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From the jaws of defeat: France, the United States and Middle East oil, 1940-1948

Abstract
At its birth in 1924 the French state endowed the Compagnie Française des Pétroles (CFP) with a quarter share of the Turkish (later Iraq) Petroleum Company. A joint venture between the big four American and British oil companies, IPC struck oil in Iraq three years later. In the interwar period France’s pretensions to oil independence rested on CFP and the access IPC gave the French to Middle East oil through the 1928 Red Line Agreement. Defeat in 1940 appeared to doom France as an oil power. The Red Line Agreement collapsed and CFP was denied her rightful share in the oilfields of Saudi Arabia. CFP and the French state weathered this energy crisis through a mixture of diplomacy and blackmail. Using previously untapped archives, this essay argues that the outcome for France – the 1948 Working Agreement – was more favourable than is usually held.

Plan of the article

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1 In April 1948 the French diplomat Jean Chauvel wrote to his colleague Henri Bonnet of his concerns regarding postwar France's place in the world. The events of 1947 had seen the leaders of the Fourth Republic draw a line under their earlier alliances with Soviet Russia. February's Communist Coup in Prague suggested that there was little hope of a viable third way between emerging American and Soviet blocs. It remained unclear, however, how France fitted into broader schemes of collective defence against Soviet aggression. Where did she figure in the United States' plans? It was unsurprising that Chauvel, Secretary-General of the French Foreign Ministry would turn to Bonnet, who had been serving as ambassador in Washington since 1945.

2 Putting himself in the position of the Americans, Chauvel argued that there were three elements likely to interest the Americans "à cette mince presqu'île dont la France constitue l'extrême pointe." First there was the question of identifying a "base de départ" for the reconquest of Europe in the event of Russian occupation. Happily, France and Britain's African bases offered plenty of departure points. The second element was the Ruhr basin, whose resources might alter the balance of power in any future conflict over Europe. The recently-signed Brussels Pact had addressed this issue, committing five western European nations to a policy of mutual defence.[1]

3 It is the third element, however, which concerns us here: "l'ensemble pétrolier d'Arabie." "Il est bien évident," Chauvel concluded, "étant donné l'assemblage d'aveugles, de borgnes et de paralytiques dont se compose le cul-de-sac oriental, que c'est en effet aux trois principaux alliés qu'incombe la charge principale, non pas seulement de la conception du plan de défense, mais aussi de son exécution."[2] Although Chauvel presumed that the governments of France, the United States and the United Kingdom would make common cause in any such hypothetical conflict, in 1948 French, American and British oil companies were locked in a very real conflict over "l'ensemble pétrolier d'Arabie," a conflict which threatened to see the French national champion, the Compagnie Française des Pétroles (CFP), utterly defeated.

4 Under the 1928 Red Line Agreement CFP had joined Royal Dutch-Shell, Anglo-Iranian (today's BP) and an American syndicate inside an international oil consortium for the Middle East known as the Iraq Petroleum Company (IPC).[3] Established in 1912 by the Anglo-Armenian oil magnate Calouste Gulbenkian, IPC secured the concession for the Ottoman vilayets (provinces) of Mosul and Baghdad a few months before the outbreak of World War One. Under the so-called Foreign Office Agreement (1914) IPC shareholders had agreed a self-denying clause, under which each promised not to seek oil within the former "Ottoman Empire in Asia" except through IPC. This area was delineated in red on the map appended to the 1928 Red Line Agreement, giving CFP access to an extraordinarily wide area: the entire Middle East, in effect, apart from Iran and Kuwait.[4]

5 CFP had played no part in this early phase. The Anglo-French San Remo Oil Agreement of 1920, however, stipulated that Deutsche Bank's share in IPC would be transferred to a French company,

1 John W. Young, *France, the Cold War and the Western Alliance, 1944-49: French foreign policy and post-war Europe* (Leicester: Leicester University Press, 1990), 171, 180. Irwin M. Wall, *The United States and the Making of Postwar France, 1945-54* (Cambridge: Cambridge University Press, 1991), 128, 145.

2 Jean Chauvel to Henri Bonnet, 21 April 1948. Archives du ministère des Affaires Étrangères, Paris [hereafter AMAE], Papiers H. Bonnet. 271PAAP/1, f. 45.

3 At the time of the Red Line Agreement the Iraq Petroleum Company was still known as the Turkish Petroleum Company, and Anglo-Iranian was still known as Anglo-Persian. TPC changed its name in 1929; Anglo-Persian became Anglo-Iranian in 1935. For simplicity's sake they are referred to as IPC and Anglo-Iranian throughout this paper.

4 The French negotiators ensured that the line was cast as widely as possible, including territories where the "Ottoman" writ barely ran. See Jonathan Conlin, "Drawing the Line: Calouste Gulbenkian and the 1928 Red Line Agreement", *in* T. G. Fraser (ed.), *The First World War and its Aftermath: the Making of the Modern Middle East* (London: University of Chicago Press, 2015).

Figure 1: The Red Line Agreement, 1928. By kind permission of History Today Magazine.

and in 1924 CFP was duly created to receive these shares. In creating CFP the government of Raymond Poincaré elected not to take a direct stake, appealing instead to independent French banks and refiners to put up the necessary capital. When this proved impossible, owing to the ties linking Paribas, BUP and the refiners' Cartel des Dix to foreign oil majors, the decision was taken to spread CFP's shares as widely as possible, in the hope that no single major would be able to control the new firm's destiny. The French state did, however, decide to take a 35% stake in 1931, when new shares were issued.

6 The 1928 Red Line Agreement gave France a place, if a rather shaky one, among the world's oil majors. CFP had a 23.75% stake in IPC, as did Royal Dutch-Shell and Anglo-Iranian. An American consortium (Near East Development Company) led by Standard Oil of New Jersey (Jersey Standard) held a fourth 23.75% stake, leaving 5% for Gulbenkian, "Mr Five Per Cent". These four IPC shareholders were known as the "Major Groups" or simply "Groups". Considering how tardy France had been in recognizing the strategic significance of oil as well as its refiners' record of subservience to Jersey Standard, this was quite an achievement. Although the world oil industry in 1928 orbited around the Gulf of Mexico, with Texas, Mexico and Venezuela setting the pace, by the outbreak of World War Two many observers recognized that the Persian Gulf

region was likely to supplant it. Thanks to CFP's position as one of the IPC Groups France was well placed to benefit from that process.

7 To reiterate, within IPC the French formed one of the four Groups, on equal standing with the British firm Anglo-Iranian, the Anglo-Dutch giant Royal Dutch-Shell and the American behemoths in the fourth Group, the American consortium Near East Development. Gulbenkian had developed this international structure to ensure that IPC did not become a national champion subservient to one nation's foreign policy. By forcing rival majors to collaborate, Gulbenkian had also sought to prevent any one Group from controlling the firm's policy. Even as they negotiated the 1928 Red Line Agreement, however, three of the IPC Groups were forming a worldwide cartel intended to restrict supply and so support oil prices. This was formalized in the Achnacarry Agreement, signed by Anglo-Iranian, Royal Dutch-Shell and Jersey Standard two months after they signed the Red Line Agreement.

8 Though CFP was theoretically their equal within IPC, outside IPC the case was very different. CFP was far too small to participate in an Achnacarry-style world cartel. While the other IPC Groups were happy to view IPC's concession area as a swing producer and exploit the Red Line Agreement to restrict the release of Middle East oil onto world markets, CFP's interest lay in developing IPC's concession area as quickly as possible. While the other Groups all had plentiful sources of supply elsewhere. CFP did not. For France IPC was a question of energy security. IPC offered an opportunity to escape dependence on American oil supplies in general and on Jersey Standard in particular. When the first IPC pipeline linking Kirkuk to the Mediterranean came on stream in 1935, therefore, it represented a turning point. At last France could satisfy some of her economy's growing demand for oil products herself, with all that that meant in terms of an improved balance of trade and the strength of the franc.

9 Unfortunately it appeared that the other Groups were only too ready to take advantage of World War Two's disruption to sideline CFP and reconstruct IPC along more advantageous (to them, at least) lines. After the fall of France in 1940 CFP's shares in the London-based IPC were sequestered by the (British) Custodian of Enemy Property. Though the sequester was lifted in February 1945, shortly afterwards CFP was informed by the other IPC Groups that they considered the Red Line Agreement void. At some point between late 1944 and May 1946 the American Group (Socony and Jersey Standard, who eventually merged to become ExxonMobil) were invited to join two other American oil companies (Socal and Texaco) in developing a hugely promising Saudi Arabian concession.[5]

Saudi Arabia lay within the Red Line area delineated in 1928. In obedience to the self-denying ordinance Socony and Jersey Standard were obligated to bring their fellow IPC Groups with them if they wished to produce in Saudi Arabia. Yet it was clear they had no intention of doing so: the two firms joined a consortium which became the Arab-American Oil Company (Aramco) on their own. Having served the "very useful purpose" of getting American oil companies access to "the petroleum resources" of "countries which in the past [had] been considered within the French and British sphere of influence," the Red Line Agreement was now, apparently, surplus to (American) requirements.[6] The French response to this challenging state of affairs and the new IPC Working Agreement CFP signed along with the other IPC Groups in 1948 form the focus of this paper. 10

A welter of studies of French oil policy in the years immediately after 1918 and from the 1970s onwards has neglected the intervening decades. Although we have biographies for several CFP 11

5 The American consortium that held a 23.75% share in IPC, Near East Development Company, originally had five members, but by 1934 Atlantic Refining, Pan-American and Gulf had sold out, leaving Socony and Jersey Standard.

6 This candid assessment by Socony's Harold Sheets is cited in Robertson to John A. Loftus, 11 Feb. 1946. National Archives and Records Administration, College Park, MD [hereafter NARA], RG59 Office on Int. Trade Policy, Petroleum Div., 1943-49, Box 3 "Middle East (General)".

executives,[7] we still lack a scholarly history of the company, such as exist for BP, Royal Dutch-Shell and the American giant, Standard Oil of New Jersey.[8] The 1945-8 dispute between CFP and the other IPC Groups has nonetheless been considered by Anand Toprani as well as by André Nouschi and Philippe Tristani.[9] Several doctoral theses also consider the episode.[10] Toprani based his account almost exclusively on State Department archives, however, while the others only consulted French ones. This essay represents the first study based on study of both these archives, as well as those of Calouste Gulbenkian, the Foreign Office, BP, Royal Dutch-Shell and IPC itself – all the IPC Groups, that is, except ExxonMobil, whose archives are not accessible to researchers.[11] It offers the first comprehensive study of the dispute, considering various hypotheticals before reaching an assessment of how well CFP and the French state played the poor hand they had been dealt. It challenges the consensus among French scholars that the 1948 Working Agreement represented a defeat for France.

12 For CFP and for France the stakes were high: despite the best efforts of CFP and its predecessors the French failed to find oil in workable quantities either inside France or her empire until 1956, when it was discovered in Algeria. CFP's 23.75% of IPC's Iraqi production was France's only source of "franc oil" (all other oil had to be purchased using scarce dollars and sterling), a vital source of energy for the Monnet Plan for the reconstruction of France's heavy industry. How did France balance her strong legal and moral position against her pitifully weak economic situation as well as the collapse of any status she may have previously had in the Middle East? How, in short, did the French oil industry survive the worst crisis in its history?

"DEMANDEURS À TOUS LES POINTS DE VUE": CFP UNDER SEQUESTER, 1940-1944

13 The fall of France scattered and divided the management of CFP, making it difficult to formulate any coherent policy. As a precaution CFP had transferred several million dollars into its account at J. P. Morgan in New York before the outbreak of war, and given power of attorney to its IPC partner Socony, along with $1m to meet any calls on its IPC shares.[12] Unfortunately IPC was registered in London, and so CFP's 23.75% holding was

7 Emmanuel Catta, *Victor de Metz: de la C. F. P. au groupe Total* (Paris: TEVA, 1990); Maurice Guierre, *Robert Cayrol 1883-1959: de la mer au pétrole, l'unité d'une vie* (Paris: Perceval, 1960); Richard F. Kuisel, *Ernest Mercier: French technocrat* (Berkeley: University of California Press, 1967); François Pelletier, "Ernest Mercier, le pétrole et la France" (PhD. diss., Université de Paris I, 2016).

8 Jean Rondot, *La Compagnie Française des Pétroles, du franc-or au pétrole-franc* (Paris: n.p., 1962) and André Nouschi, *Luttes pétrolières au Proche-Orient* (Paris: Flammarion, 1970) are unreferenced and full of errors of fact. Harvey B. Feigenbaum, *The Politics of Public Enterprise: Oil and the French State* (Princeton: Princeton University Press, 1985) and David Styan, *France and Iraq: oil, arms and French policy making in the Middle East* (London: I. B. Tauris, 2006) focus on more recent developments, and their accounts of pre-1948 developments is also prone to errors. For the general inter-war context, see Jean-Marie Bouguen, *Le pétrole en France* (Paris: L'Harmattan, 2013); Gregory P. Nowell, *Mercantile States and the World Oil Cartel, 1900–1939* (Ithaca, NY: Cornell, 1995); André Nouschi, *La France et le pétrole de 1924 à nos jours* (Paris: A. and J. Picard, 2001); Mohamed Sassi, "The Emergence of the French Oil Industry between the Two Wars," *Business and Economic History On-Line*, 1, 2003. http://www.thebhc.org/publications/BEHonline/2003/Sassi.pdf (accessed 2 March 2013). See also Kévin Wursthorn, "La Compagnie Française des Pétroles au Qatar de 1935 à nos jours" (Master, Université de Paris I-Panthéon Sorbonne, 2010).

9 André Nouschi, "Un tournant de la politique pétrolière française: les Heads of Agreement de novembre 1948", *Relations Internationales*, no 44, 1986; Anand Toprani, "The French Connection: a new perspective on the end of the Red Line Agreement, 1945-8," *Diplomatic History*, vol. 36/2, 2012; Philippe Tristani, "L'Iraq Petroleum Company, les États-Unis et la Lutte Pour Le Leadership Pétrolier au Moyen-Orient de 1945 à 1973", *Histoire Economique et Société*, vol. 29, no 2, 2010.

10 Pascale Gemignani-Saxtad, "La France, le pétrole et le Proche-Orient de 1939 à 1958" (Ph.D. diss., Université de Paris IV-Sorbonne, 1997); Constance Hubin, "Stratégie industrielle de la Compagnie Française des Petroles (1945-1975)" (PhD. diss, Université de Ouest Nanterre La Défense, 2012); Philippe Tristani, "L'Iraq Petroleum Company de 1948 à 1975" (PhD. diss., Université de Paris IV-Sorbonne, 2014).

11 The archive of IPC is now held by Abu Dhabi Petroleum Company (ADCO). I am grateful to all these companies for allowing me to consult their archives.

12 René de Montaigu to Socony Vacuum, 12 Sept. 1940. Archives du Groupe Total [hereafter Total], SC89/4, "Extraits du Dossier de M. de Montaigu Lisbonne".

sequestered by the Custodian of Enemy Property, who liaised with CFP's London solicitor, Leslie Burgin of Denton Hall Burgin, but who could not undertake any new commitments, as to do so would have been to invest British government funds in a private company, something which would have needed a special act of Parliament.

14 Meanwhile CFP's René de Montaigu fled to Algiers, where he set up a CFP office in July 1943 under the aegis of the Comité Français de la Libération Nationale. In September these "Free French" sought to lift the sequester, with Montaigu declaring in front of the British consul in Lisbon that he would not obey orders from Paris were control of CFP restored to him. In January 1944 the Foreign Office had to inform its Ambassador in Lisbon that despite such promises the sequester could not be lifted. As early as 1935 France had entered secret agreements with His Majesty's Petroleum Executive (the British government agency for oil policy), intended to ensure that even in event of war French military forces would be able to draw on CFP's oil direct from the IPC pipeline terminals at Haifa and Tripoli. This agreement had been made by Louis Pineau of the Office National des Combustibles Liquides, however, not CFP. This and further 1938 and 1939 agreements intended to safeguard supplies for the French air force were never invoked.[13]

15 What of those who remained in Paris? On 20 September 1940, a few months after the fall of France, CFP chairman Ernest Mercier met to discuss policy with Charles-Albert de Boissieu, Secretary-General of the Délégation Générale du Gouvernement Français dans les Territoires Occupés (DGTO), the body set up by the Vichy regime to liaise with the German occupying forces. Confronted with German demands that the French hand over their investments in Romanian oil production, Boissieu wondered if they shouldn't take the risk of inviting the German authorities to consider CFP's Iraqi interests as well. By being so forthcoming the DGTO might extract a German promise to respect CFP's 23.75% share in IPC and only seize the other Groups' shares. The potential contribution of CFP's oil towards the "relèvement économique du Pays tout entier" had to be balanced against the risk of Britain finding out about any such demarche and stripping CFP of its IPC shareholding entirely.[14] In August 1941 an agreement was indeed reached whereby CFP was allowed to retain its 23.75% of IPC, while the German authorities proposed to seize the shares owned by Royal Dutch-Shell and Anglo-Iranian, which would have given them 47.5% of IPC (the American Group's shares would not have been touched).[15] The failure of the Nazi-supported Rashid Ali coup in Iraq, which was successfully put down by British forces in May 1941, scotched any hopes of implementing this arrangement, however.

A corporatist who had founded a short-lived ginger-group of technocrats and businessmen, the Redressement Français, back in 1925, Mercier's guiding philosophy, described by Léon Blum as "a kind of industrial Bonapartism" was at home in Vichy France. Pétain's chief advisor, Lucien Romier, had been Redressement spokesman, and Pétain considered calling his "Révolution nationale" the "Redressement Français." Along with Mercier leading CFP managers Jules Mény and Robert Cayrol also elected to remain inside Vichy France, with Cayrol leading the Comité d'organisation for liquid fuels.[16] Although some information is available, a number of tantalizing questions remain which we are simply not in a position to answer with the archives currently available, including whether the Nazi authorities were correct to accuse the Vichy authorities of plotting to have CFP sell its IPC shares to an American company.[17] 16

13 See "Pourparlers avec les gouvernements étrangers : Collaboration franco-britannique, 1938-39" among ONCL archives. Archives Nationales, Pierrefitte [hereafter AN] F12 9927.

14 Mercier to Charles-Albert de Boissieu, 21 Sept. 1940. Total, SC89/4, "Documents anciens CFP".

15 Nouschi, *La France et le pétrole*, 112 (cf. note 8).

16 Cited in Kuisel, Mercier, 79 (quote), 145-7 (cf. note 7).

17 See Michel (Deutschen Devisenkommisar in Frankreich) to ministère des Finances and De Wailly to Michel, 23 Apr. and 28 May 1942. These letters appear among unrelated papers in Centre des archives économiques et financières, Savigny-le-Temple [hereafter CAEF], B0032311. For German oil policy in this period see Anand Toprani, "Germany's Answer to Standard Oil: the Continental Oil Company and Nazi Grand Strategy, 1940-1942" *Journal of Strategic Studies*, vol. 37, 2014.

17 IPC had sought legal advice on the status of the 1928 Red Line Agreement in September 1940. Although this advice indicated that under English law the Agreement had been "frustrated" when two of the partners became "enemies," the three other IPC Groups and Gulbenkian decided to continue as if the Agreement was still in force. After Italy's entry into the war it was no longer possible to transport IPC's crude out of the Mediterranean. But there was a small refinery at Haifa that allowed the other IPC Groups to refine and sell their own IPC liftings to the Allies. This refinery was enlarged during the war, and these Groups took advantage of the opportunity to exceed their quotas. From de Montaigu and even Leslie Burgin's perspective, therefore, it could sometimes appear as if peacetime oil politics was being practised under the cover of temporary wartime measures.[18]

18 These and other, state initiatives suggested that the British and American governments and the British and American oil majors were collaborating to lay the foundation of a post-war world in which Middle East oil production would be controlled exclusively by them. The US/UK Petroleum Agreement signed by Lord Beaverbook and Edward Stettinius in August 1944 confirmed the worst fears of one leading French official, Pierre Mendès-France, Commissaire aux Finances: "Il semble, qu'une fois encore, les Britanniques et les Américains, ont réalisé, sur une question qui nous intéresse directement, une entente bilatérale qu'ils essayeront par la suite de nous faire entériner." Mendès-France urged the Ministry of Foreign Affairs to make representations to the British and Americans, asking that France be represented in such talks, even as he admitted that France held few cards. "Nous sommes demandeurs à peu près à tous les points de vue." Hope was not entirely lost, however. "Toutefois, nos droits dans l'IPC nous donnent dans une certaine mesure une possibilité de nous défendre qu'il me paraît indispensable d'exploiter."[19]

This French tendency to lump the British and Americans together as *les anglo-saxons* made it difficult for Mendès-France and others to realize the very real tensions between the two powers over oil policy: the so-called "oil war," which had been running since 1918.[20] This was itself founded on American suspicions that Britain was using wartime special measures (in 1914-18 as well as 1939-45) to strengthen the position of Anglo-Iranian in the Middle East, and in particular using funds borrowed from the United States to purchase the friendship of the King of Saudi Arabia and other potentates. Much was made of His Majesty's Government's 50% stake in Anglo-Iranian (acquired in 1914), which was incorrectly assumed to make Anglo-Iranian a puppet of the British state. 19

Not only were *les anglo-saxons* far from a united front, United States oil policy was itself contested. A draft "Foreign Petroleum Policy of the United States" drawn up in February 1944 had been approved by the State Department, and contained commitments to "the principle of equal opportunity in exploration and development," "the assurance of economic benefits to the foreign areas in which petroleum is located" as well as the "safeguarding" of existing concessions held by American interests, with a view to conserving reserves in the western hemisphere while pursuing "substantial and orderly expansion of Middle East production." 20

But in May 1947 this policy document was still classified "Secret."[21] Unlike in Britain and France the American oil industry was split between small domestic independent producers and the majors. The former were quite prepared to use their congressional representatives to hound their larger international rivals on grounds of anti-competitive behaviour, and to resist any 21

18 Leslie Burgin to Hugh Dalton, 24 Nov. 1944; Burgin to R. W. Sellars, 2 Dec. 1944. Total, 81.1/75 (81ZX916-75), "Correspondance avec le Dr. Burgin".

19 Pierre Mendès-France to MAE, 10 Aug. 1944. CAEF, "Affaires Interalliées, Pétroles, 1944-9", red folder. B0033849.

20 See Fiona Venn, "The wartime 'special relationship'? From Oil War to Anglo-American Oil Agreement, 1939-45," *Journal of Transatlantic Studies*, vol. 10/2, 2012; Simon Davies, "'Keeping the Americans in Line': Britain, the United States and Saudi Arabia, 1939-45: inter-allied rivalry in the Middle East revisited", *Diplomacy & Statecraft*, vol.8/1, 1997.

21 "Wartime Evolution of Postwar Foreign Oil Policy", 29 May 1947, 4-5. NARA, RG59 811.6363/5-2947.

suggestion of capping their domestic oil production in the name of "conservation". Despite growing American investment in the Middle East the State Department was slow to create new diplomatic posts necessary to make its voice heard in the region.[22]

22 Though its Department of Near East Affairs accused the British of living in a nineteenth-century imperial dreamworld, in fact the British had recognized their reduced circumstances and were ready to see the United States share the self-imposed burden of policing "Arab Street" - something unlikely to occur without American investment in the region's oil. In the cases of Bahrain (1927), Kuwait (1932) and Saudi Arabia (1933) the Foreign Office faced down the unwillingness of other branches of the British and Indian governments to admit American oil companies to what some of them still saw as a British "sphere of influence."[23] In 1939 the Foreign Office vetoed attempts by the British Admiralty and Air Ministry to secure Saudi oil; far from defending British claims under the Red Line Agreement, it urged Saudi King Ibn Saud to enlarge the American concession, for fear the Americans might otherwise leave. Ironically enough, as late as 1941 British diplomats were trying unsuccessfully to persuade President Roosevelt of the strategic importance of Saudi Arabia.[24] When Socal urged Roosevelt to help it take on the burden of subsidizing Ibn Saud it was told that Saudi Arabia was "a little far afield" for the United States to take an interest.[25]

22 A consulate was established at Aden in 1918, but there was no representative in the Kingdom of the Hedjaz/Saudi Arabia until May 1942, and even then he was a lowly chargé d'affaires, without ambassadorial rank. There was not even a consulate in Kuwait until 1951. See John A. de Novo, *American Interests and Policies in the Middle East 1900-39* (Minneapolis: University of Minnesota Press, 1963), 361-65, 393.

23 See Fiona Venn, "A Struggle for Supremacy? Great Britain, the United States and Kuwaiti Oil in the 1930s", *University of Essex Department of History Working Papers*, vol. 2, 2000.

24 Davies, "Inter-allied rivalry", 102-3 (cf. note 20).

25 Quoted in Irvine H. Anderson, *Aramco, the United States and Saudi Arabia* (Princeton: Princeton University Press, 1981), 32.

In February 1943 Roosevelt changed his mind, and declared that the defence of Saudi Arabia was a vital US interest. The United States now paid Ibn Saud his subsidies, and in 1946 added a $10m soft loan from the Export-Import Bank and a $4m airbase at Dhahran: the foundation of a relationship which still shapes the region today. Like the August 1944 Petroleum Agreement itself, this shift in foreign policy was the brainchild of Harold Ickes, head of the United States' Petroleum Administration for War. Persuaded that domestic oil reserves were dwindling, Ickes shared the State Department's "almost hysterical" view of British machinations.[26] He differed markedly in his proposed response, however, advocating direct state intervention rather than arm's length diplomatic support of private enterprise. 23

Appropriating a scheme first floated by Navy Petroleum Board planners, Ickes made a Gulf-to-Mediterranean pipeline through Saudi Arabia part of his scheme for a state-administered Petroleum Reserves Corporation (est. July 1943), "an American holding company created for the purpose of acquiring sizeable governmental oil reserves in the large producing areas of the world."[27] The Trans-Arabian Pipeline (Tapline) was designed to serve the massive Dammam field held by Aramco under the original 1933 concession to Socal.[28] Although Socal built an ocean terminal on the Gulf at Ras Tanura, Tapline offered the potential to bypass the Gulf, Aden and Suez (three points of strong British presence) entirely. Ickes saw Tapline as a lever with which to persuade the British to sign up to what became the 1944 Anglo-American Oil Agreement, which sought to lay the foundation for an inter-governmental petroleum body that would enshrine the aforementioned principles 24

26 Aaron Miller quoted in Davies, "Inter-allied rivalry", 98 (cf. note 20).

27 "Wartime Evolution of Postwar Foreign Oil Policy," 29 May 1947. NARA, RG59 811.6363/5-2947.

28 In 1936 Socal agreed to collaborate with the Texas Company. Socal's Delaware-registered Saudi subsidiary California Arabian Standard Oil Company (Casoc) became Caltex, which in turn became Aramco in 1943. Dammam produced 3.9m barrels in 1939 and 5.1m in 1940.

of orderly development, equal opportunity and economic advancement of producing countries.

25 While Ickes viewed the US/UK Petroleum Agreement as a means to stymie the British and Mendès-France saw it as an *anglosaxon* stitch-up, the State Department saw the Agreement's potential to act as international regulator. The Agreement was drafted such that it could be expanded to include other producing nations, almost as a kind of proto-OPEC. It remained to be seen, however, if Senate would ratify the Agreement. Doubts on this score may have lessened any resentment British negotiators may have felt at being bounced into the agreement. For their part the British Chiefs of Staff welcomed Tapline as a $200m line in the sand, a line the United States could presumably be counted on to defend against a Russian invasion.[29]

"UNE SITUATION DEPASSÉE": THE END OF THE RED LINE 1944-46

26 Like CFP, Gulbenkian's residence in Vichy France from 1940 until his move to Lisbon in March 1942 had led to his IPC shares (the famous 5% of "Mr Five Percent") being sequestered. Like CFP, he wanted to be compensated for lost revenue in this period. René de Montaigu and Gulbenkian had got to know each other well in their Lisbon exile, and in December 1944 Gulbenkian invited Montaigu to discuss how CFP and Pandi (Participation and Investments, the company through which Gulbenkian held his 5% share of IPC) might work together. By that point Gulbenkian had already resisted one attempt by the other IPC Groups to buy him off.[30] The assistant chief of the State Department Petroleum Division had implored Socony President Harold Sheets "as a genuine friend" to do his best to accommodate CFP and Pandi's demands "in a true spirit of partnership in IPC." Sheets feared that Gulbenkian and CFP might make their grievances public, which would in turn reveal the vast untaxed profits Socony and Jersey Standard had been taking from IPC (a British company) during the war. In particular the State Department feared the British parliament's hostile reaction to such a revelation.[31]

What was the point of CFP allying itself with Gulbenkian? Calouste Gulbenkian and his son Nubar had secured supplies of oil and soft loans for France from Royal Dutch-Shell during the First World War, and after 1918 Gulbenkian *père* had helped Henry Bérenger negotiate for the transfer of Deutsche Bank's quarter share in IPC to a notionally French company (of which Royal Dutch-Shell held 49%), the Société pour l'Exploitation des Pétroles (SEP). As it happened the shares were not given to this firm, but to a separate entity under Mercier, which became CFP. Gratitude and oil did not mix well together: the seventy five year-old Gulbenkian had to offer more to interest CFP. 27

One intriguing reason for an alliance with Gulbenkian lay in northern Iran, where Gulbenkian had been working off and on for a concession since at least 1919. Although Gulbenkian and Léon Wenger of the Franco-Belgian firm Pétrofina developed plans for an international syndicate in 1927, logistical challenges and the post-1929 slump led to them being shelved.[32] Any concession in north Iran would require Soviet participation, as the only outlet lay to the north, via the Caspian. Mercier had certainly supported closer Franco-Soviet relations. In the wake of the controversial Franco-Soviet Pact (1935) he had flown to Moscow to dine with Stalin. On his return 28

29 Anderson, *Aramco*, 84 (cf. note 25).

30 Calouste Gulbenkian to René de Montaigu, 4 Dec. 1944; Gulbenkian memo, 17 Dec. 1944; "Memorandum de Mr. G. resumant ses entretiens avec M. de Montaigu", 7 Jan. 1945. All filed in folder "Gulbenkian et TWED". Total, 81ZX916-75 (81.1/75).

31 James C. Sappington to Harold Sheets, 14 Nov. 1944. NARA, RG59 Office on Int. Trade Policy, Petroleum Div., 1943-49, Box 13, "France 1945".

32 These plans were involved working with a Russo-Iranian company, Kevir-Khurian, whose concession was listed in Russo-Iranian trade conventions of 1931 and 1935, but dropped from that of 1940, apparently allowing an American firm, Amiranian and a Dutch rival to slip into northern Persia, albeit without getting very far. For the state of play in 1944 see Office of Strategic Services, "Survey of Iranian Oil Concessions," 8 April 1944. NARA, RG59 Office on Int. Trade Policy, Petroleum Div., 1943-49, Box 5 "Iran Oil Concessions 1944-46"

Mercier claimed that Russia was becoming less communist, and should be viewed as a trusted partner for trade and security.[33] Unfortunately, this boosterish view of Stalin's Russia was not widely shared, and left the Iranians suspecting the French as too pro-Russian.[34]

29 The north Iranian concession is a saga with a convoluted history, which does not directly concern us here. As Montaigu himself noted, in 1944 "les affaires d'Iran [were] en suspens," and so there was no call for the services Gulbenkian was offering as ally. On meeting with IPC's managing director, John Skliros, a few days later in London, however, Montaigu had been struck to hear Skliros remark that of the IPC Groups only CFP seemed interested in pushing on with production. Without building new pipelines to supplement the two 16-inch lines (to Haifa and Tripoli) that had come onstream in 1935 this could not be done.

30 Skliros was right. Unlike CFP, Royal Dutch-Shell, Anglo-Iranian and the Americans had little incentive to push for an increase in IPC output. These Groups all had plentiful supplies elsewhere on the globe. While they were prepared to negotiate a new IPC Working Agreement, they were in no hurry to build new pipelines or increase production. They wanted to keep Iraq a swing producer. The Americans' lack of interest was linked to their desire to escape the Red Line's self-denying clause and accept Socal and Texaco's invitation to enter Aramco.[35] It was here that Gulbenkian's real value for CFP lay: he was in the same boat as them. As the founder of IPC who had played a key role in the development of Royal Dutch-Shell from its origins to 1925, Gulbenkian also knew the other IPC Groups in a way nobody else did. He also had access to documents dating back to the pre-1914 origins of IPC which CFP lacked, yet which would prove of great importance in supporting CFP in its legal and moral claims.[36]

In 1945 CFP's American partners in IPC, Jersey Standard and Socony were preoccupied with a special Senate committee that was busy investigating petroleum reserves, as well as with working out whether and how to accept Socal and Texaco's invitation to join them in Aramco and Tapline.[37] While it was clear that both needed vast amounts of capital, this did not mean that these companies were keen on Ickes' proposal that the US government buy them out or take a 50% or 33% share. A media campaign and lobbying had ensured that Senate tore the Anglo-American Petroleum agreement to pieces in November 1944. So far so good: the American majors had never liked the Agreement. But what if congress went on to investigate the American majors for non-competitive practices? The climate had changed since 1928, and Jersey Standard/Socony were not being entirely disingenuous when they expressed concern that the Department of Justice might prosecute them if they continued to honour the Red Line Agreement.[38] 31

For their part the Foreign Office recognized that it was better for Jersey Standard and Socony to enter Aramco than for the US government to do so. In May 1945 the Foreign Office recognized that the Red Line Agreement's self-denying clause represented an obstacle for this, but seemed happy enough for it to be ignored, and certainly was not going to join France in making trouble (as the State Department feared).[39] A few 32

33 Kuisel, Mercier, 127-9 (cf. note 7).
34 See the comments of the Second Secetary of the Iranian legation in London cited in Nubar Gulbenkian to Calouste Gulbenkian 22 Jan. 1945. Gulbenkian Foundation, London [hereafter FCG], PRS00669.
35 CFP to Calouste Gulbenkian, 25 Jan. 1945. Total, 81.1.75.
36 For an example see de Grouchy memo, 27 Nov. 1947. Total, 81.1.81.
37 Democratic Senator Francis T. Maloney of Connecticut launched the committee on 23 March 1944, and it reported on 31 January 1947, under the chairmanship of Senator Joseph O'Mahoney of Wyoming (Maloney having died).
38 That said, State Department officials were well aware that such fears could be wielded as excuses for abandoning the Red Line Agreement. See the comments of Loftus and others cited in Theodore A. *Xanthaky to Gulbenkian*, 9 Nov. 1946. FCG, Caixa CSG 14, File S-X (1946-55).
39 State Department had feared that the British government might support France "for political reasons, and in order to obtain credit for doing something for France." Memcon, 22 March 1945. NARA, RG59 Office on Int. Trade

months later Emanuel Shinwell signed a new, watered-down version of the Anglo-American agreement on behalf of the new British administration. Though Clement Atlee's Labour government was presumably more open to state intervention in the oil industry (it nationalized the coal industry), otherwise Ickes' agenda had been losing momentum ever since Roosevelt's death in April.[40] After Ickes' retirement in February 1946 the agreement went into limbo. That July Jersey Standard and Socony began negotiating to enter Aramco in earnest. They informed the other IPC Groups in September that they considered the Red Line voided by something called "supravening illegality," and again referred to the risk they faced of prosecution under the Sherman Act (i.e. for non-competitive practices). But that did not mean they were not ready to draft a new Working Agreement for IPC and build a new 24-inch IPC pipeline.[41]

33 CFP and Gulbenkian were both nervous of tinkering with the 1928 Red Line Agreement. Quite apart from the question of whether the American Group would allow them to participate in Aramco there were many other sleeping dogs which might start barking, asking for other aspects of IPC to be "updated" to reflect a changed world. Venezuela's astonishing coup in placing its relations with foreign oil producers on a "50:50" basis in 1943 had got the attention of all Middle Eastern governments. Iraqi Minister of Economics Bab Ali began demanding that IPC become a public company, honouring old promises to allow a 10% Iraqi participation.[42] "The history of petrol concessions in Iraq reminds one of those films in which one sees how 'the white man' sallies forth into the remote corners of the world," wrote Mohammad Al Hadid in one Baghdad newspaper, "and trades toys with ignorant tribes for considerable resources."[43]

Although the sentiment was far from new, the speaker was hardly an unsophisticated nationalist. Born in Mosul, educated at LSE and an admirer of the British Labour Party, Hadid was Vice President of the social democratic National Democratic Party. The Gulbenkians recognized that it was high time to recognize views like Hadid's and consider creating a fifth group within IPC, before tempers frayed and IPC found itself facing nationalization. 10% of IPC's shares could be transferred to an Iraqi holding company, who could then offer them to the Iraqi public, helping to assuage as well as inform Iraqis. In keeping with France's orientalist views of Arab leaders as a bunch of "aveugles, borgnes et paralytiques" CFP refused to consider it.[44] Iraq was, admittedly, given the right to nominate a director to the board of an IPC subsidiary, Basrah Petroleum.[45] 34

Meanwhile CFP's Victor de Metz challenged Harold Sheets, President of Socony, as well as John Loftus of the State Department's Petroleum Division (then in Paris) to justify the Americans' actions in throwing over the 1928 Red Line Agreement, which had taken four years to negotiate, in order to cheat the IPC Groups out of their rightful share of red line oil in Saudi Arabia. He found them singing off the same hymn sheet. CFP were nonetheless wrong to see their 35

Policy, Petroleum Division, 1943-49, Subject Files, Box 13, "France (Importations of Iraq Crude) 1945." [Stack location: 250/46/9/5] See also National Archives, Kew [hereafter TNA]. TNA, FO 371/50385/10686/12/76.

40 Sounded out about the new Labour government's intentions, Minister of Fuel and Power Shinwell told the Americans he had no "immediate" plans to nationalize the UK oil industry. James C. Sappington to State, 31 Aug. 1945. NARA, RG59 841.6363/5955/8-3145.

41 Note of meeting, 16 Sept. 1946. BP Archive, University of Warwick Modern Records Centre, Coventry [hereafter BP], 126859. Near East Development to CFP, 3 Oct. 1946. Total, 04AH026-9. Gemignani-Saxtad, "La France, le pétrole", 512 (cf. note 10).

42 To be precise, these demands were addressed at IPC as well as Basrah Petroleum Company and Mosul Petroleum Companies, through which the same IPC partners controlled concessions covering the whole of Iraq. Bab Ali to IPC, 19 Aug. 1946. Total, 04AH026-89 (92.36/89)

43 Transcript (in French translation) of article in unidentified newspaper, 27 Aug. 1946. Total, 04AH026-89 (92.36/89)

44 Nubar Gulbenkian presented his father's proposals at an IPC meeting on 8 Oct. 1946. BP, 126859. While John Skliros agreed with such proposals, otherwise it must be admitted that nobody else did. Skliros to Armand de Grouchy, 4 Sept. 1946; de Grouchy to de Montaigu, 5 Sept. 1946; notes of group meetings, 9 Oct. 1946 and 16 Oct. 1947. Total, 04AH026-89 (92.36/89).

45 A decision reached at an Extraordinary General Meeting of IPC held on 29 July 1943. For minutes and related correspondence with Iraqi ministers see Total, 04AH026-89.

American partners as thinking in purely tactical terms, as de Metz was underestimating the risk posed to them by the Sherman Act. Thanks to this 1890 Act against uncompetitive business practices the American majors lived with the fear that exposure of their collusive activities would result in prosecution, of the kind which had led to the forced breakup of Standard Oil in 1911.

36 As for Saudi Arabia, the same concern for the "open door" which had led the State Department to look askance at the 1928 Red Line Agreement would also ensure that it made Caltex (the original concessionaire, a joint-venture of Socal and Texaco) admit other firms, lest it appear too much like a duopoly in Saudi Arabia. "La découverte que le Group Agreement était mort joint aux effets du Sherman Act et la politique générale du State Department permet aujourd'hui de résoudre le problème en signant un nouveau Group Agreement sans les clauses restrictives" paraphrased De Metz in his report. A handwritten marginalia makes CFP's view of these fine words clear: "prétextes!"[46] Loftus was strictly speaking correct: although the initiative came from Jersey Standard/Socony rather than being imposed on them by State, Caltex had indeed admitted new companies. Loftus had never promised they would be French ones.

37 Up until this point Anglo-Iranian had seemed somewhat embarrassed by the whole situation. In September 1946 they stated that they did not consider the Red Line Agreement abrogated. After taking legal advice in November, however, they stated that they did. On 20 December they signed a massive 20 year contract under which Anglo-Iranian agreed to sell a total of 133m tons of its Iranian and/or Kuwaiti crude to Jersey Standard and Socony, to be delivered via a new Anglo-Iranian pipeline from the Gulf to the Mediterranean, to be completed in 1951. The amounts involved represented more than 25% of Anglo-Iranian's total production.[47] Having bought Anglo-Iranian off with this massive deal, six days later Jersey Standard felt itself free to announce what everyone had surmised for months: that it had arranged to take a 30% share in Aramco, with Socony taking 10%. IPC's pipeline was now to be squeezed between two game-changing Gulf-to-Mediterranean pipelines (Tapline and Anglo-Iranian's), or, more likely, simply allowed to stagnate. While Gulbenkian had his own ways of getting even, for CFP and France things just kept getting worse. Two days later Henri Bonnet paid a visit on the State Department to discuss it all with Loftus.

Bonnet subsequently cabled his report to Paris. 38
The Quai d'Orsay should spare no efforts "pour démontrer l'inconvenance du point de vue moral et du point de vue juridique, de la position prise [illegible] la circonstance par les C[ompagn]ies americaines en regard des engagements qu'elles avaient contracted [sic] en 1928." Paris did so, instructing its ambassadors in Washington and London to point out that the 1928 Agreement was no obstacle to full development of Middle East oil. They were also to note that the aforementioned sale-and-pipeline contract between Anglo-Iranian and Jersey Standard/Socony was "une contrepartie substantielle accordée à la Grande-Bretagne, en vue d'obtenir son acceptation de l'abandon des arrangements de 1928."[48] The British had been suborned, in other words. In Washington Bonnet made further protests to Undersecretaries of State Dean Acheson and Undersecretary of State for Economic Affairs William L. Clayton, culminating in a diplomatic note of 13 January 1947 which rehearsed all the arguments noted above. Reporting on a similar protest made to him in Paris, US Ambassador to France Jefferson Caffery noted that CFP was lining up to join Gulbenkian in hitting IPC and its IPC partners with writs in London's Court of Chancery.[49]

46 Memcon Sheets/de Metz, 7 Oct. 1946; Memcon Loftus/de Metz, 13 Oct. 1946. Total, 04AH026-8 (92.36/8).

47 James Bamberg, *The History of the British Petroleum Company, vol. 2 The Anglo-Iranian Years, 1928-1954* (Cambridge: Cambridge University Press, 1994), 301-7.

48 MAE to Washington and London, 2 Jan. 19[47]. CAEF, B0033849, "CFP: Négociations avec l'IPC pour le rétablissement de ses droits, 1944-9".

49 Jefferson Caffery to State Department, 13 Dec. 1946 and 4 Jan. 1947; Dean Acheson to Caffery, 11 Jan. 1947. NARA, RG59, 800.6363/12-1346 and /1-447.

39 The State Department's 41-page "Critical Evaluation" indicates that Bonnet's note was taken seriously enough for officials to investigate France's position within IPC and associated agreements carefully. This memo concluded that, while the US government had facilitated negotiations towards the 1928 Red Line Agreement, it had not given "explicit approval" to the final agreement, stating "only that it saw no objections…from a policy point of view." "The Self Denial or Red Line Clause were [sic] always considered by the Department to be private business arrangements."[50] While the French insisted that the Red Line Agreement had been an inter-governmental agreement the "Critical Evaluation" and Secretary Clayton denied that the United States government had any obligation to ensure compliance with the Agreement, and Clayton pointed out that the Anglo-Iranian/Jersey Standard deal fell outside the red line area.

40 Just because the United States denied that IPC arrangements had been an inter-governmental matter back in 1928 did not, however, mean that they took the same view now. Though it had not been spelled out in the Agreement, the 1944 US/UK petroleum talks had (according to Loftus) agreed that "the broad policies of the IPC should be subject to international control at the government level."[51] Loftus also recognized a need to honour principles recently discussed at the inaugural London conference of the International Trade Organisation. Unfortunately the State Department's appetite for inter-governmental supervision of Iraqi oil production and the world petroleum industry generally could not be openly avowed "without provoking acute internal political controversy."[52] Finalized in 1948, the ITO charter ended up, like the Anglo-American Petroleum Agreement, a casualty of Congress.

In his original December cable Bonnet conceded that these diplomatic representations were unlikely to bear fruit. Although the State Department had kept abreast of the four-year negotiations which culminated in the 1928 Agreement, it now refused to accept Bonnet's argument that an infringement of it represented a matter for inter-governmental discussion: 41

> Mais il paraît malheureusement douteux que nous puissions obtenir sur le plan du [missing word] un redres[s]ement pratiquement satisfaisant pour nous de la situation cr[éé]e ([à] la suite) [de la] dénonciation des accords. Il semble qu['‘]en revanche tout en nous montrant intransigeants sur la question de droit ce soit dans le sens d'un arrangement de fait sous forme d'une participation concrète aux avantages que les compagnies americaines sont en train (de s') assurer en Arabie Seoudite, que la Compagnie Fran[ç]aise des Pétroles ait (interêt) à (chercher) la solution du problème d'importance nationale que le retrait de la Standard Oil de [New Jersey] et de la Socony vient de poser pour nous. D'après ce que M. Loftus a dit [à] M. [missing word] c'est dans cette direction que M. Demetz lui aurait marqué il y a quelques jours l'intention de s'orienter.[53]

While the Quai d'Orsay could continue pushing Washington on CFP's behalf, in insisting on moral arguments and legal rights, it should not be overly legalistic, "en cherchant toutefois l'application pratique [à] l'avenir plutôt que dans une tentative pour revenir [à] une situation que en fait paraît désormais dépass[é]e."[54] 42

50 Walter J. Levy to Charles B. Rayner, John A. Loftus and David A. Robertson, "Critical Evaluation of the French Note of 13 January 1947 on the Iraq Petroleum Company Group Agreement," 6 Mar. 1947, 3-4. NARA, RG59 Office of Int. Trade Policy, Petroleum Div., Subject Files, 1943-49, box 6.

51 Loftus, memcon Loftus/Linebaugh, 31 May 1945. NARA, RG59 841.6363/5955/5-3145. This did not, however, mean that the State Department supported the Red Line Agreement. It informed the British at the informal November 1946 oil talks that it "appeared to be incompatible with the preservation of competition in the international oil trade, in view of the increasing importance of Middle East supplies." See NARA, RG59 841.6363/5955/12-646.

52 Loftus to Raymond Vernon, 23 Dec. 1946. NARA, RG59 Bureau of Econ. Affairs, Office of Econ. Defence and Trade Policy, Business Practices and Tech. Staff, Subject Files 1944-52, A1 1494D, box 32, "Petroleum - Middle East."

53 Bonnet to MAE, 28 Dec. 1946. AMAE, 91QO228, f. 29.

54 While the words in square brackets are my own, those in parentheses were inserted after his telegram arrived in Paris.

"SOME KIND OF PAY-OFF": A NEW WORKING AGREEMENT, 1947-48

43 Among the painful realities facing CFP in early 1947 was the recognition that, with France effectively bankrupt, facing severe coal and food shortages, inflation and dependent on American aid, it was ludicrous to imagine that she would be able to stump up her share of developing Aramco's concession. In the June quarter of 1947 51% of France's crude oil imports were paid for using US Interim Aid and European Cooperation Administration (i.e. Marshall Aid) dollars.[55] Had Socal and Jersey Standard honoured the self-denying clause their combined 40% share of Aramco would have had to be split five ways among the IPC Groups: 23.75% apiece to CFP, Royal Dutch-Shell, Anglo-Iranian and Near East Development (the Socal/Jersey Standard consortium), and 5% to Gulbenkian's Pandi. Near East would have been left with just under 9% of Aramco, to be shared between Socal and Jersey Standard.[56] France would have had to provide 9% of Aramco's capital, as well as an equivalent share of the cost of Tapline and the associated dead-rents and subsidies (payable in gold) to Ibn Saud.

44 How much of a commitment would this have been? Between 1946-50 Socony and Jersey Standard's calls on their combined 40% stake in Aramco totalled more than $102m dollars; its 40% share of Tapline (constructed 1947-50) brought the cost to $450m.[57] Leaving the subsidies and soft-loans to one side, CFP would have had to invest at very least $107m, without seeing a drop of oil, and with the risk that Arab reaction to US support of the new state of Israel in May 1948 would either deny Tapline a Mediterranean terminus or, even worse, lead Ibn Saud to cancel Aramco's concession and turn to the Russians.[58] Given France's treatment of the Syrians in 1945 and policy towards Israel, Ibn Saud's view of Aramco would not have softened as a result of French participation.[59]

Indeed Ibn Saud had supposedly attached a secret rider to the 1933 Saudi concession granted to Socal forbidding Socal from selling the concession on or giving participations in it to non-Americans. CFP only seems to have become aware of this in January 1947, when Gulbenkian informed them.[60] A few days later Ibn Saud informed Loy Henderson that he was "now much disturbed by the possibility that the Red Line Agreement may still be in force, or if not actually in force will still be honored in some way." As Henderson noted, "What he fears is that this will prove an 'open door' through which British, French, and the other oil interests can get a foothold in the development of Arabian oil."[61] Toprani rightly notes the lack of evidence for Ibn Saud's demand.[62] The closer one looks, the less firm this "condition" appears. Just a few days after the exchange quoted above, the Saudi Foreign Minister apparently told the US Ambassador to Portugal that the way the American companies had treated the French was "peu correcte."[63] Why would he have said this, if the Saudis had ruled out any French participation? Given Ibn Saud's record of playing the United States and United Kingdom off against each other, it seems unlikely that such a demand (even assuming it was made in 1933) was made in earnest – or that Socal would have felt itself constrained to honour it. 45

55 Olaf Sundt to State, 27 Sept. 1948. NARA, RG59 851.6363/6273/9-2748.

56 As the 40% was split 30/10 Jersey Standard/Socony this hypothetical 8.8% would have been divided to give 6.6% to Jersey Standard and 2.2% to Socony. Such calculations are moot, however, as Jersey Standard/Socony would never have been satisfied with such a small share of Aramco.

57 Toprani, "French Connection", 271 (cf. note 9).

58 Neuville to MAE, 9 May 1946. AMAE, 91QO228, f. 24.

59 For Ibn Saud's views of France in January 1947, see Toprani, "French Connection", 290 (cf. note 9).

60 Gulbenkian to CFP, 10 Jan. 1947. Cited in Gemignani-Saxtad, "La France, le pétrole", 519 (cf. note 10).

61 Loy Henderson to Dean Acheson, 16 Jan. 1947. NARA, RG59 890F.6363/1-1647.

62 Toprani, "French Connection", 287 (cf. note 9). For Ibn Saud's supposed Anglophobia see Edward Fitzgerald, "The Iraq Petroleum Company, Standard Oil of California and the Contest for Eastern Arabia, 1930-33," International History Review vol. 13/3, 1991, 461-3.

63 French Embassy Lisbon to MAE, 20 Jan. 1947. AMAE, 91QO228, f. 74.

46 In early 1947, therefore, all parties recognized privately that, even though CFP and French diplomats like Bonnet were insisting on the validity of the 1928 agreement – and had now launched legal proceedings in London against the other IPC Groups and against IPC itself – in fact they were angling for something else. To quote one official at the American embassy in London, their goals were "to receive more oil in order to fulfil their expected requirements under the Monnet plan; to ensure that the American participants in I.P.C., who now have alternative Middle East sources of supply, do not become reluctant to extend production further in Irak, and lastly, to make some provision for the receipt of oil from Arabia." Jersey Standard's London representative, David Shepard conceded to this official that Victor de Metz' position was "warranted, as Irak is the sole major source for French crude supplies." As far as he was aware France only wanted Saudi oil as "an alternative emergency supply." Indeed, Shepard claimed that CFP had not actually asked for a guaranteed supply of Arabian crude at a set price, "let alone pressed for what was originally, and apparently incorrectly, considered their major demand: actual participation as a shareholder in Aramco."[64] Shepard's boss, Orville Harden put it more bluntly: the French position was "essentially an effort to extort some kind of pay-off under threat of reprisals." He was ready to allow CFP a sales contract for Aramco's crude, without a direct participation.[65]

47 Compensatory crude had in fact been found further afield. At some point in 1945-6 Jersey Standard offered to make room for CFP in Venezuela, where it had a joint venture with William F. Buckley's Pantepec. Although all the other IPC Groups (even Gulbenkian) had been active in Venezuela in one way or another for decades, this was virgin territory for the French. The details of the arrangement as well as the timing are uncertain, but it seems that under its terms CFP took an operating share, putting up part of the drilling costs and receiving 1m tons from Pantepec's El Roble and Mulata fields in 1947, and another 1m tons in 1948. This oil was intended to help tide France over until IPC's new 30-inch pipeline was completed in 1952. France not having the funds itself, America supplied the investment on her behalf through the ECA.[66] Though a short-term scheme, it was nonetheless significant.

De Gaulle's choice as head of the Direction des Carburants (successor to the Office National des Combustibles Liquides), Pierre Guillaumat, nonetheless declared the following month (March 1947) that he would not be satisfied "until the American companies enabled CFP to compete with them for international markets and until the French controlled the source of all their requirements." He even threatened to punish Jersey Standard and Socony's French subsidiaries using the French state's extensive powers over the domestic market. CFP's Robert Cayrol was more circumspect. While he admitted that CFP was beginning to wonder if taking the Americans to court would bring much by way of a result, he hinted darkly about the possible effects on French public opinion were the case to reveal all that IPC and its partners had been doing to hide their profits. The French would be "very angry if they realized how American companies had broken their word, how French interests had been hurt, how France was considered an enemy."[67] 48

64 Donald B. Calder to State, 10 Feb. 1947. NARA, RG59 841.6363/5955/2-1047.

65 Memcon Loftus/Harden/Sheets, 9 Jan. 1947. NARA, RG59 Office on Int. Trade Policy, Petroleum Div., 1943-49, Box 3, "Red Line Agreement 1947."

66 See Richard Funkhouser, "Annual Petroleum Report for France 1946," 14 Feb. 1947 and Olaf Sundt to Robert Eakens, 23 July 1948. NARA, RG59 851.6363/6273/2-1447 and /7-2348. The efforts of a certain Chenault on the French Supply Council to acquire Venezuelan petroleum supplies through Pantepec is, however, noted in a State Department memo (cited below, note 67) of June 1945, and Toprani cites earlier Funkhouser reports of October 1946 reporting to the deal. This suggests that the idea had been around for some time. Toprani, "French Connection," 286 (note 58). See also Antoine Brandalac, "Le mythe revisité de l'Eldorado: aventures et mésaventures de la Compagnie Française des Pétroles au Venezuela de 1945 à 1957" (Master, Université de Paris IV- Sorbonne 2014).

67 Funkhouser, "Monthly petroleum report for France", 14 March 1947. NARA, RG59 800.6363/3-1447.

49 Not having any domestic public opinion to worry about, this apparently desperate strategy of *fiat justicia, ruat caelum* was one Gulbenkian was particularly fond of. Even if he and CFP lost their court battle, they could still win the war for public opinion. Though defeat would carry costs, the potential costs for the "winners" were potentially greater than those borne by the "losers". For Jersey Standard and Socony as well as the State Department the prospect of Gulbenkian haemorrhaging IPC secrets was particularly unwelcome, both in view of Senate's appetite for investigating the sector's massive profits and Middle East governments' agitation for Venezuelan-style 50:50 royalties. The Americans took at face value Gulbenkian's claims that Iranian protests over Anglo-Iranian's profits (which would culminate in Iran's 1951 nationalisation of Anglo-Iranian's fields and facilities, including the world's largest oil refinery at Abadan) had been provoked by Gulbenkian's providing the Iranians with evidence of Anglo-Iranian's manipulation of the figures upon which royalties were calculated.[68]

50 Thanks to various delays CFP and Gulbenkian were able to keep the threat of court hearings hanging over the heads of their IPC partners throughout the rest of 1947 and on, to November 1948. Publicity thus represented one card in CFP's hand, one which it played very well. It ensured that their IPC partners stayed the long and weary course of negotiating a replacement for the 1928 agreement, a set of agreements finally signed between 1:30 and 2:00am on Wednesday, 3 November 1948: eight hours before the latest delay negotiated with the London judge expired.

51 Having secured extra supply for two years from Pantepec, CFP still needed IPC's new pipeline to go ahead. In January 1947 it demanded a double 16-inch and a 24-inch line, rejecting a counter-offer of the 24-inch line alone.[69] Here again it was in a weak position: the only country able to provide steel pipe in the quantities needed was the United States, and given the many demands on American steel its export was subject to tight control by the United States government.[70] As Ickes' adviser Max Thornburg noted, this gave them the power "to paralyze oil developments in all countries which look to us for such supplies, or to force modification or cancellation of concessions by reason of non-performance resulting from material shortage."[71] Here again Senate could interfere, for example when Senator Kenneth S. Wherry of Nebraska objected to the export of pipe to Iraq in October 1947.[72] Thanks to Anglo-Iranian's deal with Jersey Standard/Socony there were now three major pipeline projects in the Middle East. Though IPC's was the shortest, politically and diplomatically it was at the back of the line.[73] Ironically enough, strike action and associated political unrest within Iraq caused by frustration at the slow development of that nation's oil reserves could itself serve to provide Socony with grounds for yet more delays.[74]

In 1947 IPC was also seeking to fill in the gaps in the Red Line Map, that is, to set up subsidiaries and secure concessions in Transjordan, the Saudi-Kuwaiti Neutral Zone and other areas that had yet to be exploited, as it had done so already in Oman, Syria, Bahrain and Cyprus. A concession for Transjordan was secured in May, and negotiations were begun with the Sheikh of Kuwait. Gulbenkian saw discussion over these areas and over the terms under which any oil reserves they contained would be exploited by the IPC Groups as an attempt by the latter to distract attention from the more important matter of Saudi Arabia. CFP agreed to follow his 52

68 Mattison to Funkhouser, "Oil Topics for Chiefs of Mission Discussions," 8 Nov. 1949. NARA, RG59 Bureau of Near Eastern Affairs, Subject Files, 1941-54, Lot File 57D298 [Stack location: 250/63/7/7] Box 1, "AIOC 1949."

69 For a detailed account of the negotiations see "Group Agreement Negotiations", 12 Aug. 1947. BP, "Group Agreement 1928, Pt 4", green file, 126859.

70 Skliros cited in de Grouchy to de Montaigu, 28 Feb. 1947. Total, 04AH026-9.

71 Cited in Venn, "Oil War", 122 (cf. note 20).

72 Bonnet to Georges Bidault, 6 Oct. 1947. AMAE, 91QO228, f. 108. Wherry later served as Senate Minority Leader.

73 MAE to Bonnet, 9 May 1947. AMAE, 91QO228, f. 94.

74 See the comments of Socony's Harding in Mattison to Funkhouser, "Oil Topics for Chiefs of Mission Discussion," 8 Nov. 1949. NARA, RG59 Bureau of Near Eastern Affairs, Subject Files, 1941-54, Lot File 57D298 [Stack location: 250/63/7/7] Box 1, "AIOC 1949."

lead. As it happens Jordan contained no worthwhile deposits (nor have any been discovered since). The Neutral Zone did, but Gulbenkian's stance meant that Pandi and CFP missed the Kuwaiti Sheikh's May deadline for bids.[75]

53 CFP remained focussed on Iraq, and in April 1947 began negotiating a set of flexibility clauses to be incorporated in the new Working Agreement. These would allow those who, like CFP, desired to "lift" more than their alloted share of IPC production to do so on payment of compensation to other partners for the resulting reduction in the size of the accessible reserves. This is not the place to go into the alternative models (of different levels of "stiffness") proposed and debated, nor the discussions over programming: that is, the arrangements under which IPC partners would indicate several years in advance the desired amount they wished to "lift."[76]

54 By July 1947 CFP had drafted a satisfactory set of flexibility clauses and secured a compromise on the pipeline: instead of two 16-inch and one 24-inch line a single 30-inch line was to be constructed by 1952. CFP was now willing to draft the new Working Agreement. Unfortunately Gulbenkian was still determined to get a share of Saudi oil, or at least to hold out for more Iraqi oil in the form of free crude over and above his 5%. Whether by accident or design, Gulbenkian's partners had repeated their mistake of 1924-8 (the negotiations of the original 1928 agreement) in assuming that discussion with him regarding his 5% rights could be left until all other matters had been settled. Gulbenkian now seemed to be holding up the entire show: a tiny dog in the oily manger.

55 Given their historic links the Americans, Anglo-Iranian and Royal Dutch-Shell were prone to see Gulbenkian alternately as the CFP's Svengali or as its puppet. Internal CFP records suggest that, while they acknowledged a certain loyalty to Gulbenkian for past services, they were serious about issuing him with an ultimatum in September 1947, according to which he either had to sign the Working Agreement or see his partners proceed without him. As a minority shareholder, however, Gulbenkian's rights under English law were clear. The story of the final push to a settlement does not concern us here, but eventually saw Gulbenkian secure an extra 250,000 tons of crude per year, among various other guarantees.

When one considers the state of play in 1944, the 1948 Working Agreement seems a good outcome for CFP and for France. It could have been a lot worse. Seeing as the capital, materiel and know-how necessary to build the new IPC line were all borrowed or donated from the United States, the 1948 settlement is above all a reflection of that country's commitment to rebuilding the French economy and fostering a prosperity that would, the Americans hoped, stymie Communist agitators. Despite the French habit of playing on their exaggerated fears in this regard, there were limits to American largesse, however.[77] Regardless of what Ibn Saud might have thought about French participation, it was unrealistic for CFP to expect to be helped into Aramco. Behind their public insistence on CFP's rights and on the status of the 1928 Red Line as an inter-governmental, rather than merely commercial agreement French diplomats recognized this. 56

Given the French Foreign Ministry's long interest in inter-governmental economic coordination (dating back to the Wheat Executive, Etienne Clémentel and Louis Loucheur in 1916-9) and its subsequent role in establishing the European Coal and Steel Community in 1951 it is striking that this administration did not take more action to develop the 1944 US/UK Petroleum Agreement into an international body for the coordination of world oil supplies. That Agreement fell, a casualty of British skepticism and the conflict between 57

75 Gemignani-Saxtad, "La France, le pétrole", 512 (cf. note 10).
76 *Ibid.*, 529-30.

77 Toprani notes State Department fears in early 1947 that France might turn to Russia for oil supplies if she felt herself snubbed by her IPC partners. There is no evidence on the French side, however, that this was considered, even as a canard with which to intimidate the Americans. Toprani, "French Connection", 285 (cf. note 9).

American domestic and foreign oil production. Although Gulbenkian had designed IPC in a spirit of international collaboration, he saw the 1944 agreement as "a grandiose scheme to serve as a sounding board for internationally ambitious men," lacking the "teeth" necessary to ensure the super majors complied with its "idealistic views of cooperation."[78]

58 There are shreds of evidence that Jean Monnet's French Supply Council was internally divided over whether post-war France should adopt a *dirigiste* or *laissez-faire* approach to the petroleum industry – and that American officials like Clayton, rather than seeking to direct them one way or the other, simply wanted them to pick one approach and follow it consistently.[79] Jean-Pierre Rioux has noted how little thought was given at this time to "the strategic question of the public sector's future role."[80] What passed for policy in this first phase of French post-war planning was, he contends, little more than a series of reactions to events. France's gas and electricity sectors were nationalized by the Minister of Industrial Production, the Communist Marcel Paul, in April 1946. But CFP was left untouched, as a public company in which the state held a large stake. Alongside French indecision, therefore, another reason for missing this opportunity may simply lie in the French tendency to put coal and the Ruhr before oil and the Middle East. Though oil's share of France's energy mix had risen almost ten percent since 1944, it was still only 25% in 1958.[81]

78 To quote the "gist" of his comments, relayed in Franz von Schilling Jr. to Charles F. Darlington, 28 Feb. 1945. NARA, RG59 883.6363/2-2845.

79 For a flavour of this dissension, involving a certain Beranger and Chenault, see Memcon, 15 June 1945. NARA, RG59 Office on International Trade Policy, Petroleum Division, 1943-49, Box 13, "France 1947." For American frustration see Richard F. Kuisel, Capitalism and the State in Modern France: Renovation and Economic Management in the Twentieth Century (Cambridge: Cambridge University Press, 1983), 222.

80 Jean-Pierre Rioux, *The Fourth Republic, 1944-58, trans. Godfrey Rogers* (Cambridge: Cambridge University Press, 1987), 69.

81 *Ibid.*, 323.

This hypothetical aside, however, the events of 1940-48 remain a remarkable tale of survival. In the short term France and CFP secured a new source of oil in Venezuela. Though the Pantepec adventure proved something of a disappointment, it gave CFP a foothold in South America. In the medium-term CFP secured the right to "overlift" Iraqi crude. In the long term they secured a commitment under which IPC would build a new pipeline. Without the pressure exerted by the French Foreign Ministry and the counsel provided by Gulbenkian the other IPC Groups could well have left Iraqi production to stagnate, with all that meant in terms of worsening political climate within that troubled country. For France, therefore, the story told here is one of survival against the odds. A weakened CFP that could so easily have been snuffed out not only lived to fight another day, but secured increased production and revenue. These in turn formed the foundation of CFP's post-war growth into the supermajor we know as Total. 59

In 1948 the Working Agreement was hailed by CFP's own staff as a victory, as the "début de la fortune de la CFP" in René de Montaigu's words.[82] French historians' insistence on interpreting it as a defeat remains something of a mystery, therefore. In his survey of French oil history *La France et le pétrole* (2001), Nouschi writes of how "malgré l'action menée à la fois par la CFP et le gouvernement français, les Americains triomphent…La loi du plus fort était la meilleure."[83] Tristani agrees.[84] The exclusion of CFP from Saudi Arabia forms their main argument for perceiving this episode as a defeat. Yet neither pause to consider whether it was even possible for CFP to participate, and in particular to raise the vast sums Aramco's shareholders had to supply to build Tapline and other infrastructure necessary to bring the Saudi reserves on stream. Guillaumat of the Direction des Carburants was 60

82 Cited in Tristani, "L'Iraq Petroleum Company", 9 (cf. note 23). See also Rondot, *La Compagnie Française des Pétroles*, 100 (cf. note 8).

83 Nouschi, *La France et le pétrole*, 201-202 (cf. note 8).

84 Tristani, "L'Iraq Petroleum Company", 9 (cf. note 23). Tristani, "L'Iraq Petroleum Company de 1948 à 1975", 95 (cf. note 9).

hardly a shrinking violet, but in 1947 he recognized any such participation to be fantastical. As he wrote to the Minister of Industrial Production, "La France n'a ni les besoins ni les capitaux pour participer à l'aventure saoudienne, l'essentiel pour elle est de préserver ses intérêts dans l'IPC."[85]

61 As we have seen, the American majors often found their government anything but pliant: initiatives such as the Petroleum Reserves Corporation and the State Department's fondness for international coordination of the oil industry were hardly music to the ears of either Jersey Standard or Socony – both of whom were equally fearful of congressional leaders representing independent oil producers, figures only too eager to set both the Department of Justice and the Federal Trade Commission on the American majors. To claim (as both Nouschi and Tristani do) that the American majors dictated State Department's oil policy is simplistic.[86]

Rather than a tale of *anglo-saxons* united against France, we need to see this episode in its broader Cold War contexts, reflecting an American desire to make Europe safe for democracy and a capitalist, consumerist lifestyle. Part of this project depended on plentiful and secure supplies of Middle East oil, extracted on easy terms from pliant Middle East regimes in exchange for security guarantees. Though the 1948 Working Agreement broke the 1928 Red Line Agreement, all IPC Groups recognized that the American flag was following American investment into the Middle East. This process was one to be managed, not fought against. A strong American presence in Saudi Arabia enhanced the stability and security of the neighbouring British sphere of influence in Iraq and Iran. Once CFP and Gulbenkian succeeded in ensuring that IPC's production would increase rather than stagnate, they found little to criticize – and much to praise – in the 1948 Working Agreement which ended their eight-year struggle. 62

85 Cited in Hubin, "Stratégie industrielle", 29 (cf. note 10). For his part, Hubin does not see the 1948 Working Agreement as a defeat for France.
86 Nouschi, "Un tournant dans la politique pétrolière française", 387 (cf. note 9).

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