel it achieved during the Idrisian period. And, indeed, considerations such as this were a primary factor in Gaddafi's overlapping policies of posted price (and overall government revenue) increases and production decreases.[860] At the same time, they indicated that companies were in a renewed scramble for the few remaining undiscovered sources of petroleum. Were some mix of Hubbert's curve, the *Limits to Growth*, and other peak-production diagnoses accurate,[861] the companies, both major and independent, had much to lose. That is, particularly in failed stand-offs against increasingly assertive exporting governments whose new demands for increased revenue, participation, and nationalization were rooted in the same

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[858] Donella H. Meadows, Dennis L. Meadows, Jorgen Randers, William W. Behrens III, *The Limits to Growth: A Report on the Club of Rome's Project on the Predicament of Mankind* (New York: Universe Books, 1972), 23.

[859] See Chapter 2: The Limits to Exponential Growth in *The Limits to Growth*

[860] In Libya production cuts initially targeting overproducing wells spread to additional wells as exploration produced fewer and fewer discoveries. New fields were not replacing older ones. In this sense, Libya could be seen as a microcosm of the *Limits to Growth* global analysis, the local articulation of a broader trend. Waddams, 231, 273.

[861] Take, for instance, James Akins' proscription that "By 1975, and possibly earlier, we will have entered a permanent sellers' market, with any one of several major suppliers being able to create a supply crisis by cutting off oil supplies." Akins went on to publish the influential article, "The Oil Crisis: This Time the Wolf is Here" in *Foreign Affairs.* Quoted in Yergin, 573.

assumptions of global depletion and looming shortage. No one was certain of any of this. However, the climate of uncertainty and Malthusian pessimism caused many among the western companies and governments to assume the worst. This included West Germany and Gelsenberg.

. . .

The Federal Republic was hit hard by the posted price increases and boycott. Its economy had been stuck in a rut of stagflation since 1971.[862] Dollar devaluations, runs on the Deutsche Mark, and Deutsche Mark revaluations that alternately cheapened imports and increased the price of exports did little to help.[863] Measures to combat the downward trend such as the floating of the German currency and a new stabilization program did little to lift the economy out of its slump.[864] The recession was as endogenous to the German economy as it was exogenous. Some of its internal causes included pro-cyclical public policies, elevated wage policies, and inflation-averse monetary policies that kept the Deutsche Mark undervalued throughout the 1960s. Others included the oil price hikes.[865] After years of growth in petroleum demand, imports, and domestic refining but little reciprocal increase in prices, the domestic industry had reached a plateau. Despite continued strong demand and a flurry of downstream development in the 1960s, the Federal Republic was still importing 27 percent of its petroleum products in 1973 with few immediate plans for expanding

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[862] The term "stagflation" was coined only a few years earlier by a British parliamentarian to describe a similar mutually reinforcing arrangement of stagnating wages, rising unemployment, and economic inflation as that experience by West German in the 1970s.

[863] Werner Abelshauser, *Deutsche Wirtschaftsgeschichte: Von 1945 bis zur Gegenwart* (Bonn: Bundeszentrale für politische Bildung, 2011), 392.

[864] In fact, the stabilization program itself, instituted to counter inflation, may have even worsened an otherwise more manageable downturn. Hans-Joachim Braun, *The German Economy in the Twentieth Century* (New York: Routledge, 1990), 186.

[865] Helmut Schmidt, Minister of Finance throughout the crisis period and future Chancellor, reflected that Bretton Woods and the oil price crisis actually constituted the "prologue" and "first act" of a much longer "drama" that could result in similar trends of radicalization that grew out of the Depression. "This is no apocalyptic visions," he explained, "but instead a real possibility of the world economy." One must be careful when making such comparisons and predictions, but the recent resurgence of xenophobia, overt racism, nativism, protectionism, isolationism, and militarism in deindustrializing Europe and the United States lends his claim some credence, even though the economic collapse of 2007-9 had little to do with oil prices. Quoted in Abelshauser, 393.

domestic refining capacity in the short term.[866] As oil prices surpassed OPEC posted price increases once again and the OAPEC reductions began to take hold in western metropoles, German industry had to contend with a perfect storm of ultimately trebling petroleum prices, high interest rates, a stronger currency, wage obligations unsuited to the recessionary situation, and decreasing foreign demand for German products. For an export economy, this created a sinister downward spiral that was met with further private sector investments cuts and increasing unemployment.[867] For the Federal Republic, in other words, the OPEC and OAPEC policies were impactful not just because oil flows seemed to be drying up (and might continue to do so into the foreseeable future). They were also enacted at an already economically compromised time.

That does not mean that the government was caught completely unawares. The early 1970s had not only been a time of energy and economic uncertainty, but also of political realignment and adaptation. Some of this stemmed from the Brandt government's *neue Ostpolitik* as directed at both the GDR and the Soviet Union. Already in early 1970, the Federal Republic had broken with the Adenauer-era adherence an American-promoted policy of denying western supplies and funds to Soviet petro-ventures and signed its first natural gas delivery contract with the Soviet Union.[868] By 1975, the Federal Republic joined a broader Western European initiative to close an equipment for natural gas triangular trading scheme with Iran and the Soviet Union. Such steps contributed to the growing importation of natural gas from the Soviet Union that would increase nearly eight-fold

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[866] "Öl: Amerikas Krise schlägt auf Europa durch," *Der Spiegel*, Nr. 26/1973 (June 25, 1973), 59

[867] Braun, 186, 210. It should be noted that the devaluations of the dollar and the subsequent revaluations of the Deutsche Mark had some positive effects. Just as the stronger currency harmed the German export sector, it also effectively injected the import sector with unanticipated extra buying power paradoxically giving German companies improved conditions for purchasing increasingly expensive barrels of oil. Abelshauser, 392.

[868] West German companies were originally slated to supply wide-diameter (over 19") pipelines for the Soviet-Eastern Bloc connective Druzhba pipeline. They were, however, pressured to withdraw under a US-led NATAO effort to impose sanctions on the USSR in November 1962. The costs to the pipeline and steel industries were enormous. See: Bruce W. Jentleson, *Pipeline Politics: The Complex Political Economy of East-West Energy Trade* (Ithaca: Cornell Universiyt Press, 1986), 86, 116. The rise of *Ostpolitik* under Willy Brandt both coincided with and fostered a turn to natural gas from the Netherlands, the North Sea, and, notably, Siberia. Jentleson, 165.

between 1973 and 1975 and an addtional three-fold by 1980.[869] Oil imports from the Soviet Union would likewise increase by approximately 25 percent between 1973 and 1975. By 1980, however, these numbers would stagnate slightly below their 1975 levels.[870] Although these new hydrocarbon troutes would not do much to alleviate the pressures of oil price increases and quantity decreases in the short-term, they would help the energy economy in its turn from petroleum to a diversity of sources situated in diverse locations.[871]

At the same time, the Brandt administration had anticipated looming disruptions in the flow of oil from the Middle East and Libya. To combat this proactively, the OECD recommended in 1971 that member countries maintain large raw oil and product stockpiles. The Federal Republic took a large step towards compliance with the first energy program of September 1973. This program called for an increase in refinery reserves to a 90 day supply and importer reserves to a 70 day supply in part through establishing a major oil depository in the salt mines outside of the country's primary petroleum port at Wilhelmshaven.[872] Around the same time, Lantzke and Brandt opened dialogue with Iran over a long-term oil supply agreement to replace the decreasing production above all in

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[869] West German gas imports from the Soviet Union increased from 400 million cubic meters in 1973, to 3.1 billion in 1975, to 10.7 billion in 1980. Table 5.7 in Jentleson, 165.

[870] In 1973, West Germany imported 116 million barrels per day from the Soviet Union. By 1975, this number had risen to 148 million. By 1980, it had dropped 138 million. Table 5.6 in Jentleson, 163.

[871] By 1968, German firms held only 28.2 percent of the country's natural gas resources. Manfred Horn, *Die Energiepolitik der Bundesregierung von 1958 bis 1972: Zur Bedeutung der Penetration ausländische Ölkonzerne in die Energiewirtschaft der BRD für die Abhängigkeit interner Strukturen und Entwicklungen* (Berlin: Duncker und Humblot, 1977), 177. The GDR was much more dependent on coal (particularly brown coal) and natural gas, although they received a significant amount of Soviet crude through the Druzhba Pipeline, completed in the mid-1960s. Natural gas started to take off in East Germany when it began purchasing it directly from the Soviet Union in 1973. Per Högselius, Arne Kaijser, and Erik van der Vleuten, *Europe's Infrastructure Transition: Economy, War, Nature* (New York: Palgrave Macmillan, 2016), 90. For an excellent study of the East German natural gas sector, see: Rainer Karlsch, *Vom Licht zur Wärme*: *Geschichte der ostdeutschen Gaswirtschaft, 1855-2008* (Leipzig: Verbundnetz Gas, AG, 2008).

[872] Previously, the benchmarks were 65 days for refineries and 40 days for importers. Rainer Karlsch and Raymond Stokes, *Faktor Öl: Die Mineralölwirtschaft in Deutschland, 1859-1974* (München: C.H. Beck, 2003), 377.

Libya.[873] As a result of such initiatives, when OPEC and OAPEC issued their unilateral policy declarations, the West German energy sector was in a much better position than that of many of its neighbors to absorb the price shock.[874] That stands despite the countries non-petroleum economic vulnerabilities.

This situation seems paradoxical. To a greater extent than countries such as Great Britain and France, West Germany was utterly dependent on crude sources beyond its immediate influence. Great Britain, of course, had a majority share of the major British Petroleum. Despite the setbacks the company experienced with the nationalizations in Iraq and Libya, BP was still an international concern with producing interests in Abu Dhabi, Iran, southern Iraq, Kuwait, Nigeria, and Qatar, as well as Prudoe Bay.[875] For its part, France still maintained a "special relationship" with its former *département* Algeria that persisted despite the Sonatrach nationalization of CFP interests there. The Federal Republic, however, had nothing of the sort. The quasi-state Deminex was still in its infancy and, despite federal subsidies and a nationally charged mission, had not yet successfully branched out beyond Nigeria and the North Sea.[876] Gelsenberg remained the sole German firm with any foreign sources at its disposal. And at less than 3 million tons in 1972, this constituted less than 3 percent of the Federal Republic's total crude imports for the year. By now, Gelsenberg Libya provided a small drop in the national petroleum bucket [Figure 6.1].

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[873] The deal was finalized in November 1973. Falk Illing, *Energiepolitik in Deutschland: Die Energiepolitischen Massnahmen Der Bundesregierung 1949 - 2013* (Baden-Baden: Nomos Verlag, 2012), 141.

[874] Karlsch and Stokes, 377.

[875] Discover in 1969, however, the Alaskan field would not come on stream until 1977.

[876] Illing, 145.

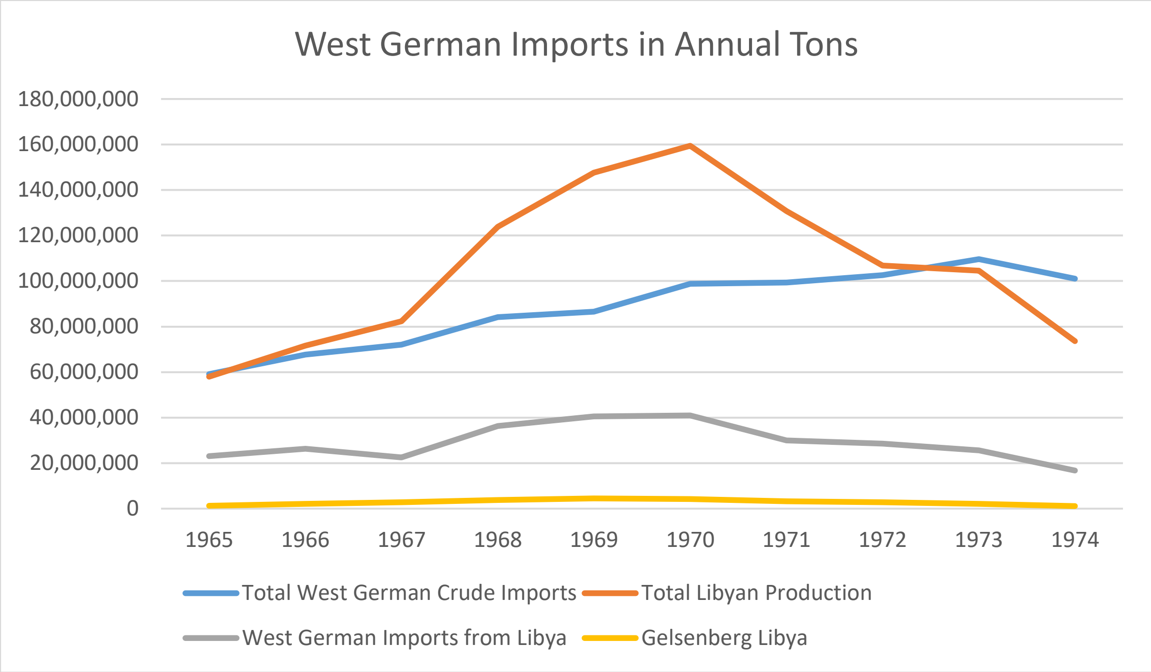

Figure 6.1: Sources: GBAG/Gelsenberg AG Gesellschäftsberichte 1966-1975; *Statistisches Jahrbuch für die Bundesrepublik Deutschland*, 1966-1975; *BP Statistical Review of World Energy, 2016.*

The Federal Republic nevertheless followed the European lead throughout the crisis, instituting policies that ranged from decreased speed limits to driving-free Sundays to rationing and restrictions on electricity usage to export controls. Although it did not impose these measures to the extent that Italy – by now even more dependent on Libyan crude than the Federal Republic - it did so to a greater degree than did England and France.[877] This is because the Federal Republic was more directly threatened by the embargo. Although it was not a primary Western target (as were Portugal, the Netherlands, and the US), it was dependent on the port in Rotterdam for nearly 25 percent of its raw oil and refined product imports.[878] Gelsenberg itself shipped through this port and would be forced to redirect to other European routes while the embargo was maintained. This contributed to the panic among consumers and companies, as evident in product prices that surpassed even those in the Netherlands and Belgium during the crisis.[879] Notably, however, these high prices combined

[877] Romano Prodi and Alberto Clô, "Europe," *The Oil Crisis*, Raymond Vernon, ed. (New York: W.W. Norton & Company, 1976), 100.

[878] Werner, Nr. 741, November 5, 1973, Betr.: Drohung mit libyschen Erdoelembargo: BAK B102/123680.

[879] Prodi and Clô, 99.

with federal rationing measures and company distribution policies to keep sufficient petroleum available to consumers and companies while keeping stocks only slightly under those of its neighbors between December 1973 and March 1974.[880] Despite some significant economic hardships that would contribute to the 1974/5 recession, the Federal Republic survived the oil crisis relatively well.

Gelsenberg, of course, had additional matters to contend with at its Libyan base. The company's and, by extension, West Germany's foothold in Libya seemed uncertain particuarly during the early days of the crisis. Part of this uncertainty lay in the RCC's provocative rhetoric and unique mix of Arab and Libyan nationalist ideology. The government was willing to act in concert with the more moderate voices of large producers and regional powers such as Saudi Arabia as it had through OAPEC. At the same time, however, the Libyan leadership seemed given to histrionics, even if their threats did not always translate directly into action. In the early days of the war, for instance, the RCC dispatched a telegram to Western European governments ominously warning that Libya was confident the western states would come around to the Arab point of view: "if winds should blow against ships, the result may be the sinking of ships with European interests."[881] This, of course, did not point to a Libyan naval threat, but rather Libya's willingness to hold tankers at bay. It indicated that the RCC was willing, as Gaddafi had threatened before, to forego petroleum revenues in order that the West (and the western oil companies) suffer economic consequences for their political and

[880] Between April 1973 and April 1974, German reserves fluctuated between those needed to meet national energy needs for 69 days to 80 in the build-up before the crisis to 70 at its end. As points of comparison, French reserves over this same period were 94, 111, and 88. Italian reserves were 80, 79, and 98. The Federal Republic was on the lower end of these numbers, but, given its larger demand and its relatively steady stockpiling, it did not fare particularly poorly on this front, even though availability decreased by over 11 percent, albeit over the longer period from December 1972 to March 1974. As Prodi and Clô emphatically note, "*there was at not time a real shortage of petroleum on the European market*" (italics in original). The same goes for the German market. Prodi and Clô, 101-2. This happened despite protective policies in other refining European countries that attempted to keep products from passing national borders. In response to such policies, the majors "simply rerouted their crude oil toward refining countries that had not imposed controls," giving refiners in Germany a relatively steady stream of crude and making up for potential shortfalls caused by the diminished intra-European trade of products. Prodi and Clô, 100.

[881] Hoffmann-Rothe to Schubert, October 18, 1973, Libyen-Wochenbericht Nr. 42/73: montan.dok/BBA 55/5699.

military support of Israel.[882] This claim gained some credibility, according to Mueller-Chorus, as the "experts are in fact convinced of the impossibility of the enforcement of an embargo, (but) it is questionable whether a man such as Gaddafi bows to this empirical fact." In particular, Mueller-Chorus continued, his "mentality and psycho-structure" were too inscrutable to be predicted.[883] That is, of course, when one viewed Gaddafi's actions through the energy-economic lens the West Germans had adtoped. Was the boycott economically feasible? This seemed the wrong question. Instead, a better question would be, given Gaddafis previous subjection of economic concerns to political objectives, did the economics matter as much as the political impact? To what end did Gaddafi seek to impose boycott? After all, as Rüdiger Graf has shown, success can needs to be assessed through both mutable intentions and reception, rather than mere economics.[884]

That, of course, is not to say that there was no economic rationale behind Libyan policy. From the very beginning, it was clear that Libya alone could make only a modest and short-term impact. And as per OAPEC pronouncements, although production cuts would be global, the embargo would be selective. Libyan production would therefore not cease completely as it did for those few long days in 1967. The logic of the boycott, moreover, simply would not allow for the prolonged cessation of flows from one or two states alone to cause much damage, especially as Iraq had already refused to take part in the global rather than targeted cutbacks and the conservative Iranian regime was already increasing its own production to capitalize on any deficit. Still, these facts offered only modest comfort to a country that was newly uncertain of its economy and jealously protective of its few avenues of direct access to Libyan and, more broadly, MENA petroleum.

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[882]Gaddafi had been threatening similar stoppages since the company-government debates over posted price increases at the beginning of 1971, when he asserted that Libya had gotten by for a thousand years without oil, and could continue doing so if Western companies were not cooperative. What made the 1973 threats different was the unison with which many Arab supplying states were acting and the West's recent history of a growing dependency on their resources. For the earlier threat, see: Cornelius, February 2, 1970, Betr.: Aktuelle Nachrichten für die Arbeitsgruppe PP – Erklärung des Staatschefs am 29.1.1970: montan.dok/BBA 55/5684.

[883] Mueller-Chorus, Nr. 465, November 1, 1973, Betr.: Deutsche Haltung im Nahostkonflikt; hier: libysche Androhung eines Oelembargos: BAK B102/123680.

[884] See: Graf, *Öl und Souveränität*, 89-122.

West Germany's situation worsened considerably over the course of October. This was not, however, because of the petroleum squeeze, but because of political developments. By the end of the month, Libyan newspapers had begun publishing stories about the transportation of Israel-bound American military aid through West German territory.[885] This revelation coincided with the initiation of OAPEC's three-level ranking schema for consuming countries: friends to whom deliveries would continue unabated; neutrals who would receive decreasing and inconsistent supplies; and enemies who would get nothing from the boycotting countries. Libya threatened to classify the Federal Republic in the latter category unless it made an unequivocal statement in support of the Arab-Palestinian cause.[886] Although the Federal Republic escape such classification without complying too strongly with Gaddafi's demands, it did receive serious collateral effects from the weapon as deployed against the "unfriendly" states. Above all, the boycott against the Netherlands disrupted the flow of oil through the port at Rotterdam –Gelsenberg's primary port. For its part, Libya put up particular resistance to any shipments through this port under the pretense that the oil was not tracked closely enough after it was unloaded and might find its way into Dutch tanks.[887]

Libya had also initiated a series of disruptions as a direct challenge to the Mobil-Gelsenberg operations. The government continued to adhere unflinchingly to its policies of partial-nationalization and pressure. In the face of resistance from the majors, the LNOC had recently begun claiming its share of the majors' production and insisting that the companies must forfeit their further liftings (while continuing to actually extract the oil) until the LNOC acquired its 51 percent take.[888] Notably, this policy extended to Mobil, Gelsenberg's partner, who had still not agreed to participation. This coincided with OAPEC and OPEC actions that further diminished supplies,

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[885] Hoffmann-Rothe, October 25, 1973, Libyen-Wochenbericht Nr. 43/73: montan.dok/BBA 55/5699.

[886] Hoffmann-Rothe, November 5,1973, Libyen-Wochenbericht Nr. 44/73: montan.dok/BBA 55/5699.

[887] Telex, Werner, No. 442, November 22, 1973, Betr.: Nahost-Konflikt-Libyens Haltung nach der OPEC-Konferenz vom 17.10 in Kuwait: PAAA, ZA 104991.

[888]Mueller-Chorus, Nr. 448, October 23, 1973, Betr.: Libysche Erdoelpolitik; hier: 1. Teilnationalisierung (roem1) 2. Folgen der Posted-Price Erhoehung: BAK, B102/123680.

exacerbated fears of deficits, and therefore drove prices beyond anticipated ceilings. Libya responded by raising its own posted rate to $8.925 per barrel. With the posted price and therefore tax basis nearly doubling overnight, Gelsenberg management began to question whether the company would be able to weather such high tax rates while still remaining competitive in German markets.[889] This fear was warranted, if only temporarily so. Libyan overhead costs were climbing beyond the bounds of regional parity, even accounting for its high quality and west-of-Suez location. With production cuts, the economies of scale were becoming less favorable. As Libyan prices rose approximately 30 percent higher than the Arabian Light Marker Crude of Saudi Arabia, the situation showed itself to be unsustainable for both companies and Libya.

Despite the precarity of Gelsenberg's siuation, the company navigated the pricing and production turbulence adeptly through the end of the year. The company itself was not a major and had only recently proved itself amenable to the RCC's demands for participation. Moreover, it had consistently met its 30,000 barrels per day royalty oil obligations as the Mobil-Gelsenberg fields continued their truncated production without additional major interruption.[890] Compared to its partner Mobil, Gelsenberg was a model of tactical, if somewhat resigned, cooperation: conceding to Libyan demands when it saw necessary in order to maintain production for which it would eventually account in the downstream. This is not to say Gelsenberg's situation was enviable or that the company was spared the crisis in its entirety. In early November, for instance, a tanker chartered with Gelsenberg crude had unexpectedly been denied loading rights at Ras Lanuf. This happened because of its stated unloading port of Rotterdam, and despite a documented final destination of the Gelsenkirchen-Horst refinery in West Germany. As manager Jörg Friedrich Hoffmann-Rothe noted, this delay defied the promises of the Libyan Foreign Ministry that the transportation of crude to West Germany would continue unhindered. Nevertheless, there was little the company could do in

[889]Mueller-Chorus, Ber.Nr. 851/73, October 31, 1973, Betr.: Preispolitik der ölproduzierenden Länder; hier: insbesondere Libyen: BAK, B102/123680.

[890]Hoffmann-Rothe, November 5, 1973, Libyen-Wochenbericht Nr. 44/73: montan.dok/BBA 55/5699.

response apart from rerouting to ports at Trieste and Wilhelmshaven, a tactic to which Gelsenberg increasingly resorted. The tanker described above was forced to unload this particular load in Libya to fill some of the cutback-driven oil shortage at port.[891]

Notably, this incident occurred after hostilities between the Egypt and Israel had effectively ended. The boycott, however, remained in place and would persist, according to OAPEC, until the West pressured Israel into ceding the territories gained in 1967. Libya therefore maintained production cuts and the targeted disruptions. This prolongation of policy was part and parcel of the oil weapon itself. Although the posted price increases had near immediate effect on prices, the diminishing supply took approximately one month to show itself in western ports from the Arabian Gulf.[892] Ships had already been loaded with crude that was, by that point, company property on October 17. Most of these ships were located in the Gulf and still had a thirty day journey ahead of them. They would arrive at their destinations as anticipated with full cargo and on time. By the time Europe and the West felt the OAPEC pressure, in other words, the war was already over. European support for or opposition to Israel could no longer change its outcome.

Despite calls for its inclusion,[893] West Germany was only a secondary target of the boycott, classified among the states that, in January and February, would suffer a 12 percent decline in OAPEC imports. Still, coupled with the OPEC price increases that would cost the Federal Republic an estimated DM 15 billion to DM 20 billion over the course of 1974,[894] this indeed strained German patience and further weakened an already limping economy and a company whose years of

[891]Hoffmann-Rothe, November 11, 1973, Libyen-Wochenbericht No. 46/73: montan.dok/BBA 55/5699; Gelsenberg AG Bericht über das Geschäftsjahr 1973 (12): montan.dok/BBA 55/561.

[892] Parra, 185.

[893] These included calls from the Palestinian Liberation Organization (PLO) and Libya itself. The latter of these was combatted by West German efforts to lobby Egypt to vouch for Germany's neutrality. Graf, "Making Use of the Oil Weapon: Western Industrialized Countries and Arab Petropolitics in 1973-1974," *Diplomatic History*, Vol. 36, No. 1 (January 2012), 203.

[894] Aufzeichnung, Werner, January 16, 1974, Betr.: Reise Ministerpräsident Jallouds in verschiedene europäische Staaten: PAAA ZA 104835

expansion had recently encountered the most significant obstacles to growth since it entered Libya. What Gelsenberg had anticipated as a year of 10 percent growth in production became a 6.6 percent reduction concentrated in the last few months of the year. Shipments from Ras Lanuf were correspondingly smaller and less reliable.[895] Total Libyan production was falling from a cap of just over 140,000 barrels per day in September to 127,500 in November. Gelsenberg's take fell accordingly.[896]

Production allowables were further restricted into January, with total production hitting a trough of only 85 percent of their pre-war September production.[897] Still, there were some signs that the crisis was abating. At the end of December, OAPEC had announced that it would postpone the five percent cut in production slated for the beginning of 1974, and would settle for a 15 rather than 25 percent cut from September production. Then, on January 7, OPEC agreed to freeze the recently achieved posted price of $11.65 until April. This move was non-binding for the Libyan $15 posted price but marked a symbolic regional leveling of previously rising prices. Meanwhile, Israeli and Egyptian negotiators had made progress in peace talks. After multi-party negotiations slated for January failed due to Syrian non-participation, Egypt and Israel came to an agreement on January 18 that would ensure territorial concessions in exchange for a cessation of hostilities. Syria and Israel would come to their own agreement in May of the same year. Regional geopolitical tensions were beginning to relax; so were, in turn, petro-politics.

In hindsight, this was a period of de-escalation. But, it was also a period of uneasy stalemate in the battle between OAPEC and the "unfriendly" western powers. Although they did not affect the resource poor Gelsenberg in the same way, OAPEC policies had actually driven price increases in such

[895] Hoffmann-Rothe, January 1, 1974, Libyen-Wochenbericht Nr. 1/74: montan.dok/BBA 55/5699.

[896] Hoffmann-Rothe, November 15, 1973, Libyen-Wochenbericht Nr. 46/73: montan.dok/BBA 55/5699.

[897] That is, 119,184 barrels per day. Hoffmann Rothe, January 2, 1974, Libyen-Wochenbericht Nr. 1/74: montan.dok/BBA 55/5699.

a way that the majors, at least, raked in record profits in 1973 and 1974.[898] Such increases, however had a different effect on consuming populations who the brunt of the crisis in conservation measures, higher costs, and renewed worries over acquiring the fuel necessary to power their cars, or heat their homes. The crisis, in turn, served as a catalyst for action in the West. As the largest European importer and consumer of petroleum, the Federal Republic played a critical role in these attempts at a collective western response. The OAPEC offensive targeted individual countries. It was meant to serve as a wedge between Western Europe and the US and between individual Western European countries. The United States and the Netherlands had been singled out as primary weapons suppliers to Israel. France and England, on the other hand, expressed immediate support for Arab demands of an Israeli withdrawal to pre-67 borders. This was a remarkable reversal from the alignments during the 1956 Suez Crisis, the collective British, French, and Israeli united action against Nasser's Egypt – the emerging beacon of Arab-Nationalism – in the face of American opposition. Like that previous war and much like the Arab-Israeli War of 1967, however, the Federal Republic was caught in the middle. Pro-Israel in certain respects – the reparations program in effect since 1952, diplomatic recognition in 1965, the armaments deliveries in October - the Federal Republic under the Chancellor Willy Brandt nevertheless attempted to walk the fine line between its special relationship with Israel and its trade and petro-relations with the Arab world. In times of war and intensifying petro-politics, this was no easy task.

Many have since interpreted Brandt's foreign policy as a capitulation to Arab pressures. There is some truth to this. As a result of the crisis, the Federal Republic reasserted its support for

[898] Parra, 211. According to Francesco Petrini, this was lesson that the companies had learned in the posted price and concessionaire/contractorship disputes earlier in the decade: "The oil companies, once they had realized that the era of the oil concessions had come to an end, largely succeeded inriding the wave and using the rise in prices to restore their profit margins" that had been eroded by a combination of "the producing countries skimming more and more from oil revenues and by the evolution of the peroleum market in which there was an oil glut: too much oil for a steadily increasing but still relatively insufficient demand." Francesco Petrini, "Eight Squeezed Sisters: The Oil Majors and the Coming of the 1973 Oil Crisis" in *Oil Shock: The 1973 Crisis and its Economic Legacy*, eds. Elisabetta Bini, Giuliano Garavini, and Federico Romero (New York: I.B. Tauris, 2016), 91.

Palestinian self-determination in the West Bank and Gaza Strip as per Resolution 242, a position that the US President, without explicitly mentioning self-determination, had even avowed to the Saudi's at one point.[899] Explicitly, such claims promoted the establishment of a Palestinian state and indeed represented a step toward the Arab camp.[900] The panicking federal government also attempted to appease Libya in particular to ensure that oil would continue to flow. This resulted in an understandable preoccupation with Libyan positions, pursued through the Embassy as well as Gelsenberg, the primary source of information on all things related to Libya's foreign and domestic oil policy through this tumultuous period, and efforts to appear "sufficiently pro-Arab" to curb Gaddafi's more radical threats.[901]

Several things, however, must be kept in mind when analyzing these actions. First, the steps taken toward the Arab cause were provoked by OAPEC, but also moved German foreign policy toward a noncommittal center, rather than a strongly pro-Israel or pro-Arab sentiment. To that effect, the policy was more pro-Palestinian self-determination and pro-Resolution 242 than anything more definitive than that and certainly nothing anywhere near what Libya had demanded.[902] Unsurprisingly, the Federal Republic's lack of tangible steps beyond the center remained a point of contention between the Libyans and Germans throughout the conflict.[903] This stance, moreover, was

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899 Yergin, 588.

900 See, for instance, Szatkowski, 46.

901 Graf, "Making Use of the 'Oil Weapon,'", 203.

902 This is evident in the Federal Republic's adopted role as a moderating influence on French and British efforts to assert a collective pro-Arab foreign policy. Although West Germany explicitly accepted and encouraged a peace settle along the lines of Resolution 242, for instance, it frequently resorted to supporting the resolution in the abstract rather than demanding Israel withdraw to pre-1967 borders as France and Britain had wanted. In a sense, West Germany acted to curb some of the more starkly pro-Arab or anti-Israel tendencies of the common European policy declarations that, as Aurélie Élisa Gfeller has cogently argued, mark Europeanization (and therefore modification) of French policy toward the Arab-Israeli conflict. Aurélie Élisa Gfeller, *Building a European Identity: France, the United States, and the Oil Shock, 1973-1974* (New York: Berghahn Books, 2012), 101.

903 See, for instance, Jalloud's criticism of West German policy and the insufficiency of its promotion of the UN resolution in his interview with *Der Spiegel* from November 1973: "Europa muß den Arabern Waffen liefern," *Der Spiegel* (46/1973), 122-3.

not so different than that the American majors had encouraged pressed by the same forces of rising costs and decreasing supplies.[904]

Second, although they became a fiasco, the armaments sent through West German territory and airspace that caused such a clamor once disclosed were conducted with the direct knowledge at least of Foreign Minister (and successor to Willy Brandt's chancellorship) Walter Scheel and several other officers at the Foreign Ministry.[905] In anticipation of negative responses in the Arab world, moreover, the Federal Republic forbade all further armaments deliveries to Israel only through reaffirming its years-old policy of eschewing weapons sales to conflict regions. Again, this was a step toward the center and away from further material support for the Israeli war effort. This was, in a sense, opposite in tact but similar in ambivalence to the actions of the US, who, as Daniel Yergin has noted, supplied Israel with armaments not to ensure victory, but "to assure that neither Egypt nor Israel ended up in a position of ascendancy, with the result that both would have reason to go to the negotiating table" rather than fight the war of attrition for which they were being equipped.[906] While the Americans worked to keep the war going to encourage a settlement, the Germans deprived both sides of their military products in hopes of achieving the same objective. It was hardly, however, a step into the Arab-nationalist or Libyan camp. In fact, in compliance with its own policy, the federal government repeatedly refused weapons to the Libyans no matter how strongly the government demanded or how much crude was being withheld. Again, these measures point to

[904] Aramco, in fact, engaged in a public relations campaign promoting a more moderate American approach to the Arab-Israeli conflict. The chairman of Socal made public statements to this effect and petitioned its shareholders to give more credence to the Arab cause. The president of Texaco made similar pleas at industry conventions. Mobil took out an ad in the *New York Times* calling for a reassessment of American foreign policy. Although the Saudi government was purportedly pleased with these actions and gave the company advanced notice of the embargo, however, the company position did little to insulate the US or the companies constituting Aramco – Esso, Mobil, Socal, and Texaco – from the boycott in Saudi Arabia or elsewhere in Arab exporting world. Robert B. Stobaugh, "The Oil Companies in the Crisis," *The Oil Crisis*, 183-4; Graf, *Öl und Souveränität*, 95.

[905] Graf, *Öl und Souveränität*, 255.

[906] Yergin, 590. The Soviets had been supplying the Egyptians and Syrians with their armaments. In fact, the Nixon administration avowed that its contributions were aimed at neutralizing the Soviet creep rather than supporting the Israeli cause. Mitchell, 183; Yergin, 588-9.

a centrist, rather than particularly pro-Arab position.

Third, the West German reaction must be considered within a complex of foreign political entanglements. In this sense, the affirmation of the UN's resolution makes as much sense as a step toward a common policy with France and therefore European cooperation than as a move to placate OAPEC and reestablish full oil production. To the extent that it was the latter, it was also a guard against the uncompromisingly pro-Arab position of the GDR and Soviet Union who, despite the successes of the *neue Ostpolitik*, were unwelcomed competitors in the region and eager to effect political fracturing among the western Europeans. At the same time, the US was seeking to reassert its own influence over European foreign policy. This was embodied in Henry Kissinger's ill-advised proclamation of the "Year of Europe" in 1973, a move which only pushed Western European powers to assert themselves collectively, independent from (and to the notable chagrin of) the Nixon administration.[907] The new West German position on the Israeli-Palestinian question may have been a pivot, but it was a tactical and relatively modest turn the European centerAnd, it was one that was taken in part to secure a common foreign-policy foundation to the Western European bloc.[908]

Striking this balance was particularly difficult in the context of the latter often conflictual geopolitical objectives: the eastern question (which had been in remission since the 1972 Basic Treaty), the stabilization of petroleum flows into the country and hence fostering positive relations with those largely Arab states that provided that oil, and the furtherance of the European project, whether restrictively European, as institutionalized most recently in the EEC, or trans-Atlantic, as in

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[907] Europe's strong reaction against the "Year of Europe" speech emanated from its pretensions of American global relevance and European provinciality, as well as Kissinger's conspicuous eschewal of involving European voices in the drafting of the plan. The "Year of Europe" was hardly an elevation of the continent, let alone the EEC. Instead, it was seen as an assertion of American interests over internal European concerns, the Atlantic Alliance over European integration. Fabian Hilfrich, "West Germany's Long Year of Europe: Bonn between Europe and the United States,"*The Strained Alliance: US European Relations from Nixon to Carter*, Matthias Schulz and Thomas A. Schwarz, eds. (New York: Cambridge University Press, 2010), 241.

[908] This was embodied in the European Community's Declaration on the Middle East. This document was the first foreign political declaration of Europe and marked a major step toward Western European autonomy from the US and political unity. Gfeller, 104.

the OECD. The latter two of these concerns often overlapped, though not always in a complementary fashion. The oil crisis exposed this. OAPEC's targeting of the Netherlands in particular had aggravated already fragile intra-European relations at their point of greatest vulnerability. Indeed despite the EC's proclamations of unity and intra-zonal resource sharing, the Arab exporters had favored some countries with a "friendly" status and guarantees of minimally interrupted flows. It had meanwhile punished the Netherlands with a total embargo. The Arab-friendly states were notably resistant to the Netherlands calls for resource sharing out of fear of aggravating OAPEC and losing their preferred status. Were it not for the Groningen gas field, the Dutch would have little with which to extract concessions on a "common position" of non-Arab sourced petroleum from the resistant EC states.[909]

A non-favored country that relied on foreign fields and firms for their own oil, the Federal Republic did not resist Dutch claims as did the French and British. In fact, the recent reversion of the latter (and Japan) to bilateral supply agreements with individual Arab states seemed a potential blow to their liberal and avowedly apolitical economic ideology and the West European solidarity that Brandt and, later, Helmut Schmidt saw necessary to construct a European "oil shield" to protect against the precarities of foreign raw material dependency.[910] The EEC and the OECD,[911] however, offered few promising avenues for the Germans to convince their Western European neighbors of

[909] Yergin, 610; Sandra Tauer, *Störfall für die gute Nachbarschaft?: Deutsche und Franzosen auf der Suche nach einer gemeinsamen Energiepolitik* (Göttingen: Vandenhoeck und Ruprecht, 2012), 108.

[910] Tauer, 109.

[911] The OECD did have an Oil Committee which had been effective in managing less severe oil crises in years past. These coordinative efforts, however, were largely based on redirecting American oil to European markets. Global oil demand, however, had changed since even the 1967 crisis. For one, the US could no longer fulfill domestic demand with American production alone. At the same time, countries in the Arab world were gaining the upper hand on the western companies in the pricing question. As OAPEC would show, they could also exercise considerable influence over production and global flows as well. The Oil Committee was ill-equipped for such an alignment of power. Its recommendations were not binding in themselves, but needed the approval of the political body of the OECD. Its solutions were, therefore, slow to implement and, in the turbulence of late 1973, imposed only after conditions had already worsened. Henning Türk, „Kooperation in der Krise?: Die Ölkrise von 1973/74 und die multilaterale Zusammenarbeit der westlichen Industrieländer in der Energiepolitik," *Journal of European Integration History,* Vol. 22, No. 1 (2016), 52.

the priority of the long-term commitments to resource sharing over short-termist bilateralism. Even the Washington Energy Conference in February – opposed by OAPEC as an attempt to reassert western dominance over Arab resources - attended by all major non-communist industrial powers including an oppositional French delegation, was unable to effectively address such concerns of intra-bloc coordination. In the end, West German efforts produced little in terms of binding international agreements in the short term, although it did lay the foundation for the IEA.[912]

Despite these shortcomings in the pursuit of western coordination and cooperation, North-South tensions were subsiding by February and the end to the present crisis in unpredictable price fluctuations and uncertain supplies was in sight for nearly all actors: exporters and consumers; states and companies; Libya, West Germany, and Gelsenberg.

The process of de-escalation in Libya was unsteady, but real. Gelsenberg tankers were once again unable to load at Ras Lanuf on January 31 due to lack of adequate paperwork and, presumably, a history of unloading at Rotterdam, the primary port in the still-embargoed Netherlands.[913] Mobil-Gelsenberg production continued to be limited to 119,000 barrels per day (compared to a 1972 average production 164,000) in part because of accusations that it had not fulfilled delivery obligations to Egypt. Had it not been recognized earlier, however, these recent actions were now anticipated as signs of cracks in government policy. According to rumors circulating around such caps, the LNOC had been having trouble dumping its royalty and nationalized crude at prices reaching upwards of $20 per barrel and was eager to redirect some of this to Egypt, or, in effect, anyone who would purchase it. Over time, the production cap would cut into the glut of high cost Libyan oil that was increasingly out of balance with peacetime regional prices.[914] Several resettlements of posted and buy-back crude prices over 1974 and 1975 would bring Libyan prices

[912] Yergin, 611-2. The IEA would prove critical to circulation of information and therefore oil during the next crisis of 1979/80.

[913] Hoffmann-Rothe, January 31, 1974, Libyen-Wochenbericht Nr. 5/74: montan.dok/BBA 55/5699.

[914] Ibid.

back in line with regional norms.[915] As price and supply concerns were calming, however, company-government relations seemed to heating up once again, this time over Western reactions to the crisis and continued hold-outs on the participation question. The RCC moved forward nationalizing several American oil companies - namely Texaco, Calasiatic, and Libyan American - as punishment for Nixon's convocation of the Washington Energy Conference.[916] The following month, Libya nationalized an uncooperative Shell Oil, in part as punishment for Dutch support of Israel and in part to send a message to the other companies who had still not agreed to the 51 percent nationalization. The message was received. In March, Mobil became the first major to officially accept the participation scheme roughly along the lines that Gelsenberg achieved seven months earlier.[917] By June, the embargo against the US had been lifted. Several months later, direct shipments to the Netherlands resumed. The last leg of the primary route of Gelsenberg crude had been opened.

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The end of the boycott, of course, did not mark a return to the pre-crisis or pre-Gaddafi status quo. Although Gelsenberg managed the recent ordeal with comparatively modest supply disruptions, this offered limited consolation in the face of the new balance of the international petroleum trade. Already before 1973, the hegemony of western companies in MENA had been waning. OPEC's repeated resetting of posted prices and OAPEC's production cutbacks and targeted embargo served only to reinforce this trend. More locally, by the beginning 1974, not only had Libya succeeded in temporarily securing near record posted prices and instituting strict production quotas, but it was also able to force the surrender of 51 percent of each company operating within its national boundaries to the LNOC. By the end of the year, the Gaddafi regime secured what exporters had sought for at least a decade: the end of concessions in favor of direct participation through

[915] Waddams, 258.

[916] Hoffmann-Rothe, February 14, 1974, Libyen-Wochenbericht Nr. 7/74: montan.dok/BBA 55/5699.

[917] Embassy Tripoli to DoS, Telegram 00331, March 18, 1974, TRIPOLI 00331, Subject: Mobil Agrees to LARG Nationalization: NARA RG 59 CFPF 1973-1979/Electronic Telegrams.

exploration and production sharing agreements.[918]

This newfound positionality particularly in relation to Europe did not escape the RCC. In March 1974, Jalloud made a second major visit Europe promoting a new Exploration and Production Sharing Agreement (EPSA) scheme and touting Libya's renewed desire for development, investment, and armaments. The latter deals were to be funded by the recent price and participation-driven petro-dollar infusion. Coming near the end of the embargo and just as the regime embarked on the final stage of its participation campaign, this visit came as Libya reached its peak influence in global petroleum geopolitics. The country had been one of the most radical supporters of the Palestinian cause (at least in rhetoric), and had even put aside ideological differences to coordinate the embargo with conservative states such as Saudi Arabia. And, although the embargo failed to isolate Israel and break the Atlantic alliance, it did succeed in one of its primary objectives: bringing world attention to the Arab-Israeli issue.[919] Libya had also flexed its regulatory muscle bringing posted prices and the government take so high that it exceeded all others in the region. There was even talk that it might raise posted prices yet again in April.[920] Gelsenberg was on edge and Jalloud - now the Prime Minister, Foreign Minister, and de facto head of the LNOC – sought to convert this accumulated capital – both figurative and literal – into oil deals.[921] Deminex and Gelsenberg were both open to

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[918]As one reporter noted, this was an end of an era in petro-relations.: "The concessionaire is dead, at least in the Golf; long live the Operator!" "Ende einer Ära", *Oel: Zeitschrift fuer die Mineraloelwirtschaft*, Vol. 12, No. 12, December 1974, 343.

[919] Rüdiger Graf has recently brought into contention the long-standing claim that the embargo was a failure as it failed to force Israeli compliance with UN Resolution 242. Instead, he has argued that the very question of ultimate success or failure is misplaced. Instead, studies should focus on coercion, resistance, and adaptation both on the side of those diverse countries of diverse motives who deployed the oil weapon as well those who must react to it. The capitulation of Israel and the erosion of western-Israeli relations was one, early goal of the embargo. Over time, however, the goals - or rather message - of the weapon changed in relation to changing economic, military, and political situations. Drawing attention as well as sympathies to the Arab cause was one of numerous, protean objectives. See: Section 4 "Die globale Kommunikation der 'arabischen Ölwaffe'" in Graf, *Öl und Souveränität*, 89-122; Graf, "Making Use of the Oil Weapon," 185-208.

[920] Schubert and von Auwers to Kling, February 20, 1974: BAK B102/123680.

[921] Gelsenberg wrote the BMWi on the eve of Jalloud's visit, expressing their discomfort with Jalloud's threats of nationalization in response to the Washington Energy Conference, the continued stand-off between Mobil and the Libyan government, and the new question on whether Libya would accept the Veba

this. Gelsenberg in particular had hoped to capitalize on its own reputation and position in Libya continued to serve as a "cornerstone for German-Libyan cooperation in the oil sector."[922] Deminex, on the other hand, was looking for its first successful exploration ventures. Given the recent changes to the Libyan petroleum regime as well as the assessed viability of fields yet unclaimed, however, the company was wary of acquiring fields unappealing to all other companies out of over-eagerness or at the direct expense of the majors and independents who were already providing the Federal Republic with their still copious yields.[923]

Petro-relations constituted the primary topic of conversation in the Libyan delegation's meetings with Chancellor Brandt and representatives of the Ministry of Economic Cooperation and the Economics Ministry. Here, Jalloud decried that the German companies – particularly Gelsenberg and Wintershall, both of whom were notably absent from the talks – had not been aggressive enough in their exploratory ventures as of late. In the eyes of Jalloud, this was a matter that could be easily rectified with greater enthusiasm and investment.[924] Despite the crisis, he contended that such renewed vigor was possible. Relations between the two countries were still positive. German exports to Libya were growing on a firm basis of recycled petrodollars. Libya, moreover, saw

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acquisition of Gelsenberg's Libya operations. This disquiet was compounded by concerns over Libya's particularly high posted and buy back prices, as well as the new system of EPSA's to be instituted in all future exploratory and productive ventures. Schubert and von Auwers to Kling, February 20, 1974: BAK B102/123680. Similar worries circulated in the Foreign Ministry in response to Gaddafi's tiff with the Italian paper "La Stampa." See: Aufzeichnung, n.a, n.d. Betr.: Libysche Erdölpolitik: Analyse der gegenwärtigen Lage; hier: geplanter Besuch des Libyschen Ministerpräsidenten Jalloud in Bonn: PAAA ZA 104835.

922 Gesprächvorschlag, February 26, 1974, Betr.: Besuch von Premierminister Jalloud in Bonn vom 27. Februar bis 1. März 1974; hier: Fragen im Erdölbereich: BAK B102/123680.

923 According to Gelsenberg – a member of Deminex - appraisals, there were likely few unclaimed but economical fields left in Libya. Schubert and von Auwers to Kling, February 20, 1974, Situation von Gelsenberg: BAK B102/123680. Berghaus offered a more direct warning in an undated report prepared for Jalloud's visit. He warns that Deminex should make attempt to close a deal with the LNOC "as long as it does not upset or snub the partners, on whose world-wide activities the Federal Republic will still be dependent for a very long time." Anschlussaufzeichnung, Berghaus, n.d., Betr.: Libysche Erdölpolitik; zur Frage der Möglichkeiten einer Kooperation auf dem Erdölsektor; hier: geplanter Besuch des libyschen Ministerpräsidenten Jalloud in Bonn, in packet concerning Jalloud's visit: BAK B102/123680.

924 February 28, 1974, Deutsch-libysches Regierungsgespräch, 28. Februar 1974, Dokument 62, *Akten zur Auswärtigen Politik des Bundesrepublik Deutschland*, Volume 2, 1974 (München: Oldenbourg Verlag, 2005).

numerous petroleum and non-petroleum development projects that Jalloud suggested Germans could help realize. These included the construction of petrochemical plants, gas liquefaction plants, nuclear energy, iron-ore, uranium, and phosphate extraction ventures, agricultural improvement schemes, and school construction projects. There were even opportunities to increase the educational opportunities for Libyans in the Federal Republic and unenumerated investment opportunities for Libya in the Federal Republic itself.[925] Although German officials expressed an openness to deeper economic engagement along Jalloud's proposed lines, the talks ended cordially but with little tangible to show.[926]

Beyond merely repeating the success of his 1971 visit and taking another victory lap at the height of Libyan geopolitical influence, Jalloud had an additional, more tangible motive for visiting the Federal Republic as its economy was weakened and its faith in its energy security shaken: to leverage Libya's position into a weapons deal. West Germany seemed a prime candidate to supply these armaments. Libya had already become West Germany's largest Arab trading partner in large part through deals discussed during Jalloud's 1971 visit. The economies, moreover, were further linked by DM 15.3 million in promised development aid and an apparent Libyan preference for German expertise and investments over those of other western and eastern powers.[927] Of 30 industrialization and major agricultural projects offered by Libyan firms, 20 had been granted to German firms. Among these were electrical plants, cement factories, hospitals, menthanol plants,

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[925] Ibid. Regarding the nuclear question, see: Vermerk, Dr. Henze, March 2, 1974, Betr.: Besprechungen mit der libyschen Regierungsdelegation im BMWi über witschaftliche Zusammenarbeit: PAAA ZA 104835.

[926] This result was particularly conspicuous in the Libyan-BMZ discussions which opened with Jalloud's expressions of disappointment that the BMZ had not done more to court Libya after his 1971 visit. Still, although the sides seemed to have come to a technical aid agreement after their first meeting on February 28, the group reconvened the following day to apparently unanticipated Libyan objections to clauses regarding travel permissions and protections for Germans sent to Libya to fulfill the treaty. Dr. Klamser, March 4, 1974, Betr.: Entwicklungspolitische Zusammenarbeit mit Libyen; hier: Besprechungen von Herrn Minister insbesondere mit dem libyschen Ministerpräsidenten Jallud sowie Verhandlungen über das Rahmenabkommen TH auf Schloß Gymnich am 28. Febr. Und 1. März 1974: PAAA ZA 104835.

[927] "Die politischen Beziehungen zwischen der Bundesrepublik und Libyen," February 19, 1974: PAAA ZA 104835.

water pumps and pipelines, hospitals, housing, and dorms.[928] German companies, in other words, was still carving out a large space for themselves in Libya's ongoing quest for modernization. In doing so, they were establishing linkages between the German metropole and one of its primary petroleum providers, even if the number of Germans experts and technicians in the country remained rather limited.[929] This type of connectivity was characteristic of postcolonial North-South relations.[930] For a Federal Republic in the midst of an petroleum price driven economic crisis, however, they had the added effect of reinforcing the benefits of the opening of the postcolonial world to the western trade and development, as well as, of course, petroleum companies. That is, even if these same flows of trade and investment empowered Third World producers at the expense of western political and economic dominance.

Apart from the aforesaid potential projects, the West German economy had grown around a large and expanding manufacturing sector that had already supplied Libya with heavy machines and automobiles as well as police helicopters.[931] And, indeed, West German manufacturers produced numerous military vehicles and other armaments, including several armored tanks that were in demand in much of the developing world.[932] As the Federal Republic began to feel the economic

[928] Werner, n.d., Betr.: Impressionen und Reflektionen anlässlich einer Informationsreise in einem ölproduzierenden reichen Entwicklungsland – Libyen im 5. Jahr der Revolution: PAAA ZA 104834.

[929] Länderaufzeichnung über die Arabische Republik Libyen, January 30, 1974: PAAA ZA 104835.

[930] This type of connectivity was not limited to Germany. According to Saskia van Genugten, Libya's reliance on westerners to carry out modernization plans actually deepened Libyan dependency on Western investment and companies. That is, even as the plans aspired to lay the foundation for national self-sufficiency: "The new industries the regime wanted to build heavily relied on foreign skilled labor and technology and sophisticated pitches by high-powered consultants persuaded the young and inexperienced policymakers to embark on capital-intensive projects that were not necessarily optimal from a Libyan perspective." The RCC, of course, had its own plans for modernization which sometimes were also "not necessarily optimal" for the country economically. Still, as shown above, Germany played a role in this paradoxical process of development. Saskia van Genugten, *Libya in Western Foreign Policies, 1911-2011* (New York: Palgrave Macmillan, 2016), 85.

[931] The latter were provided at the end of the 1967 Arab-Israeli War and oil embargo. See: Chapter 5.

[932] Chile, Iran, Iraq, Kuwait, Pakistan, Saudi Arabia, and Venezuela had all recently expressed interest in the vehicles. On the grounds of the non-delivery of military goods to conflict zones and the Leopard-Panzer-specific policy of not exporting these vehicles to non-NATO states, the Federal Republic had, however,

squeeze of the embargo in November 1973, Jalloud had already once demanded that the Federal Republic provide weapons for Libya to contribute to the fight against "Hitlerism and Fascism" in Israel.[933] Sending weapons to conflict regions conflicted with a West German weapons control policy dating back to 1961 and Jalloud's requests were heard but rebuffed despite offers of discounted crude and continued Libyan pressure.[934] Displeased with West German conciliatory offers of increased training opportunities for Libyan soldiers in the Federal Republic,[935] Jalloud turned to the Soviet Union and, eventually, the GDR. He ultimately secured the sought after tanks and munitions from the USSR and in turn granted the Soviets a presence to replace their only recently abandoned station in Egypt.[936] He likewise secured weapons, technical aid, and oil treaties with East Germany. The latter was a brisk slap in the face for the Federal Republic but, given the GDR's meager demand for petroleum, it made little tangible difference in West Germany's own supplies or its relations with Libya.[937]

Because of Gelsenberg's activities and the Federal Republic's own thirst for the light heating oil distillate that was so efficiently derived from low sulfur, low gravity Sirte crude, Libya had become the 11th largest aggregate exporter to the Federal Republic by the time of the crisis, and, at its end, West Germany's second largest petroleum supplier. The entirety of this South-North trade consisted of crude oil. Trade relations were also reciprocal, and actually growing in the opposite direction.

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declined the orders. Fleischhauer, March 15, 1974, Aufzeichnung des Ministerialdirektors Hermes, Document 91, *Akten zur Auswärtigen Politik des Bundesrepublik Deutschland*, Volume 2, 1974.

[933] According to Jalloud's construction, "If we supply the Europeans with strategically important oil, than they should also supply us with strategically important weapons." "Europa muß den Arabern Waffen liefern," *Der Spiegel* (46/1973), 126.

[934] Szatkowski, 51.

[935] In 1974, there were already two Libyan naval officers acquiring training with the German navy. Between 1963 and 1971, six Libyans had likewise trained with the air force and three with the marines. The Federal Republic was now offering to open five additional slots to Libyan officers. Gesprächsmappen, Feburary 19, 1974, Betr.: Militärische Ausbildungshilfe für Libyen: PAAA ZA 104835.

[936] Fernschreiben, Mueller-Chorus, Nr. 376, August 15, 1974, Betr.: Libysch-sowjetische Beziehungen; hier: Waffenlieferungen: PAAA ZA 104836.

[937] Szatkowski, 52-3.

West German exports to Libya increased from DM 208.4 million in 1971 to 356.3 in 1972, to upwards of 590 million in 1973.[938] In other words, except for a short dip in 1970, the early years of Gaddafi's rule were actually a period of large-scale growth in non-petroleum trade. Libya had become the Federal Republics 22nd largest trading partner. This trade consisted primarily of the exchange of petro-dollars for crude on the one hand, and crude for finished machine products and development aid on the other.

For its own part, Gelsenberg was able to hold onto its only source of Arab crude throughout the turbulence of 1973/4. This, as Enno Schubert recounted, was due to a decade of "friendly relations in Libya."[939] By this, he meant not only his own contacts in the government and West Germany's at times tenuous status as a neutral country during the 1973 Arab-Israeli War, but also Gelsenberg's own consistent willingness to cooperate with Libya's demands rather than risk the loss of access to its fields. Despite the troubles the company encountered and the weakened position that it and all oil firms accepted after the crisis, Gelsenberg's measured and often compliant approach to the demands of the RCC contributed to an outcome certainly no worse for the company and its home country than that achieved by the companies that strongly resisted. And, as during the crisis, post-crisis German-Libyan petro-relations would be predicated in part on Gelsenberg's readiness to adapt and its continued presence in the newly comprised Mobil-Gelsenberg-LNOC oil fields.

Gelsenberg, in other words, quickly adapted to the new petroleum balance that was becoming normative in the country and throughout the region. In fact, it even seemed to warm to the new balance of equity and buy-back oil which, given a moderate posted price, stabilized oil prices across the board.[940] The company was doubtlessly worse off than before the period of Libyan petro-

938 Länderaufzeichung über die Arabische Republik Libyen, January 30, 1974: PAAA ZA 104835.

939 Schubert, 53.

940 Schubert and Cipa to G. Kling, BMWi, February 20, 1974: montan.dok/BBA 55/5689. According to this schema, companies were entitled to their legal take and could purchase additional oil from the LNOC's take. The latter buyback oil and was 60 percent higher than the tax paid cost of company equity crude. The

political readjustment between 1971 and 1974. Its new take was only a fraction of that from before September 1973. Meanwhile, its liftings encountered further drops "because of politically motivated production restrictions" whereby the company was still only producing 85 percent of its prewar benchmarks in February 1974. Fears that the government would nationalize Mobil lingered until the company formally accepted the new terms in March, even as concerns that Gelsenberg would be unable to assume productive responsibilities were the worst to come to pass persisted.[941] Indeed, operating costs were now so high and conditions so adverse that management advised to minimize investment in new prospective fields, which had already been combed over several times. The production restrictions first instituted almost four years earlier, the persistent open question of a double taxation agreement between the Federal Republic and Libya, and the recently secured benchmark 81:19 production sharing agreements required for all new contracts (compared to the 51:49 that persisted for all pre-crisis concessions) made the prospect of economic production even less appealing.[942] All was not well for Gelsenberg's Libyan operations. As the crisis abated, however, everything seemed workable enough.

Gelsenberg was, of course, still a critical piece of the West German energy sector. And it was one that the Economics Ministry wanted to keep in German hands. Ever since the threat of a CFP takeover and the subsequent federal facilitation of the RWE's purchase of Dresdner Bank's unwanted shares in 1968, Gelsenberg had been the coveted jewel of the German petroleum industry. It held major stakes if not outright majorities and full-ownership in numerous refineries in the Ruhr and Bavaria. It likewise had major stakes in critical pipelines – including the Rhine-Main Pipeline branch

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disparity between these two categories was deliberate. The average cost of equity and buy-back oil came to approximately $13 per barrel for most companies, which was below the $15.768 posted price and would ensure the companies could make *some* profit on their crude, were prices not to fall too far below the post price. Indeed, early 1974, realized prices for Libyan crude reached $14 to $15 per barrel, a fact which encouraged the Libyan government to set a posted price that was over $4 per barrel above that of the sourer, heavier Arabian marker crude. Waddams, 273.

[941] Schubert and Cipa to G. Kling, BMWi, February 20, 1974: montan.dok/BBA 55/5689.

[942] Ibid.

of the Rotterdam system - and even the primary German petroleum port at Wilhelmshaven. This may have made it formidable as far as German independents, but its real distinguishing features were its intersts in Ora, Amal, and Hofra. Despite the company's recently diminishing take, these fields were still critical assets for the company.

As far the Economics Ministry was concerned, they were also critical features of the national energy economy. And they needed to stay in German hands. At the end of 1973 and in the midst of the most precipitous price increases, the Economics Ministry approached the RWE with plans to keep its controlling share of Gelsenberg stock in German hands. Unlike in previous instances, however, this time the government submitted its own offer to remove the recently burdensome investments from the RWE's portfolio. According to skeptics, the deal was forced through before spectators could decipher whether this was a mere acquisition of some beleaguered stock – a "*quantité négligeable*" – or a recidivist "*Machtergreifung*," fueled once again by autarkic aspirations.[943] Put more mildly, a pattern of growing state involvement was developing. From the Deutsche Texaco inaction to the CFP debacle to the quasi-state Deminex and now to a major national acquisition, federal energy policy – once a beacon of social market liberalism – seemed on the path to a weak *Dirigismus*. The purchase consisted of the RWE's 48.3 percent stake in the company and increased the government share to a majority 51.3 percent. Coincidentally, this matched the LNOC's claims to companies operating within Libyan borders precisely, even if the intent was different.[944]

The deal created an odd "half-national colossus" designed to pursue foreign contracts to secure steady flows of crude from a variety of foreign sources. The intent was to continue the Federal Republic's turn from overwhelming reliance on unpredictable Libyan ventures to a broader

[943] The critic cited here interpreted it as the latter. "Unter Uns Gesagt: Hakelige Fusions," *Oel: Zeitschrift für die Mineralölwirtschaft*, Vol. 12, Nr. 5 (May 1974), 141.

[944] "Unter Uns Gesagt: Hakelige Fusions," *Oel: Zeitschrift für die Mineralölwirtschaft*, Vol. 12, Nr. 5 (May 1974), 141.

swathe of countries, OPEC, OAPEC, and otherwise.[945] The drive for industry consolidation, however, emanated less from a government desire for constant, active involvement in the affairs of Gelsenberg than from the enduring pull of the yet unrealized postwar energy-political dream: a company that could compete with the majors who almost invariably enjoyed more supportive state interventionism and protections than had any German firm. To counter this active interventionism that boosted foreign competitors – a move that worked to the detriment of the German concerns in the zero-sum mentality introduced by fears of shortage, diminishing supplies, and exporter and company price manipulations – the government then transferred its shares to the gradually privatizing but still 40 percent government-owned Veba-Chemie AG.[946]

Why institute this change of policy now? The crisis had solidified a reorientation of the global oil trade. Above all, these changes manifested themselves in disrupted flows and price fluctuations, but all pointed back to a now undeniable fact: company dominance had given way to the control of the producing governments and the Federal Republic needed to come to terms with this new situation. Companies across the spectrum, from the branches of the majors such as Deutsche Texaco to even the largest German independents such as Gelsenberg and Wintershall, felt the squeeze not just of the immediate energy crisis, but also of the broader reallocation of petro-power. The optimism of boundless energy potential and unlimited supplies had given way to visions

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[945] According to one critic writing in the heart of the crisis period, the whole project wreaked of an unexamined step toward nationalization and a reversion to dependency, rather than a move toward energy autonomy. "What shall we do with Gelsenberg/Veba, after the minister has approved of this merger? What percentage of the Federal Republic's crude supply should the 'half-national colossus' take under its tent (*auf seine Kappe nehmen*), 20 percent or maybe 50 percent? For when the thing with the bilateral treaties continue running as they have begun, Bonn might possibly have to look after whether there is enough crude for all of the other refiners active with us. What does cooperation with the exporting lands mean concretely? For example, the participation of Iran, Saudi Arabia, Iraq, and Libya in the 'new Veba?' Or the abandonment of refining and steam cracking in our own land in favor of a 'remigration' of processing to the exporting lands? Haven't we had enough dependency?" "Unter uns gesagt…Tasten von Stange zu Stange," *OEL: Zeitschrift für die Mineralölwirtschaft,* Vol. 12, No. 1 (January 1974), 21.

[946] Veba would not be fully privatized until 1988. As French observers had cried afoul during the CFP debacle, this policy seemed at odds with West Germany's concurrent initiatives to open German companies outside of the energy sector to foreign investment and break down the barriers restricting financial flows across borders. William Glenn Gray, "Learning to 'Recycle': Petrodollars and the West, 1973-5," in *Oil Shock*, 180.

of naturally and politically limited production and therefore fears of scarcity. In reaction, Germany's oil industry reoriented and, with state help, consolidated. Domestic refinery capacity would decrease by approximately 40 percent over the next decade even as billions were invested in "exploration and production in the politically stable areas" such as the North Sea and Canada and the greater utilization of products derived from alternative energy sources such as natural gas and, to some extent, coal. It also meant temporary downsizing and consolidation of operations and, even for the major subsidiary Deutsche Texaco, disappointing stock yields and periodically forgone dividends.[947] This also meant mergers and acquisitions. Already in the energy program of 1973, the government had articulated the central role Veba should play as a "point of concentration" in securing oil flows into the country.[948] Gelsenberg, of course, was still the only German firm with any appreciable source of crude abroad. And, in its own estimation, it had aggregated the goodwill of a sometimes perfervid and fickle Abdessalam Jalloud, in particular, through negotiating the 1971 Tripoli Agreement.[949] It therefore made sense, according to the board, that the ultimate goal of energy security should be fulfilled with the fusion of the two companies into a single firm with investment from the state and therefore the good of the national energy economy in mind.[950] The acquisition by Veba became official on July 23, 1974 and, in the words of Schubert, rendered the Gelsenberg Libya board members such as himself and Walther Cipa "lame ducks."

This was not the end of Gelsenberg's activities in Libya. The transfer (as Schubert stressed, this should be referred to as a transfer rather than a merger in Libya to emphasize the continuity of

[947] Dirk Bavendamm, "Die Geschichte des Unternehmens," *100 Jahre RWE-DEA: 1899-1999* (Hamburg: RWE-DEA AG, 1999), 248-9.

[948] Veba, Aufsichtsratsvorlage zur Sitzung am 27. Oktober 1974, October 25, 1974, Betr.: Umtauschangebot an die Aktionäre der Gelsenberg AG: BAK B102/229403; Dr. Walter Cipa auf der Hauptversammlung der Gelsenberg AG am 24. Juli 1974 in Essen, July 24, 1974: BAK B102/229403.

[949] Schubert to Bennigsen, April 29, 1975, Betr.: Libyen-Reise: montan.dok/BBA 55/5686.

[950] Veba, Aufsichtsratsvorlage zur Sitzung am 27. Oktober 1974, October 25, 1974, Betr.: Umtauschangebot an die Aktionäre der Gelsenberg AG: BAK B102/229403.

personnel and friendly company-government rapport[951]) left Gelsenberg in charge of certain critical dimensions of the business. Veba, for instance, took over all petroleum and chemical activities, Gelsenberg's stake in Aral included,[952] with the expressed exception of exploration and production, which, along with Deminex, were still to fall under the Gelsenberg branch.[953] The Gelsenberg brand, as well as its infrastructure and modified personnel were to remain as the point of contact, payment, and activity in Libya. And, even as companies such as Union Rheinische abandoned their efforts and unproductive concessions to the government, Gelsenberg reluctantly expanded its investments with Mobil through numerous EPSA's.[954] Although this perpetuated position as Germany's sole productive interest made Gelsenberg a target of government criticism and even periodic though half-hearted threats of nationalization,[955] the company fulfilled the aforementioned roles through the second oil crisis of 1979/80, the Mobil and American withdrawal in 1982, the privatization of Veba through the 1980s, the symbolic transition of Gelsenberg into Veba Oil Libya in 1987, and the company's final acquisition by Petro-Canada in 2002.

[951] Schubert to Bennigsen, April 29, 1975, Betr.: Libyen-Reise: montan.dok/BBA 55/5686.

[952] Gelsenberg's 28 percent share combined with Veba's 28 percent share, giving the latter a 56 percent majority of the company.

[953] Raab Karcher GmbH (a raw material wholesaler) and all nuclear investments previously endeavored by Gelsenberg likewise fell under the Gelsenberg umbrella. Niederschirft über die 103. Aufsichtsratssitzung der Gelsenberg Aktiengesellschaft am 1. März 1975 im Verwaltungsgebäude der Veba AG in Düsseldorf: BAK B102/229404.

[954] To the chagrin of the Petroleum Ministry, however, they did not do so on the Union Rheinische fields that had been returned in 1975 because of worsening economic operating conditions and poor results. Krekchi, May 8, 1975, Gespräch im Haus der Brega Petroleum Marketing Co. am 8.5.1975: montan.dok/BBA 55/5686.

[955] Take, for instance, a meeting between Gelsenberg Operational Technician Fadil Krekchi and the Petroleum Minister in November 1976, wherein the latter threatens that, Gelsenberg "hasn't so far shown enough goodwill: neither within the MOLL/GLB consortium (by putting pressure on MOLL's exploration speed) nor by taking (its) own initiative going alone and taking additional areas apart from MOLL. Should things continue like that, then MOP (the Ministry of Petroleum) will be forced to consider drastic measures against GLB and even take over the 17.2% share in the consoritum." Krekchi reported this to Gelsenberg management with the not that the threat resulted from the ministry's frustration at Deminex's continued wavering over whether it wished to engage in Libyan EPSA's and was "driven by the government's desire to persuade German capital to invest more and independently in the Libyan oil industry." The threats were not serious. Memo, Krekchi, Meeting with Oil Minister on 2/11/76, November 2, 1976: montan.dok/BBA 55/5724.

Even as the petroleum industry consolidated through state facilitation, however, the Federal Republic never fully or successfully embraced the state-to-state bilateralism that the British, French, and Italians so readily turned to in the face of anticipated supply shortages and rapidly climbing prices. Indeed, Deminex continued to expand its activities mainly into exploratory joint ventures and supply agreements with the state companies of Algeria, Iran, Saudi Arabia, and Trinidad, among others. Besides achieving several short-term contracts for petroleum supplies, these agreements produced few worthwhile results.[956] Apart from Deminex and a few smaller attempts at supply deals and cooperative ventures, West Germany did not pursue such avenues with the same fervor as other European states to the particular frustration of the Libyan EPSA scheme. Instead, the Germans took different lessons from the oil crisis that, contrary to the moderately dirigist impulses of the Veba-Gelsenberg merger, were oriented toward expanding a more open if circumscribed petroleum market throughout Western Europe. As Miriam Bader-Gassner has recently shown, this push for the internationalization of petroleum flows was critical to the construction of transnational European pipeline networks. Unlike many infrastructural and petro-projects, she argues, "The planning and construction (of pipelines) was bid-driven and induced purely by the international concerns," largely without the state direction that determined "the railroad, electricity, road construction, the mail, telecommunications, and (non-petroleum) energy supplies."[957] Compared to national resources such as coal, it seemed, oil was a foreign but necessary feedstock and fuel. It was therefore an altogether different beast in the eyes of the ordo-liberals as well as many Keynesian Social Democrats. It should not be surprising, then, that even the post-crisis expansion of the state into previously private sector energy matters was hardly uninform and only modestly encompassing.

[956] A 12-year exploratory deal with Algeria's Sonatrach, for instance, was closed at the same time that the same two parties agreed on terms for a 30 million ton, three year supply deal. Only the latter availed much crude. "Consortium-Sonatrach," *OEL: Zeitschrift für die Mineraloelwirtschaft*, Vol. 12, No. 2 (February 1974), 52.

[957] Miriam A. Bader-Gassner, *Pipelineboom: Internationale Ölkonzerne im westdeutschen Wirtschaftswunder* (Baden-Baden: Nomos Verlag, 2014), 306.

It should also not be surprising that the Federal Republic saw in the crisis an opportunity for greater cooperation, collaboration, and unity, rather than just the symptomatic fracturing of the West.[958] As the crisis had shown, Europe as a whole remained eminently vulnerable to the energy politics of the Arab exporting countries. The West German approach to European energy policy reflected its position as one of the most precariously provisioned, yet largest petroleum consumers on the continent. In its role as the federal authority on energy, the Economics Ministry pursued energy security through western cooperation in globalized markets. This faith in cooperation rather than strong *dirigisme* a la France (and despite the small steps toward greater statism noted above) was largely informed by recent experiences. Indeed, the collapse of the autarkic war economy nearly three decades earlier and the recognition that self-sufficient, strongly nationalistic and nativist pockets worked against a peaceful and prosperous Europe continued to have an effect on this mentality. More immediately, however, so did the long crisis of the early 1970s. When it culminated in the price shock of 1973/4, European countries had supply stocks of upwards of 90 days of crude and products. Another month's worth was en route and therefore remained untouched by the OAPEC cutbacks and embargo. That is, Europe – including West Germany – had enough oil to fulfill its average needs for four months without any major shifts in consumptive patterns.[959] Moreover, despite the fact that the majors controlled 65 percent of European petroleum flows and a much greater percentage of those reaching the Federal Republic, these same companies successfully redirected flows from non-OAPEC states to their European markets on a proportional basis. As Daniel Yergin has cogently argued, absent an intergovernmental sharing plan – something the Europeans and Americans were unable to agree on in the lead up to the crisis - "equal suffering" and

[958] The latter, however, marked a real possibility. As Barry Eichengreen has argued, the confluence of crises that brought about the downfall of the Bretton Woods order – a several year process of confusion and adjustment that I contend extended through the crisis – marked "a low point for European cooperation" in terms of monetary policy while the outcome showed that the West German economy would have to occupy a position of primacy in any future European economy or monetary integration. It was on this latter basis that Europe would emerge after the long crisis. Eichengreen, 250.

[959] Prodi and Clô, 98.

"equal misery" were the only real options that lay opened to the internationals who were squeezed not only between OAPEC and western governments, but also between the consumer states and, even, regional branches of the companies' own "internal markets."[960] The majors did not act in the national interest,[961] but in the interest of fulfilling their contractual obligations through proportionally distributing the burden of the cutbacks. This was a far cry from the alternating dumping and deprivation scenarios envisioned by more skeptical observers. This situation was also quite different from that which OAPEC had anticipated. Although the crisis squeezed some concessions from the West and West Germany particularly regarding the Arab-Israeli conflict, it was effectively countered by the resistance of the companies to fall along national lines.[962]

It was also countered by active government policies based on long-term domestic planning. In November 1974, the Federal Republic adopted a new energy program to replace the Energy Security Law of November 1973. Refinery and import stocks were once again to be increased. Petroleum-powered sectors, meanwhile, were slowly but effectively drawn from oil to gas, electricity, district heating, and nuclear power.[963] At the same time, industries and households were

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[960] Yergin, 602-3.

[961] Although it is possible that the French companies Elf/ERAP and CFP responded to demands from the French government for preference, BP seems the only documented example of a major breaking the burden sharing strategy to direct flows disproportionately to its home country. Even in this instance, however, BP did so reluctantly and apparently in token quantities. James Bamberg, *British Petroleum and Global Oil 1950-1975: The Challenge of Nationalism* (New York: Cambridge University Press, 2000), 483.

[962] Although there was no actual shortage of oil in Germany or elsewhere, bilateralist and protectionist tendencies among product-exporting countries temporarily threatened this situation. The majors, however, countered by funneling crude supplies toward countries such as West Germany who did not have export controls, neutralizing the flows stilted by the export controls. In the end, the crisis was as much the result of panicked responses within Europe "which led to delays in delivery, discrimination against independent companies, and the speculative hoarding of stocks" as it was of the external OPEC and OAPEC impetus. Prodi and Clô, 100, 102.

[963] Between 1973 and 1990, gas's share in the national energy portfolio increased from 11 to 29 percent. Electricity's, from 12 to 22. District heating, from 3 to 5. Nuclear meanwhile grew from an insignificant fraction of the energy sector when the first plant Biblis A came into operation in 1975 to 12.2 percent of national primary energy consumption in 1990. Stefan Göbel, *Die Ölpreiskrisen der 1970er Jahre: Auswirkungen auf die Wirtschaft in Industriestaaten am Beispiel der Bundesrepublik Deutschland, der Vereinigten Staaten, Japans, Großbritanniens und Frankreichs* (Berlin: Logos Verlag, 2013), 65. The trends in nuclear, of course, have recently been reversed in the face of decades of anti-nuclear opposition fueled by the Three Mile Island debacle of 1979, the Chernobyl disaster of 1986 and, more recently, the Fukushima

encouraged to take measures that promoted greater energy efficiency. These included improvements in insulation, ventilation, heating controls, and other cost-reducing and conservation technologies. And, indeed despite the increase in population, households, and electrical appliances, this resulted in reduction in per capita energy consumption – and above all, in petroleum consumption - through the 1980s.[964] Such measures were taken not to eliminate petroleum from the energy portfolio, but to the account for the greater costs of crude as well as consumptive patterns that seemed to be overtaking even growing supplies. Again, the crisis of the early 1970s revealed that limits to petroleum depended more on political and economic constraints than on the actual depletion of global supplies. Planning, therefore, was needed to anticipate the frictions that would come as these geopolitical boundaries hardened as points of contestation between companies and countries, between contested claims to economic feasibility and assertions of resource sovereignty and energy autonomy along all stages of the petroleum supply chain.

Still, the German dream of an Arab oil base now seemed more elusive than ever. Hoping to secure a national basis beyond Gelsenberg's holdings, the new oil policy secured an additional DM 800 million for Deminex to expand its already receding exploratory ventures to greater expanses in the Third World and the recently opened North Sea.[965] Although these subsidies failed to produce many economical finds or supply agreements early on, the greater push for energy source diversification was widely successful. Again, however, extraction would be carried out by non-German countries. Focusing on the crude and natural gas of the North Sea as well as OPEC sources outside of the Arab world, West German dependency on imports from the Middle East decreased from 45 to 23 percent over the two decades that followed the crisis. Over the same period, imports

disaster of 2011. Most plants have been shut-down as of 2017, with rest slated for closure by 2022. Göbel, 70. For information on Germany's history with nuclear power with a particular focus on present developments, see: The World Nuclear Association, "Nuclear Power in Germany," Last modified January 2017, http://www.world-nuclear.org/information-library/country-profiles/countries-g-n/germany.aspx.

[964] Göbel, 64, 7.

[965] Illing, 143-4.

from Africa decreased from 46 to 32 percent. Those from Libya declined in step from 23 percent in 1973 (already a decrease from the peak of 45 percent in 1969) to 15 percent by 1978. By 1985, on the other hand, imports from the North Sea had grown from their first trickles in the early 1970s to upwards of one-third of imported, domestically refined crude in 1985.[966] In addition to the natural gas that began flowing from Groningen and, soon thereafter, the North Sea, these petroleum flows made the northern Europe one of West Germany's most important sources of hydrocarbons.[967] Much like Libya before it, the North Sea had a particular advantage in location. Unlike Libya, however, it was already part of the West: socially, politically, economically, and geographically.

At the same time, the post-crisis energy program included policies not only directed a achieving greater energy security through a diversified supply base – including through new trade avenues for gas and oil opened with the Eastern Bloc and the Soviet Union[968] - but also at greater European cooperation to ensure that a lack of direct control over sources would not again lead to the chaotic scramble for dwindling supplies that characterized the worst months of the crisis. The question now was not just about control over supplies, however, but, in the lack of a real deficit of oil, prices and competitiveness.[969] These efforts, however, failed to generate sufficient support for international compromise and cooperation. The EEC, for instance, had met as the crisis began peaking in December 1973 to discuss questions of community-wide pricing policies, but failed to come to a concrete agreement before OAPEC relented on its own policies.[970] Afterward, enthusiasm quickly waned as the immediacy disappeared. West Germany also proposed a Community

[966] Göbel, 68.

[967] After gas began flowing from Norway in 1977, the triad of Norwegian, Dutch, and domestically sourced German natural gas accounted for 75 percent of West Germany's demand. That is, as gas demand more than doubled from 5.4 percent of German energy usage in 1970 to 11.6 percent in 1982. Illing, 152.

[968] It was around this same time that the *Neue Ostpolitik* began paying dividends in the energy sector. In 1970, West Germany closed a 20-year gas supply contract with the Soviet Union. Gas began to flow from East to West in 1973. This was supplemented by additional deals in 1972 and 1974. By 1978, the Soviet Union provided upwards of 10 percent of West German gas imports. Högselius, et al. 89; Illing, 150

[969] Illing, 145.

[970] Prodi and Clô, 103.

Petroleum Corporation as well as program to coordinate depletion allowances and other tax incentives that had been identified as critical to competitiveness against the American concerns that had been privy to such federal support. These plans likewise produced little more than dialogue and meeting minutes.[971] In the end, EEC efforts at policy coordination largely failed, although they did serve as an effective parry to the American calls for a new Atlantic Charter (polarized toward the US) and produced a communiques announcing European support for a Palestinian homeland and consensus on collective negotiations with oil exporting states.[972] The latter seemed a promising step toward foreign policy coordination, but also soon collapsed.[973]

As much as the abatement of tensions in 1974 introduced a period of relief, therefore, it also provoked a step backwards for European and Western cooperative efforts in terms of energy policies. That is, despite West German efforts to seize on the OPEC/OAPEC crisis as a moment of integration. But even so, this period of market reorientation and turbulence, nationalization and participation, and oil price and economic shock showed much of the western world, including a still skeptical German public, that the companies had indeed been largely free actors in the crisis. They were less beholden to the somewhat spurious assumption that the crisis could be contained from country to country by protectionist mechanisms than to the supply agreements by which they were contractually bound.[974] Because of this, the worst did not come to pass for the Federal Republic.

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[971] Prodi and Clô, 105. That is not to say that nothing came of these talks. Indeed, European states did collaborate more easily on initiatives such as the European-Arab dialogue and a common policy directed at the Mediterranean region premised, in part, on the acceptance of UN Resolution 242. These, however, were not petroleum-specific issues. Ulf Lantzke, "The OECD and its International Energy Agency," *The Oil Crisis*, 221.

[972] Giuliano Garavini, *After Empires: Integration, Decolonization, and the Challenge from the Global South1957-1986*, Richard R. Nybakken, trans., (New York: Oxford University Press, 2012), 184-5.

[973] Some of this failure came from what Fiona Venn referred to as a western response absent "any attempt fundamentally to reorder the world economy by multilateral discussion, so as to take account of the new distribution of petroleum power. Instead, the West sought by collective action to minimize the impact of oil politics and retain as much of the status quo as possible." This critique echoes that of Parra cited earlier. Fiona Venn, *Oil Diplomacy in the Twentieth Century* (New York: Palgrave MacMillan, 1986), 152-3.

[974] As the State Department reported on the eve of the Washington Energy Conference, although "German officials have told us privately that they think the majors did an excellent job of distribution supplies during the oil crisis…there has been considerable public speculation by the FRG however that the majors have not

They survived the long-crisis in Libya, the more condensed global price spike of 1973/4 and the resultant 1974/5 recession. They did so, moreover, with little direct access to crude of their own beyond that provided by Gelsenberg. A German crude oil basis was an elusive and ultimately unnecessary goal in a global economy that ebbed and flowed on the price and perceived future availability of petroleum. Crude sources would not dry up in the near future, even if they continued to remain largely beyond German reach. "The dream of one's own oil basis," as it had been labelled, was in essence a black chimera in an age of postwar globalization. It was not to be found in Syria, Libya, the North Sea, or elsewhere. In the modern world of petroleum-driven globalization, energy security could be achieved without it.

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had totally clean hands in the recent surge of product prices within Germany." At this point, majors constituted 70 percent of product sales in the country, and great majority of imports. Embassy Bonn to DoS, Telegram 01017, January 21, 1974, Bonn 01017, CFPF, 1973-1979/Electronic Telegrams, NARA RG59 (Accessed January 19, 2017). Some of this suspicion came from the companies' visibility. The majors were, in a sense, easier targets to criticize than macro-economic trends or even the more distant and unfamiliar OPEC and OAPEC. They also, however, conspicuously earned record profits over this period of high prices and consumer and government panic. This contrast between massive profits on the company side and rationing and increasing expenses on the consumer side did not sit well with many civilians and officials either in the US or the Federal Republic. For statistics and an account of American reactions, see: Yergin, 638-641. For German reactions particularly encouraging greater transparency in prices and attempts at federal investigations into prospective company price manipulation, see: Prodi and Clô, 104; Bamberg, 488.

Conclusion: Escaping the Shadow of the Black Chimera

The study presented here stops in 1974. The period from 1975 through 2002 – Veba's ultimate acquisition by the Canadian energy conglomerate E.ON - has much more history to tell, particularly regarding the tangled nexus of petroleum economics, politics, and business investigated in this study. However, as I have argued, that story would be in ways quite different from the one of DEA, Gelsenberg, the Foreign Ministry, and the Economics Ministry contained herein. What began as an avowedly non-interventionist, liberal petroleum policy that drove DEA to Syria (and in the end, did little to help it succeed there) had transformed over the course of the 1960s and early 1970s. Some of this transformation was caused by changing trends of petroleum consumption in the Federal Republic. Some relied on mergers, acquisitions, and a lingering German discomfort with total reliance on foreign majors, even after the fears of dependency on foreign sources of energy had somewhat abated. Some was driven by the good fortune and the business and political acumen of Gelsenberg Libya, through which the company acquired and managed to hold on to crude sources in an increasingly resource nationalist Libya. The failure of the DEA venture (and the company's subsequent acquisition by Texaco) injected new vigor and direction into the German quest for energy. Nevertheless, the continued disappointments of Deminex, the continued expansion of the American majors into the German energy sector, the CFP bid for Gelsenberg, and, of course, the price wars, production disruptions, and embargos curbed this enthusiasm and, once again, steered German petro-policy in new, more state-interventionist directions. Indeed, the new oil policy of 1969 outlined a series of goals that would call for greater state involvement in even private sector petroleum affairs. The national acquisition of Gelsenberg AG, including its Libya operations, and the subsequent merger with Veba is one example of these tentative steps toward greater interventionism. Deminex is another. And, the Federal Republic's long flirtation with nuclear power and its recent and impressive turn to low-carbon renewables in the *Energiewende* is its successor.[975]

Most importantly, however, the Federal Republic's flirtation with Adenauer-Erhard neoliberal petroleum policy to a belated and relatively weak spate of statism under Brandt, Schiller, and Hans Friedrichs reveals more than the limited options that remained for a West Germany utterly dependent on petroleum but with practically no national supply. Instead, the story related here also shows the way numerous economic and petro-political factors interwove to create spaces for DEA, Gelsenberg, and West Germans to find room in the upstream in Syria and Libya or the domestic downstream as an outlet for numerous companies' liftings. And, as this dissertation has shown, the Federal Republic, guided by unique circumstances, occupied a unique space in each of these sectors.

Moreover, the West German pursuit of Arab petroleum reveals that control over production from source to outlet is not a precondition industrial and economic prominence and energy security. Instead, it was one of many entrepôts of integration into the emerging variegated global petroleum trade. As Ulrich Beck has argued, globalization is not a one-size-fits-all nation-effacing process but a both-and phenomenon: "globalization and regionalization, connection and fragmentation; centralization and decentralization."[976] It consists of myriad reflexive paths and incarnations: communist, capitalist, European, Arab-nationalist, and otherwise. Even within the loosely construed European-capitalist bloc, globalization took on numerous articulations and pathways on the ground, whether American protectionist-at-home but free market abroad, French *dirigisme*, or West German ordoliberal transitioning into a weak statism. None was more fitting to the emergent global energy economy from the outset; all, however, were integrating into it sometimes from surprisingly diverse

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[975] For a definitive study of the West German embrace, then disavowal of nuclear power, see: Joachim Radkau and Lothar Hahn, Aufstieg und Krise der deutschen Atomwirtschaft. 1945–1975. Verdrängte Alternativen in der Kerntechnik und der Ursprung der nuklearen Kontroverse (München: Oekom Verlag, 2013). For a recent report on some of the sucesses of die Energiewende and, particularly, wind power, see: "Rekord: Ein Drittel des deutschen Stroms ist öko," Der Spiegel, January 7, 2016, (Accessed online), http://www.spiegel.de/wirtschaft/service/strom-ein-drittel-kommt-aus-windkraft-sonne-und-co-a-1070969.html.

[976] Ulrich Beck, *Was ist Globalisierung*? (Frankfurt am Main: Suhrkamp, 2007), 54.

directions, through various means, and with sometimes conflicting ends. Gelsenberg, DEA, the Economics Ministry, the Foreign Ministry, and the chancellery were trying to establish a lasting West German petro-economic presence in Syria and Libya, Europe, and, less physically, in the global oil trade under conditions and political-economic ideological persuasions quite different from many of their counterparts in this quest. Even though Germans had dreamt of creating a company that could compete with majors without following the trodden paths of the state companies of England, France, and Italy or the major American concerns, we cannot superimpose these cases over the German case and expect the images to fit perfectly. And we cannot identify any deviation from the model as an anomaly. The starting points were different. The end goals, similar only in a vague understanding of energy security. West Germany had no hard-power to make and enforce claims to foreign fields, as did England, France, and the US. It had little colonial history in the region, and therefore, suffered the seemingly paradoxical disadvantage of having a generally positive reputation, but limited business and administrative relations that predated the postcolonial regimes. At the same time, the belated West German entry into MENA also meant that many – though far from all – of the most promising fields had either already been or would soon be allocated as concessions to other western companies. Thereafter, they would be claimed by the Middle Eastern and North African state companies themselves. The German companies, in other words, came too late and with too little capital and clout and too few connections.

Libya offered a glimmer of hope under Idris. Terms were favorable, particularly to European independents. West Germany seemed particularly favored. And, indeed, the West German companies acquired more territory here than anywhere else. Only one, however, found any economical source of crude and, even then, that crude had to be extracted and split with an American major. As the final chapters argue, this offered both benefits and frustrations. Either way, for Gelsenberg, it was the inescapable reality of operating there.

The overall national lack of petroleum reserves led to a system that necessitated diversification but did not proscribe dependency on a single source of crude for, at its peak, nearly 45 percent of West Germany's crude imports. A lack of diversity of sources, however, was not the same as a lack of diversity in suppliers. And West Germany was supplied by a host of primarily American companies operating in Libya and elsewhere throughout MENA. After Muammar Gaddafi and the RCC came to power at the end of 1969, Libya faded from such outsized dominance of the German petroleum supply, though it remained a critical source. This led to vulnerabilities and anxieties that burgeoned in the long period of crisis of 1970 through 1974 addressed in the final chapter. Still, the diversity of suppliers ended up playing a more critical role than the West German companies, Economics Ministry, or Foreign Ministry could have anticipated. West Germany fared relatively well throughout the crisis because its dependency on foreign suppliers created a messy system: one characterized not just by vulnerability, risk and insecurity, but also by adaptability and resiliency.[977] These traits were particularly valuable in the new national, European, western, and global economic and energy-political balance that the 1970s inaugurated.

Whereas the western producing companies and consuming countries were able to accommodate the rise of OPEC and OAPEC and the new petroleum order they established, the petroleum exporting countries examined in this dissertation ultimately showed much less malleability. In part because of ideological proclivities and in part because of its sociopolitical situation, Syria made a definitive turn toward both anti-western Arab-Nationalism and Soviet clientelism after the nationalization campaign of December 1964. The remnants of such eastern orientation can be seen today in Russia's continued support for the regime of Bashar al-Assad through a civil war characterized by particular brutality including, as of April 2017, yet another apparent government deployment of chemical weapons against an oppositional stronghold and a

[977] This relationship between messy systems, vultnerability, and adaptability has been drawn out more generally by Wiebe E. Bjiker in Bjiker, "Globalization and Vulnerability: Challenges and Opportunities for SHOT around its Fiftieth Anniversary," *Technology and Culture,* vol. 50, No. 3 (July 2009), 608.

civilian population.[978] And, indeed, the northeastern fields discovered by DEA and Menhall remain heavily contested and coveted, though (for now) securely in Kurdish hands.[979] Although the civil war cannot be laid directly at the feet of events and policies of a half century prior, the frequent coups, authoritarianism, and economic-centralization outlined here hardly diverge from a path that could turn out such frightening sociopolitical turmoil and violent political contestation in the twenty first century. What is more, although Syria is not a petroleum producer as is neighboring Iraq, its petroleum exports – consisting of a mix of crudes from Souédie, Karatchouk, and Rumelan as well as the eastern fields of Deir ez Zor - constituted upwards of 60 percent of its exports before the Civil War broke out.[980] The Syrian Civil War, in other words, is very much an oil war.

Libya has likewise succumb to similar tumult. Because of the country's continued reliance on petroleum as its primary export and Muammar Gaddafi's own efforts to coordinate flows and revenue throughout his Jamahiriya, however, Libya embodies the oil curse even more distinctly. Indeed, by March 1974, according to Ambassador Werner, Libya had begun to show signs of an almost unhindered fetishism for the trappings – and even western trappings – of petro-modernity. After describing the cars careening through the "uninhabited deserts," Bedouins dismounting their camels and climbing into motorized vehicles, the replacement of the "mammoth" company trailers with trucks, buses, and "a never-ending line of taxis loaded high with the goods of western civilization," he turned to reflect on the consolidation of state control over nearly all dimensions of public and economic life. Some came through the "well (and) thoroughly organized police state" that regulated the movement of people not only within Tripoli, but along Libyan national borders. Some came from the new assertions of governmental sovereignty over the oil industry that contributed to an "exorbitant increase in oil prices" and a rapid rise in state revenue. Through the long crisis, the

[978] Anne Barnard and Michael R. Gordon, "Worst Chemical Attack in Years in Syria: US Blames Assad," New York Times, April 4, 2017 (Accessed online), https://www.nytimes.com/2017/04/04/world/middleeast/syria-gas-attack.html?_r=0.

[979] See footnotes 100 and 183.

[980] Anthony H. Cordesman, *Energy Developments in the Middle East* (Westport, CT: Praeger, 2004), 223.

regime had consolidated control and the populace seemed to have quickly adapted to the new situation.[981] At the same time, the recent influx of petrodollars generated an import boom. German imports of Volkswagen and Mercedes automobiles, construction materials, and other finished goods increased by 47 percent between the first quarter of 1973 and the first quarter of 1974. The only major vulnerabilities seemed to lay in the rapidity of the modernization, the lack of consolidation in the workforce, and, according to one condescendingly orientalist assessment, the lingering "primal instincts of the oriental family structure" that favored clan and familial ties to a strong national identity.[982] If properly deployed, petro-wealth seemed in good position to neutralize these points of concern. Such hopes, however, were a chimerical illusion in themselves. Although Gaddafi maintained his hold on power through the next four decades, his reign eventually came to an end when a politically awakened segment of the population drew inspiration from protesters throughout the Arab world. By October 2011, the man who had seized control of Libya and its petro-wealth at the age of 27 was dead. And, as the worse prognoses of the oil curse would predict, he left no functional state behind. Since then, Libya has likewise been engulfed by a civil war fought not over the country in the abstract, but over its petro-infrastructure, the only means through which a new, functional national economy could be erected anytime in the near future. The former Mobil-Gelsenberg port Ras Lanuf itself has been a particular object of contestation and has only recently been recaptured by the West-backed Government of National Accord.[983]

Gelsenberg and DEA, of course, played no direct role in these contemporary events. They

[981] Werner, March 9, 1974, Betr.: Impressionen und Reflektionen anlässlich einer Informationsreise in einem ölproduzierenden reichen Entwicklungsland – Libyen im 5. Jahr der Revolution: PAAA ZA 104834.

[982] Ibid.

[983] There are numerous articles that regarding the continued use of Ras Lanuf and other key petroleum sites as objects and theaters of war. For two of the more recent and telling reports, see: Chris Stephen, "Libya national army recaptures oil ports at Sidra and Ras Lanuf," The Guardian, March 15, 2017 (Accessed online), https://www.theguardian.com/world/2017/mar/15/libya-national-army-oil-ports-sidra-ras-lanuf-russia-us; "Satellitenbild der Woche: Schwarze Spur des Krieges" Der Spiegel, January 9, 2016 (Accessed online), http://www.spiegel.de/wissenschaft/weltall/brennende-oeltanks-in-libyen-satellitenbild-der-woche-a-1071120.html.

did, however, witness and navigate some of the most crucial steps on the Syrian and Libyan path from western dependency to resource sovereignty and authoritarian governance and, ultimately, to uprising and utterly destructive civil wars that, as of today, have no end in sight. Although this dissertation stops short of fleshing out the intricate links between the first decades of the early postwar period and the present (and a great deal more research needs to be done on these matters), the events described in this study – the early years of oil scramble, the discoveries, the contract and concessionary disputes, the emergence of resource sovereign Arab-Nationalism, the ebbs and flows of Germany's Cold War, the global economic disturbances, the posted price wars, the embargos and production disruptions, the Arab-Israeli conflict, the oil crisis – are not mere preludes to the present situation. They are, instead, important developments in their own rights that inform the situation in which these countries are stuck today.

These same processes and events also encouraged the transformation of German and other western petroleum regimes into the diversified, increasingly renewable, and globally integrated forms we see today. Indeed, petroleum and the production and transportation networks that convey that oil from well to port to refinery to consumer formed the backbone of postwar economic globalization. Just as the Federal Republic was eventually forced to face its anxieties and surrender a considerable degree of its dreams of petroleum autonomy in exchange for energy security, so too can stepping out of the shadow of those same protectionist, industrial-era fantasies help us to better understand the condition of our own post-recession resource interdependencies. As the German case has shown, globalization is not just a question of vulnerability but more importantly of adaptability and resiliency. It was the fear of the former that fed the postwar German scramble for Arab oil in the first place. It was the latter that allowed the Federal Republic to weather the economic and oil crises of the early 1970s and prosper in ways that autarky simply would not have allowed.

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