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Oil Sovereignty, American Foreign Policy, and the 1968 Coups in Iraq

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ABSTRACT

This analysis assesses American foreign policy toward the Ba’ath Party’s 1968 coup in Iraq. Whilst prominent American business groups expressed sympathy for the new Ba’athist regime in Baghdad, there is, as yet, no available evidence that these business groups received any official support from Washington. On the contrary, key policymakers within the Lyndon Johnson Administration had come to see the Ba’ath as a Cold War “enemy” by the late 1960s.

In July 1968, Hasan al-Bakr and Saddam Hussein, the leaders of the Iraqi Ba’ath Party, launched a coup d’état that overthrew the government of Prime Minister Tahir Yahya and established the Ba’athist regime that ruled Iraq until its overthrow by the United States in 2003. Recent scholarship suggests possible “American connection” to the coup that brought the Ba’ath to power. Washington had a history of support for the Ba’ath dating to the party’s first bid for power in February 1963, and the 1968 coup appeared, at least initially, to serve American interests in containing Soviet influence in Iraq and protecting the proprietary rights of multi-national oil companies operating in the country. Such appearances may be deceiving. Certain American business groups did look with favour on the coup that overthrew Yahya, but there is, as yet, no evidence that these groups received official support from Washington. On the contrary, the Lyndon Johnson Administration repeatedly rebuffed appeals from business groups calling for American support for the Ba’ath. This course can be attributed the Johnson Administration’s unwillingness to accommodate business interests in Iraq to the Cold War lens through which it viewed the region. When observed through this lens, Israel appeared a “friend,” whilst the Ba’ath appeared an “enemy.” This way of seeing the region marked a significant departure from the early 1960s when the John F. Kennedy Administration resisted the polarising logic of the Cold War and sought to cultivate the Ba’ath as a “Third Force” equally opposed to both European colonialism and Soviet communism.
The full extent of American support for the Ba’ath Party of Iraq in the early 1960s remains shrouded behind a veil of official secrecy. However, what is clear is that in December 1961, General Abdel Karim Qasim, the leader of the 1958 Revolution against Iraq’s Western-backed Hashemite Monarchy, issued Law 80, which nationalised 99.5 percent of the Iraq Petroleum Company’s [IPC] concessionary area. The IPC was a multi-national consortium comprised of British Petroleum [BP], Royal Dutch-Shell, Compagnie Française des Pétroles [CFP], Standard Oil of New Jersey [SON], and Socony Mobil, and the “Gulbenkian interest.”

Between 1925 and 1938, the IPC—and its wholly owned subsidiaries, the Mosul Petroleum Company and the Basra Petroleum Company—secured exclusive rights to all oil reserves located within the territorial boundaries of Iraq. Iraq began exporting small amounts of oil in the 1930s but, by the late 1950s, production lagged behind other states in the region. After coming to power in 1958, Qasim demanded that the IPC increase Iraq’s share of regional production, train and employ Iraqis for management positions, allow the government of Iraq to purchase a 20 percent ownership share in the consortium, and relinquish control over concessionary areas in which the IPC had not yet begun production. At the heart of the relinquishment issue was the North Rumaila oil field near the border with Kuwait—see Figure 1. Qasim intended to gain control over the field and then accept concession bids from other international companies willing to offer Iraq better terms than those prevailing under the existing IPC concession.

After Iraq–IPC negotiations broke down in 1961, Qasim resorted to unilateral legislation to force relinquishment of all territories not under current production. At the time, Kirkuk and Zubair were the only producing wells in the country. Law 80 had no effect on IPC operations in those locations. The IPC, nonetheless, claimed that the nationalisation decree violated the “sanctity of contracts,” demanded that the dispute be resolved in the court of international arbitration, and threatened legal action against any firm contracting to do business in the disputed territories. The Kennedy Administration was equally alarmed by Qasim’s nationalisation decree. Almost immediately following the act, Robert Komer of the National Security Council [NSC] began advocating covert assistance to Iraqi groups conspiring to overthrow Qasim.

The most formidable of these opposition groups proved to be the Iraqi Ba’ath Party—a pan-Arabist group that favoured closer ties with Egyptian leader, Gamal Abdel Nasser. On 8 February 1963, Iraqi military units led by Bakr, the Ba’ath’s senior military figure, carried out a coup d’état in which Qasim was captured and executed. Given that the Ba’ath was a small, vanguard party with very little in the way of a national political following, it called upon Colonel Abdel Salam Arif to serve as a figurehead president for the new regime. Although not a member of the Ba’ath party, Arif was sympathetic to their movement and had been Qasim’s leading rival. Bakr for his part assumed
the office of prime minister, but even he was something of a figurehead for a
group of younger civilian Ba’ath party activists led by Ali al-Saadi.

The new regime carried out an extensive purge of suspected Iraqi com-
munists and appointed Abdul Aziz al-Wattari, a moderate western-educated
technocrat, to serve as the new minister of oil and re-start negotiations with
the IPC. In return, the United States prepared an extensive military and
economic aid programme to help the Ba’ath establish a stable regime. This
support was not ultimately sufficient to maintain the Ba’ath’s hold on power
in Iraq. Despite maintaining a façade of pan-Arab unity, the Ba’ath quickly
fell out with Nasser, leading a group of Nasserist military officers to begin
plotting against the Ba’ath. In November 1963, Arif took advantage of
Ba’ath party in-fighting to rally these officers to mount a counter-coup
against his erstwhile co-conspirators.

The most important officer to participate in the November 1963 coup was
the general and chief of staff, Tahir Yahya. In exchange for his services
during the November coup, Arif appointed Yahya prime minister and
asked him to form a cabinet. Predictably, prominent Nasserist officers domi-
nated Yahya’s government. But Yahya’s circle of advisers also included two
very significant civilians: Adib al-Jadir, the new minister of industry, and Khair al-Din Haseeb, the governor of Iraq’s Central Bank, who soon became known as Iraq’s “economic czar” because of his wide-ranging powers to implement socialist reforms as part of an effort to modernise the economy and as an initial step toward eventual political unification with Egypt (see Figure 2).  

Jadir and Haseeb were amongst the first generation of Arab students to attain advanced degrees in Europe or the United States—Jadir held a PhD in engineering from the University of Colorado, whilst Haseeb held an MS in economics from the London School of Economics [LSE] and a PhD in economic statistics from Cambridge. Haseeb was particularly active in the Arab student movement in Britain, becoming president of the LSE Arab Society in 1954. In this capacity, Haseeb first wrote to Nasser to express support and admiration after the 1956 Suez War. To Haseeb’s surprise, Nasser replied personally, thus beginning close personal relations between the two. Haseeb returned to Iraq in February 1960 and was briefly employed by the IPC, but quickly left the company’s employ to begin teaching at the College of Commerce and Economics at Baghdad University.  

After the November 1963 coup, Haseeb became a key personal intermediary between Yahya and Nasser. Haseeb and Jadir were also close with another Arab luminary from that era: Abdullah Tariki. Also amongst that generation of western-educated oil experts, Tariki received an MA in petroleum engineering and geology from the University of Texas and then worked for Texaco Corporation in the late 1940s and early 1950s. After he returned to Saudi Arabia in 1953, Tariki played a central role in establishing the Ministry
of Oil and became the country’s first oil minister in 1960. In that capacity, he challenged the labour and management practices of the Arabian American Oil Company. Tariki was also a key figure in founding the Organisation of Petroleum Exporting Countries [OPEC] in 1960. In March 1962, Saudi Crown Prince Faisal organised a conservative-oriented palace coup that led to Tariki’s ouster and exile. After being expelled from Saudi Arabia, Tariki became even more outspoken in his support for the principle of raw materials sovereignty—that is, the idea that post-colonial states had an inherent right to control their own natural resources. In 1963, he established a private oil consulting business in Beirut and founded the journal, Arab Oil & Gas. Through his consulting and his journal, Tariki became a prominent advocate of revising oil concession agreements through unilateral legislation as an inherent right of sovereignty, rather than through negotiations with the companies. With the ascent of Jadir and Haseeb in Iraq, Tariki became a frequent guest and advisor to the government of Iraq as it sought to implement the terms of Law 80.

The influence of Jadir, Haseeb, and Tariki was clearly visible when Yahya unveiled a comprehensive political and economic programme in a major address broadcast throughout Iraq at the end of December 1963. In his speech, Yahya introduced an ambitious programme of economic development that included the modernisation of agriculture, new investments in communication and transportation infrastructure, inter-Arab co-operation on development issues, and the formation of a national oil company to develop the oil fields reclaimed under Law 80.

The promise to form a state-owned oil company came to fruition in February 1964 with the issuance of Law 11. The new law formally established the Iraq National Oil Company [INOC] and invested it with the power to exploit the Law 80 territories, either on its own or in association with other international companies—so long as INOC held a majority interest in any joint venture agreement. Whilst the law had no immediate effect on IPC operations, the IPC saw it as a further affront to the sanctity of contracts and renewed threats of legal action against any company doing business with the INOC in the absence of a resolution to the Law 80 dispute. Despite these threats, INOC found a wealth of international companies interested in acquiring concessionary rights to North Rumaila and other Iraqi fields reclaimed through Law 80.

The threat of independent competition ultimately compelled the IPC to offer settlement terms acceptable to Arif and some of his more conservative advisors—including Wattari, Ghanim al-Uqaily, the INOC chair, and Abdel Rahman al-Bazzaz, the OPEC general secretary. The terms of the proposed “Wattari Agreement” contradicted the terms of Law 11 in that it would have returned majority control of North Rumaila to the IPC. For this reason, Haseeb, Jadir, and five other Nasserist cabinet members resigned in protest.
in July 1965. In the controversy that followed, the agreement was abandoned and Iraq-IPC negotiations broke down altogether. Soon thereafter, Yahya resigned as well, and the Iraqi government was thrown into disarray. The mounting chaos within the Iraqi government was further exacerbated in April 1966 when Arif was killed in a helicopter accident and replaced by his brother, Abdur Rahman, who did not have the same stature as Abel Salam.

Iraq’s government remained in a chaotic and fractured state when the third Arab–Israeli War erupted in June 1967. But by this time, the pendulum had begun to shift back toward a more radical nationalist direction. As Arab–Israeli tensions mounted in early 1967, Yahya was brought back in as deputy prime minister and the Ministry of Oil was handed over to Abdel Sattar al-Husayn, a Nasserist close to Jadir. When the war broke out on 5 June, Iraq followed Egypt’s lead in breaking diplomatic relations with the United States. At the same time, Jadir convened an Arab Oil Ministers Conference in Baghdad, in which the attendees agreed to embargo oil shipments to any country involved “directly or indirectly in armed aggression against Arab states.”

Hoping to head off spontaneous protests amongst oil workers, Libya followed Iraq in carrying through an embargo on exports, but Kuwait and Saudi Arabia were less forthcoming. Both pledged rhetorical support to the “Arab cause,” but as Saudi Oil Minister Ahmad Zaki Yamani quietly made clear to diplomats in Jeddah, “Of course, Saudi Arabia would permit oil shipments to go to the West, despite the announced embargo.” In Yamani’s view, the Arab–Israeli struggle was really only a “cover for [a] regional conflict between ‘socialist’ and conservative Arab states”; and “Only the Iraqis are naive enough to believe what the Egyptians tell them and to do what Nasser says.” Given the lack of agreement amongst Arab producing regimes, and the loss of government revenue, the embargo collapsed within weeks. By early July, Libya and Iraq had resumed limited shipments to selected countries. At the end of August, an Arab Heads of State Conference was held in Khartoum, at which the embargo was formally lifted and normal shipments were resumed by early September.

The 1967 embargo was little noted at the time, and most historians regard it as a rather unsuccessful effort to wield oil as “political weapon.” Not only was the shortfall of Arab oil easily made up through production increases in non-Arab countries eager to gain market share, but Arab producers found it difficult to regain access to Western markets once the embargo was lifted. However, the embargo also exposed significant tensions between Western consumer states—most notably France and Germany, on the one hand, and the United States, on the other. Both France and Germany responded to the announced embargo by pursuing bi-lateral agreements with the producing states, including Iraq, which recognised producer state sovereignty over oil supplies and undermined IPC demands for arbitration. Although the United States ultimately pre-empted
these agreements by temporarily suspending anti-trust laws to allow the major companies to work together to make up for lost supply with increased production from Iran, Venezuela, and America, the embargo proved an important turning point in Iraq’s relations with France in particular.  

By 1967 France, under the leadership of President Charles De Gaulle, had become quite sympathetic to Iraq and other radical Arab states. As Arab–Israeli tensions mounted in spring 1967, De Gaulle explicitly cautioned Israel against initiating a new war and discontinued arms shipments. After the war, he called on Israel to withdraw from the occupied territories whilst French oil companies began working closely with Iraqi nationalists to displace the IPC consortium, in which CFP was only a minority shareholder. 

Within Iraq the effects of the embargo were even more dramatic. Whilst Kuwait, Saudi Arabia, and Libya engaged in an “extremely delicate and dangerous game of proving their Arabism and at the same time not jeopardising their long-range interest in keeping oil flowing,” Iraq moved fully to embrace the Arab cause. In the aftermath of the Arab defeat, Yahya returned to the office of prime minister, whilst Jadir resumed his post as minister of industry. As he took control of the government, Yahya swore to deploy Iraqi “oil as a weapon in the battle against Israel” and its Western supporters. The following month, he introduced Law 97, which permanently barred the IPC from operating in North Rumaila. In September, Yahya introduced Law 123, which removed moderates from the Ministry of Oil and from the board of the INOC and replaced them with a board led by Haseeb and Jadir. In October and November, Iraq negotiated a pair of major agreements with a French company to develop new oil fields near Amarah in the south. In December, Iraq negotiated a far-reaching agreement with the Soviet Union for open-ended capital, technical, and marketing assistance for the “direct development of the Iraqi national oil industry.” By May of the following year, the INOC began drilling for oil in North Rumaila and indicated that the government would soon undertake the complete nationalisation of IPC properties.

Yahya’s post-war oil offensive alarmed the State Department. Even before the June War, State Department experts had begun to warn that the threat of oil nationalisation was becoming increasingly likely throughout the Middle East. In February 1967, it issued a policy paper noting that the Middle East held two-thirds of the “Free World’s oil reserves,” that American companies had nearly $3 billion invested in the region, that those investments yielded some “$750 million in profit flows back to the US annually,” and that the region supplied “more than 60% of America’s fuel requirements for the Vietnam War.” Given these interests, the paper argued, “we should strengthen our political ties with Iran and the Arab Middle East countries, play down our relations with Israel, and protect our fortunate access to the prolific oil resources of the area.”
Shortly after the war, John McCone, who had recently resigned his position as director of the Central Intelligence Agency [CIA] over his opposition to the Johnson Administration’s tacit support for the Israeli nuclear weapons programme, emphasised this same theme. When one analysed the situation “from the point of view of the international oil companies,” he cautioned, it was clear that “we must guard against the Europeans taking advantage of our plight.” As McCone explained, “The Europeans are definitely making carefully guarded overtures to all of the oil-producing Arab countries, pointing out that should the latter be forced to take over American oil properties, they can depend on the Europeans for assistance.” McCone described the situation as “very different” from the Mosaddeq era (1951–1953) in Iran when the Europeans lacked the “capability to enter the oil business.” As a consequence, “Arab oil-producing states” no longer had to fear the “tragedy of Iran after Mosaddeq expropriated the oil and production was shut off completely because of a lack of capability.”

McCone’s analysis was ultimately borne out by subsequent events. As French and Soviet assistance poured into Iraq, IPC analysts “took stock” of the Company’s “current position” in March 1968 and found the situation dire. They found that it was “possible to imagine a change of government within a year, but [that] it would take much longer to dislodge [the] Jadir group from [the] Oil [Ministry].” And even if a moderate group did come to power, “it would not be able to reverse nationalist decrees especially concerning Rumaila.”

Despite this pessimistic analysis, the IPC watched the situation carefully and expressed new hope when it appeared that a group of senior military officers was meeting in secret at the Bakr’s home to plan a new coup. Sensing the IPC was conspiring to bring down the Yahya government, Iraqi negotiator Hussein Ghulam warned the companies against pursuing regime change in Iraq:

He asked whether the Oil Companies were waiting for a change of Government; whether they did not realise that these were not demands of individuals but that they were national demands which would be inherited by any Cabinet that might come in. He wondered whether we did not realise that a new Prime Minister would have to prove all over again that he was brave and successful on the Oil front and that we would have to suffer anew whilst the present Prime Minister would be in a strong enough position based on his past record to work towards a settlement with us.

Despite Ghulam’s warning that Iraq’s demands “were not the demands of individuals,” there were increasing signs that the IPC, along with other American business groups, were hoping for, if not actually working towards, the overthrow of the Yahya government. In July 1968, Lloyd Ahlgren, the vice-president of Booz, Allen & Hamilton, an international management consulting firm that worked very closely with the CIA, met with the State Department to discuss the situation in Iraq. Ahlgren predicted that Yahya
would soon be “stepping down,” and the business climate in Iraq would improve markedly.\textsuperscript{38} He urged the State Department to protect American capital investments in the region by embracing the upcoming change of government in Iraq and limiting American support for Israel:

The feeling amongst many Arabs that the US Government supports Israel . . . has harmed US commercial interests badly, not only in Iraq but also in Kuwait and Saudi Arabia. It is in the interests of the American economy for the US Government to adopt a more sympathetic posture toward the Arab world, but it apparently is difficult to drum up US domestic support for American interests in the Arab world.

The day after Ahlgren met with the State Department, a group of Iraqi military officers led by Lieutenant-Colonel Abdel Razzaq al-Nayef, Arif’s non-Ba’athist chief of military intelligence, seized control of key government institutions, put Arif on a plane bound for Britain, and declared a new regime. Though executed by Nayef, the coup was organised by Bakr and his deputy Saddam Hussein. At the time the exact relationship between the Nayef and Bakr groups was somewhat unclear, but State Department intelligence immediately interpreted the coup as the work of the Ba’ath.\textsuperscript{39} It was not particularly good news from the perspective of the NSC and the White House. After the spectacular failure of the Ba’ath to establish a stable regime in 1963, many in Washington grew sceptical of the Party, particularly after a group of radical Ba’athists seized power in Syria in 1966 and aligned their regime with the Soviet Union.\textsuperscript{40} As the new group took power in Iraq, the NSC acknowledged that it was as yet unclear “how radical” they would be, but worried that as Ba’athists, “their tendencies will be towards moving Iraq even closer to [the Palestinian] Fatah, the Syrians, and the Soviets.”\textsuperscript{41}

Whilst the NSC remained wary of any new Ba’athist government in Iraq, the American Embassy at Beirut—the principle source of political information on Iraq after the closure of the Baghdad Embassy during the June 1967 War—was much more optimistic. On 22 July, it reported that Iraq’s Ba’athists were not in league with Syria. On the contrary the Syrian regime was reportedly describing Nayef and his followers as “lackies of Kuwait and the IPC.”\textsuperscript{42} From Beirut, it appeared that it was the moderate Nayef who had furnished the leading element of the coup, and that Bakr was brought in as a figurehead at the last minute.\textsuperscript{43} After receiving the Embassy’s assessment, the NSC then informed the White House that “The Baathists are from the right-wing of the party,” and that “The Syrians had nothing to do with the coup.”\textsuperscript{44} As the dust began to settle, the NSC concluded, “The new government could still be a little harder for us to deal with than the old [Arif regime]—if we ever have a chance to deal with it—but if we had to have a Baathist government there, this is probably the best we could expect.”\textsuperscript{45}
Positive assessments of the new regime were based on the enthusiasm of conservative media outlets in Beirut, which began predicting that the Nayef government would soon cancel the recently concluded oil agreements with the French, and that it might even dissolve the INOC.\textsuperscript{46} Even more encouraging was the fact that Yahya and Jadir had been arrested and gaoled, and their property confiscated, whilst Haseeb had gone into hiding.\textsuperscript{47} As the radicals were purged, “moderate technocrats” took their places, much to the satisfaction of the IPC.\textsuperscript{48} At the end of July, the new regime invited IPC representatives to Baghdad to negotiate directly with Nayef over all outstanding Iraq–IPC issues.\textsuperscript{49}

It was in this context of anticipated Iraqi moderation on oil issues that Robert Anderson, a former secretary of the United States Treasury and “crypto-diplomat” for the Eisenhower Administration, called upon National Security Advisor Walt Rostow.\textsuperscript{50} Anderson was now ostensibly a businessman representing the Pan American Sulfur Company and the Gulf Sulfur Company, both of which were interested in doing business in Iraq.\textsuperscript{51} In his 30 July telephone conversation with Rostow, Anderson reported the details of his recent meeting with an Iraqi interlocutor, Lutfi al-Obeidi.\textsuperscript{52} Obeidi was formerly “employed by Anderson” and was reportedly very close to Bakr. Anderson conveyed the new government’s interest in resuming diplomatic relations with the United States and its request for American economic aid. Anderson suggested that Rostow respond favourably to this request, and that he intercede with the World Bank chair, Robert McNamara, to secure development loans for Iraq. The new leadership was, in Anderson’s view, moderate and well-disposed to the West.\textsuperscript{53} The new finance minister, Salih Kubba, was, in Anderson’s words “a good friend and a solid citizen, as is the new Foreign Minister [Nasir al-Hani].”

Anderson explained that the coup had not been directed at the moderate Arif, but rather against the radicals led by Yahya. “Before seizing power,” the new group “tried to persuade Aref [sic] to change the PM and the Cabinet but he was too weak to do anything.” After taking power, they “debated about whether to shoot the old Prime Minister but decided it would be better not to do so. They didn’t want world opinion to say that theirs was just another Iraqi blood bath.” From Anderson’s perspective, these were all positive signs. As was Obeidi’s indication that the United States could expect the new government to adopt a policy line that would be sufficiently independent of Egypt and Syria.

As Rostow and the Johnson Administration were considering the Anderson-Obeidi proposal, Bakr and the Ba’ath mounted a second coup—this time against Nayef and the non-Ba’athist co-conspirators in the 17 July coup. On 30 July, Bakr, with the assistance of Saddam Hussein, arrested and exiled Nayef and proclaimed himself president and commander-in-chief of the armed forces.\textsuperscript{54} Bakr claimed this move was necessary to prevent “reactionary
elements” from selling out Iraqi oil interests to the IPC. But when Haseeb emerged on 1 August, he, too, was arrested and gaol, whilst Bakr quietly informed the IPC that there would be no return to the radical oil policy Iraq initiated in the aftermath of the June War. Bakr’s consolidation appeared a positive development for many in the State Department. In their view, “the Right-wing Ba’this will probably not press further nationalization … [and] may also be more businesslike and less politically hamstrung in their dealings with foreign companies than was the Arif government.” Equally encouraging was the Ba’ath’s selection of Rashid al-Rifai, a new moderate oil minister that enjoyed the confidence of the State Department.

Despite the rough treatment meted out to the Yahya group, clear moderation on oil issues, and the endorsements from Ahlgren, Anderson, and the State Department, the Johnson Administration chose not to respond to appeals for an American–Iraqi rapprochement. Its failure to reciprocate Iraq’s interest in resuming diplomatic relations led the representatives of SONJ and Socony to initiate a new lobbying effort in November 1968. The oil executives urged the State Department to resume diplomatic relations with Iraq and provide the fledgling regime with economic aid. Walter McDonald of Socony explained that he recently met with the Iraq defence minister, Hardan al-Tikriti, and that Tikriti had expressed a strong desire to forge a new and more constructive relationship with the United States. McDonald favoured opening a dialogue with Tikriti, suggesting that “just a word” in support of an equitable settlement to the Arab–Israeli conflict would go a long way with Tikriti and his associates. Despite this appeal, the Johnson State Department chose not to respond to what it called the “Tikriti overture,” citing a lack of “confidence in the longevity of either Tikriti or his government.”

In a follow-up memorandum explaining the State Department rejection of Tikriti’s offer to resume diplomatic relations, Talcott Seeyle highlighted “the thuggery prevalent in Iraq” under the Ba’ath. However, the Ba’ath Party of 1968 was no more “thuggish” than the party the United States embraced so enthusiastically in 1963, suggesting that an explanation for the American rejection of the Ba’ath lays elsewhere. What had changed—or was in the process of changing—was the intellectual and institutional context in which Middle East policy was made. Tikriti approached McDonald and the oil companies at a moment of increasing disarray within the American foreign policy-making process. Since the demise of the Eisenhower Doctrine in autumn 1958, the United States had pursued a degree of accommodation, in one form or another, with the forces of Arab nationalism—an approach that was codified with NSC 5820 in November 1958. This endeavour produced a policy approach that had been sympathetic to both Nasser and the Ba’ath. Top-level support for this approach peaked during the Kennedy years, but then weakened considerably under Johnson as a result of Egyptian intervention in the Yemeni Civil War of
1962–67, which threatened the American-backed government in Saudi Arabia, and then the outbreak of the June 1967 Arab–Israeli war.

By the late 1960s, many mid-level officers within the State Department continued to adhere to this broadly accommodationist approach, but they faced increasingly stiff resistance from other elements and echelons of government. A July 1968 policy review found that in the 1950s, the United States sought to contain “Soviet expansion” with a “Northern Tier defense” but, with the Iraqi Revolution of 1958, it became clear that the Soviet Union had “leapfrogged” the Northern Tier.64 With the 1958 overthrow of the Hashemites revealing the inadequacy of the Eisenhower Doctrine, emphasis shifted to the “general theme of economic development.” In the 1960s, policy-makers believed that “economic development, whether the recipients were our military allies or not, provided the best means of stabilising the area and the best defence ... against the Soviet threat.” However, after following an accommodationist approach for a decade, the State Department had to concede that “Neither containment nor development provides the key,” and a fundamental “redefinition of policy” was in order.

Part of the effort to redefine American policy in the region involved the formation of an inter-agency study group composed of hawkish figures based mainly in the military and CIA.65 This group, known as the “Holmes Group,” named for its leader, Julius C. Holmes, a retired general officer with a background in military intelligence and a former American ambassador to Iran (1955; 1961–1965), argued that despite—or, perhaps, because of—American efforts to accommodate Nasser and other Arab nationalists, the Soviets had made “major inroads into the Middle East.”66 Viewing the region through a Cold War lens, Holmes argued that the United States and Israel were natural allies facing a common existential threat from an implacable Arab foe:

It is abundantly clear that the USSR has a firm policy to achieve dominant influence in the eastern and southern Mediterranean basin. It is equally clear that the Arabs are as emotionally committed to destruction of Israel as were their ancestors to elimination of the Christian Kingdom of Jerusalem. The Soviets use Arab hatred of Israel to advance their interests and the Arabs use the Soviet presence and assistance to further their objective. The result is a situation which is damaging and dangerous for United States interests.

Given this irrational hatred of the “Judeo-Christian West,” Holmes argued that it was time to stop wooing Arab nationalists with promises of economic aid, begin forging a closer alliance with Israel, and initiate a massive military build-up in the Indian Ocean and Persian Gulf to defend that alliance.67

In response to the Holmes Study, State Department officials defended their traditional emphasis on accommodation and development, claiming that their critics over-stated Soviet capabilities and under-stated “indigenous sources of resistance to Soviet domination.”68 But regional experts within
the State Department were clearly on the defensive as critics continued to launch assaults on their approach.\textsuperscript{69} Indeed, over the next several years, the State Department went through a major re-organisation in which many of the most experienced and well-informed area experts, who tended to see the region through a prism of development, were replaced by national security types; these newer people viewed the region through a Cold War lens, leaving many “aggrieved Arabists” to identify with the “old China hands” that were marginalised after the “loss” of China in 1949.\textsuperscript{70}

The Johnson Administration’s unwillingness to embrace or accommodate the Tikriti overture should be viewed in light of these changing attitudes about the best way to maintain stability and advance American interests in the region. The Administration’s unwillingness to embrace the Ba’ath probably also contributed to the Ba’ath’s subsequent decision to pursue an increasingly close alliance with the Soviet Union. The military equipment that the United States was providing to Iran and Saudi Arabia was clearly superior to the military aid the Soviets were providing Iraq, Egypt, and Syria. Likewise, the IPC majors clearly had the financial, technical, and marketing capacity to increase Iraqi production more rapidly than would be possible with French and Soviet support. The Iraqi Ba’ath therefore had very rational reasons for seeking rapprochement with Washington.\textsuperscript{71} But after Washington rebuffed the Tikriti overture, a rival pro-Soviet faction of the Ba’ath led by Saddam Hussein organised Tikriti’s ouster and assassination.\textsuperscript{72} As Hussein emerged as the key power behind the scenes in Iraq, the Ba’ath placed the Ministry of Oil under the control of Sa’dun Hammadi, who opposed negotiating with the IPC in favour of close co-operation with the Soviet Union.\textsuperscript{73} In August 1970, Hussein led a delegation to Moscow to negotiate a $140 million economic and technical aid agreement.\textsuperscript{74} Soviet–Iraqi co-operation on technical and economic issues opened the door to closer strategic and military collaboration. By 1971, the Soviets were constructing naval bases in Iraq and making regular naval patrols in the Persian Gulf.\textsuperscript{75}

These pro-Soviet trends in Iraqi policy culminated in Hussein’s February 1972 trip to Moscow to secure Soviet support for a new drive to nationalise the IPC.\textsuperscript{76} Hussein’s trip to Moscow was followed in April by a visit from Soviet Premier Alexi Kosygin to witness the first shipment of oil from fields nationalised in 1961, and to negotiate a new a 15-year “Treaty of Friendship and Cooperation” that assured the Iraqi regime of wide-ranging support for its independent oil policy.\textsuperscript{77} Having forged a close working relationship with the Soviet Union, the Ba’ath issued Law 69 on 1 June 1972 that unilaterally transferred ownership of Anglo–American shares in the IPC to the INOC.\textsuperscript{78} The oil nationalisation marked the culmination of a struggle that began 11 years earlier with the proclamation of Law 80. It also marked the end of an era in which a small handful of multi-national firms managed global price and supply stability. Within a decade, all Middle
Eastern producers followed Iraq’s lead in seizing control of their oil resource from the major multi-nationals.

It is impossible to say what might have been had the United States chosen to reciprocate the Tikiriti overture. It is conceivable that such a move would have preserved Iraq’s Cold War neutralism and the IPC’s concession, at least for a few more years. But the underlying trend-lines militated against both eventualities. The Ba’ath as a whole had been growing more radical and pro-Soviet for several years dating back to the Party’s March 1966 coup in Syria. The polarising logic of the Arab–Israeli conflict compelled Arab states toward closer relations with the Soviet Union. And the concessionary system devised in the early part of the twentieth century was rapidly nearing its natural limits: producing states had accumulated the finance capital, technical expertise, and marketing capacity to operate independently of the oil majors.

Notes


2. The evidence presented in this analysis suggests that if the Central Intelligence Agency backed the coup, it did so as what Democratic Representative Otis G. Pike described as a “rogue elephant”—meaning an agency operating without proper authorisation or larger policy co-ordination. See Gerald K. Haines, “The Pike Committee and the CIA: Looking for a Rogue Elephant”: https://www.cia.gov/library/center-for-the-study-of-intelligence/csi-publications/ csi-studies/studies/winter98_99/art07.html#rft16.


5. IPC ownership shares were distributed as follows: BP: 23.74 percent; Royal Dutch-Shell: 23.75 percent; CFP: 23.75 percent; Middle East Development Company—a consortium equally comprised of SONJ and Socony: 23.75 percent; the “Gulbenkian interest”—named for Calouste Gulbenkian, the Armenian businessman who first brokered the consortium agreement: 5 percent.


11. Haseeb had been appointed governor of the Central Bank by the previous Bakr government. He accepted the position on condition that the Ba’ath party would not interfere with the work of the Bank. This was a promise that Bakr would not ultimately keep.

12. Author interview with Haseeb, Centre for Arab Unity Studies, Beirut, Lebanon, 18 January 2016.


17. On the “independents” and the Wattari agreement, see Penrose and Penrose, Iraq, 381–420; Saul, “Masterly Inactivity,” 762–72.
22. Tripoli to State Department, 30 June 1967, Ibid., Document 253, Note 5, Tripoli to State Department, 6 July 1967, Document 255, both Ibid.
32. See Seymour Hersh, The Samson Option: Israel’s Nuclear Arsenal and American Foreign Policy (NY, 1991), 151.
35. Jackli to Daley, 3 April 1968, IPC 136002.
37. On Booz, Allen & Hamilton links to the CIA, see Hugh Wilford, America’s Great Game: The CIA’s Secret Arabists and the Shaping of the Modern Middle East (NY, 2013), 150.
45. Ibid.
47. Haseeb interview, 18 January 2016.
53. Avneri reports that McNamara, along the Ford Foundation president, McGeorge Bundy, and the World Bank president, John J. McCloy, were all “present in the Middle East during the coup,” and he suggests that all three may have supported the coup in some way. Unfortunately Avneri provides very little detail or documentation regarding the purpose of their visit to the region. See Avneri, “Iraqi Coups,” 654–55. On McCloy’s 1967 travels in the Middle East, also see Kai Bird, The Chairman: John J. McCloy and the Making of the American Establishment (NY, 1991), 604–05.
56. Jackli to CMD, 31 July 1968, IPC 136003; Haseeb interview, 18 January 2016. His 1 August 1968 arrest came as a surprise to Haseeb as he believed he was on “good terms” with Bakr, despite having clashed with him over senior staff appointments at the Central Bank in 1963. From gaol, Haseeb wrote a letter to Bakr demanding to know why he was being imprisoned. He implored the president to “either present charges against me and prove them in court, or else it will be clear that you are acting on behalf of the oil companies.” The letter was then leaked to al-Hawadith, a weekly newspaper published in Beirut, and then circulated throughout the Arab world. Haseeb was
subsequently moved to the infamous Qasr Nihaya prison where he was interrogated and tortured by a committee under instructions from Saddam Hussein, who accused him of being “Nasser’s representative in Iraq.” Haseeb remained in various gaols and prisons until the death of Nasser in September 1970. By that point, the Ba’ath concluded that the threat of a Nasserist coup had passed; Haseeb was released and allowed to assume a position as a Professor of Economics at Baghdad University. In this capacity, he became an “informal advisor” to Saddam Hussein in the sense that he “knew that the Baath had informants in all of my classes so I advised Bakr in that way, on [pipeline issues] and negotiations with the IPC. . . . I also brought in regional experts such as Tariki as a way of advising the state on how to carry out the nationalization and settlement.” He also continued to advise the government through close personal contacts with the Ba’athist oil minister, Sa’dun Hammadi. In 1974, Hammadi warned that he could not protect Haseeb against Bakr and that Haseeb better “leave the country.” At that point, Haseeb departed for Beirut and began working for the United National Economic and Social Commission for West Asia. In 1981, he helped found the Centre of Arab Unity Studies in Beirut, where he continues to serve both as chairman of the Board of Trustees and chairman of the Executive Committee.

60. Bass to Seelye, 12 November 1968, “Tikriti’s Overture (?) to the USG,” Ibid.
61. Seyle to Davies, 15 November 1968, “Tikriti Overture,” Ibid.
62. Matthew F. Jacobs, *Imagining the Middle East: The Building of an American Foreign Policy, 1918–1967* (Chapel Hill, NC, 2011), chapter 5 describes this process as part of a “fracturing” of the informal network of purveyors of policy-relevant knowledge, and a reorganisation of their place within the policymaking process.
66. Holmes Study.
69. On the debate over the Holmes study as it unfolded between 1967 and 1969, see Ibid., Documents 25–31.


75. Tehran to State Department (76), 6 January 1971, Ibid., Document 279.


78. Iraq nationalised the remaining CFP and Gulbenkian shares the following year. See Hammadi to IPC, MPC, BPC, 18 May 1972, Macpherson to IPC, 23 May 1972, Milne to Stockwell, 24 May 1972, all IPC 136014; Moscow to State Department (5798), June 16, 1972, *FRUS, 1969–1972*, E-4, Document 317.

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