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US Middle East Policy and the State-Capital Controversy in Imperialism’s Historiography

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ABSTRACT  The post-9/11 US intervention in the Middle East has reignited the debate over imperialism—both its meaning and its morality. The broader dispute over imperialism dates to the appearance of J. A. Hobson’s writings on the topic in 1902. An analysis of US ventures in the Middle East from the end of World War I to OPEC’s consolidation in the 1970s illuminates key controversies that recur in the literature from Hobson forward. The present essay is specifically concerned with this episode’s lessons for the debate over whether imperialism’s animating impulse is capital or the state itself. It demonstrates that this controversy is fundamentally misconceived.

KEY WORDS: ARAMCO; CIA; Hobson; Imperialism; Israel; Rosa Luxemburg; October War; OPEC; Joseph Schumpeter; Six-Day War; state-capital convergence; United States

In early 1970, with the major oil companies waging a rearguard battle against an increasingly phalanx-like OPEC, the shah of Iran held a press conference in Tehran at which he expatiated on the machinations of the so-called Seven Sisters (the core group of multinational oil companies, five of them American), denouncing their attempts both to short-change oil-producing countries such as his own and to enlist their governments in the effort. The latter behavior, he stated firmly, was ‘a precise example of what is called economic imperialism.’¹ The charge was hardly novel then and remains pervasive today. Indeed, the debate over US imperialism in the Middle East ignites anew each time the United States elects to pursue its strategic goals in the region via military intervention, as it has done most recently in Iraq and Afghanistan. In its broader historical contours, the imperialism debate has been marked by a perennial set of controversies, one of which will be my focus. This is the dispute between those who contend that imperialism results from capital drawing the state into foreign military ventures and those who argue the reverse. In exploring this dispute with reference to US foreign policy in the Middle East, I contend that it posits a false dichotomy. Neither of the opposing positions is historically tenable, since capital and the state in fact have propelled one another into the region, with neither pulling the other in its train for any significant length of time without a reversal of roles. Further, I argue that one of the more ambitious alternatives to this account—the theory that


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the distinction between the state and capital is itself illusory—fails the test of history, and specifically history as it unfolded from the beginning of significant US engagement in the Middle East in the post-World War I era through the consolidation of OPEC in the 1970s.

Weighing in on these matters naturally requires that we settle upon a serviceable definition of imperialism. Given the variety of such definitions, a sensible preliminary step is to select one sufficiently abstract to capture the shared elements among the many alternatives on offer. This will help to clarify what it is that the various parties to the dispute are discussing and thus enable us to inquire into which explanatory elaboration of the agreed upon phenomenon of imperialism is most cogent. Paul Schroeder’s conception of empire as, in essence, ‘political control over foreigners’ (more often than not exercised indirectly) seems like a good start in this regard. Nothing about this definition prejudices the question of the impetus for said control, nor does it necessitate any particular understanding of the modalities through which such control is secured or maintained. It accommodates, for example, both those theories that depict imperial expansion as a juggernaut-like push to the periphery generated by inequalities in the core of major capitalist societies as well as those offering a more nuanced and contingent picture of imperial expansion. The latter would include R. E. Robinson’s ‘excentric idea’ of imperialism—in which the imperial power seizes on local inequalities in the domains it wishes to penetrate and thus makes itself a hostage to whatever changing fortunes these ever-shifting inequalities entail—as well as Herfried Münkler’s view that ‘numerous decisions affecting the very existence of the empire are taken on its periphery.’

The Imperialism Debate

The primogenitor of the imperialism debate is J. A. Hobson, whose writings in the early twentieth century furnish the cornerstone of modern theories of imperialism. That is to say, the bulk of those writing on the subject from the 1900s forward either respond to Hobson or they respond to those responding to Hobson, and so on outward. In his 1902 book, Imperialism, Hobson contrasted imperialism—whose outbreak in Britain and continental Europe he dated to the mid-1880s ‘scramble for Africa’—with colonialism. The essence of the latter was the ‘natural overflow of nationality.’ The colonial power exported segments of its own population into sparsely peopled regions, thus organically and unobtrusively expanding the national body. The organic quality of colonialism was critical, since the peaceful expansion of nations brought about internationalism, a desirable end. But unlike colonialism, argued Hobson, imperialism distorted the natural course of national growth because it amounted to the forced overflow of nationality into

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3 The genesis of theories of imperialism dates to the late nineteenth century ‘scramble for Africa,’ when the term graduated from an epithet connoting demagogic tyranny—pinned on Louis Napoleon by his British antagonists and then on Benjamin Disraeli by his British antagonists—to a discernible program adopted by nations to advance their political and economic interests.

densely populated regions and thus bred contempt and, in the end, a perversely exaggerated national consciousness among those subject to it.\(^5\) It also made for empires, which unlike nations were set on a course of inevitable collision with one another.\(^6\) In a word, imperialism set in motion powerful forces of international instability.

Given its clearly deplorable consequences, what drove imperialism forward? Hobson gave short shrift to then-fashionable theories of imperialism’s commercial and demographic benefits. On the contrary, he insisted, imperialism buoyed neither the business community at large nor the general population, but rather a small clique of financial interests at whose core sat the ‘great financial houses’ which were in fact ‘the prime determinants of imperial policy.’\(^7\) That element of the home population that imperialism sent abroad consisted of ‘a small minority of white men, officials, traders, and industrial organisers,’\(^8\) and it was foreign investment opportunities that animated their movement. In Hobson’s day, a popular case for the inevitability of imperialism held that productive capacity in advanced societies such as Britain had outstripped consumptive capacity, leaving excess capital no domestic outlet. Hobson acknowledged this dilemma as imperialism’s ‘taproot,’\(^9\) but he argued that it treated as necessary what was in reality contingent, namely, the system of distributing wealth in the industrial societies. Were the rise in productive efficiency linked to a rise in workers’ wages, domestic consumption would keep pace with production. Instead, wages were held down, generating a surplus of wealth among the few and thus a need for a foreign conduit through which to channel investment and excess production.\(^10\)

From this alone it is evident that in Hobson’s understanding imperialism was a process driven not by the state but rather by capital. In this respect, he may be regarded as in league with Marxists such as Rosa Luxemburg and Vladimir Lenin, and in conflict with a number of other theorists of imperialism.^11^ R. E. Robinson and J. A. Gallagher, for example, would argue in 1961 that Hobson and all others fixated on some capitalist cabal or other had gone fundamentally awry. As they saw the history of imperialism from the 1880s forward, it was all the other way around: ‘So far from commercial expansion requiring the extension of territorial claims, it was the extension of territorial claims

\(^5\) Ibid, p. 11.
\(^6\) Ibid.
\(^7\) Ibid, p. 59.
\(^8\) Ibid, p. 27.
\(^9\) Ibid, p. 81.
\(^10\) Ibid, pp. 83–84.
\(^11\) It should be emphasized that this corralling of Hobson with Luxemburg and Lenin is undertaken only with respect to the specified debate. Both Luxemburg and Lenin advanced critiques of imperialism that cut far deeper than Hobson’s. Furthermore, Hobson’s pinpointing of a cabal at the heart of British capitalism did not amount to a rejection of capitalism itself, but rather the designation of a cancer within it. See: E. K. Hunt, *History of Economic Thought: A Critical Perspective* (Armonk, NY: M. E. Sharpe, 2002), p. 369. This put him at loggerheads with Luxemburg, who insisted that that portion of profit destined for capitalisation and accumulation outside the already existing capitalist world was capitalism’s raison d’être; See further Rosa Luxemburg, *The Accumulation of Capital* (London: Routledge & Kegan Paul Limited, 1951 [1913]), pp. 417–429. For Luxemburg, imperialism was the evidence of the irredeemable nature of capitalism. For Hobson, it was a malignant mutation of capitalism, which might yet be put right. For his part, Lenin disdained Hobson’s refusal to adopt an unabashedly anti-capitalist stance, writing scornfully of his ‘urging the necessity of “increasing the consuming capacity” of the people (under capitalism!).’ See Vladimir Il’ich Lenin, *Imperialism: The Highest Stage of Capitalism* (Chippendale, NSW: Australia, 1999 [1917]), pp. 109–110.
which in time required commercial expansion.’ Likewise, in 1942 Joseph Schumpeter would challenge a Hobsonian premise central to the Marxists who were his immediate target of reproach. He argued that the supposed pressure generating capital flight from the advanced national economies simply did not obtain in the early period of imperial expansion, and therefore could not have been the impetus for it. Similarly, D. K. Fieldhouse argued in 1961 that British overseas investment did not flee from the domestic economy but rather reinforced it, as revealed by the fact that the lion’s share ‘went to the “new” countries—to the United States, Canada, Argentine, Australasia and South Africa in particular—who were producing the primary materials that the British economy needed.’

Origins of US Imperialism in the Middle East

What then is the history of US involvement in the Middle East? Did US capital draw the US government abroad in this instance? There is no shortage of evidence that might be adduced in favor of this view, but it is quickly tempered upon inspection of the historical record. Having furnished 80 percent of Allied petroleum, Washington was certainly aware of the essential role that oil played in the outcome of the First World War. Woodrow Wilson needed no prodding from the major American oil companies to appreciate the strategic significance of Middle Eastern oil in particular. Quite the opposite, his administration insisted that the British and French set aside a portion of the Turkish Petroleum Company (TPC) consortium’s holdings in the region for American companies at a time when the companies themselves were largely content to continue exploration and development in the Western Hemisphere. When the British and French boldly flouted US pressure and formalized American exclusion from Iraqi oil at San Remo in 1920, US Secretary of State Bainbridge Colby did not wait for the input of American oil companies before issuing Washington’s unequivocal protest to the British. In the same year, US officials already were showing signs of worry over what they regarded as an exhaustible domestic resource. Secretary of War Joseph Daniels warned of the dangers of depletion and the US Geological Survey characterized America’s strategic position vis-à-vis oil as ‘precarious.’ By the end of the Second World War, a consensus had emerged among US officials. It was embodied in a 1944 State Department policy statement, Foreign Petroleum Policy of the United States. The document called for an expansion of production outside the United States in an effort to conserve domestic supplies, placing special emphasis on the Middle East. The previous year, Washington had dispatched the esteemed geologist Everette DeGolyer to the Middle East on a mission to survey the region’s reserves. In early 1944, he declared that the Middle East soon would be the centre

17 Sampson, *Seven Sisters*, p. 60.
of global oil production.\textsuperscript{18} The following year, the State Department advised President Truman that Saudi petroleum in particular was ‘a stupendous source of strategic power, and one of the greatest material prizes in human history.’\textsuperscript{19} Truman got the message. One of the core strategic objectives behind the Truman Doctrine’s insistence on aiding Greece, Turkey and Iran was to fortify the oil resources to the south against Soviet expansion.\textsuperscript{20}

Well before then, however, the major US oil companies had seen the light with respect to oil exploration in the Middle East. Some companies were prompted to overseas exploration earlier than others. When John D. Rockefeller’s Standard Oil broke up on the rocks of anti-trust in 1911, its largest progeny, Standard Oil of New Jersey (later Exxon), found itself bereft of domestic reserves and therefore had to look elsewhere.\textsuperscript{21} The same was true for Standard Oil of New York (later Mobil), which pleaded with a sympathetic State Department to do something about British obstinacy \textit{vis-à-vis} the TPC concession. While the State Department did facilitate the US oil companies’ penetration of TPC in the early 1920s and five of the majors had secure stakes in the newly rechristened Iraq Petroleum Company (IPC) by the early 1940s, the corporations had by then found their stride and even outpaced the US government. As Sampson writes, ‘The State Department pushed the companies into Iraq in 1920.’\textsuperscript{22} Within two decades, it was the companies trying to pull the government after them. FDR, for example, initially adopted a hands-off posture toward the oil giants’ dealings in the region. In 1941, when executives of Socal and Texaco (the original two members of the Arab American Oil Company consortium or ARAMCO) appeared, hats in hand, requesting government assistance in the effort to fortify their Saudi concession, Roosevelt turned them down and suggested they try asking Whitehall.\textsuperscript{23} Two years earlier, the Arabian oilfields had been brought on stream for the first time. The only ones present for the grand occasion, however, were US oilmen. Washington had not so much as appointed an ambassador to the country.\textsuperscript{24}

Yet, a short time later, the government would again need no coaxing. The proximate strategic rationale for ‘the shift,’ as George C. Herring calls it, turned on ‘the loss of Southeast Asian [oil] supplies in early 1942.’\textsuperscript{25} In December of that year, Roosevelt


\textsuperscript{20} Klare, \textit{Blood for Oil}, p. 40; ‘Greece was officially regarded as part of the Middle East, not Europe, until the overthrow of the US-backed fascist dictatorship in the 1970s. It was part of the peripheral region required to ensure control over Middle East oil…’ See: Noam Chomsky, \textit{Middle East Illusions} (Lanham, MD: Rowman and Littlefield, 2003), p. 164.

\textsuperscript{21} Little, \textit{American Orientalism}, p. 45.

\textsuperscript{22} Sampson, \textit{Seven Sisters}, p. 187.


\textsuperscript{24} Sampson, \textit{Seven Sisters}, p. 91.

appointed Interior Secretary Harold Ickes to a significant new post, Petroleum Administrator for War. By the time the chairmen of Texaco and Socal returned looking for Lend-Lease funds to safeguard their Saudi concession against British intrusion, the days of fobbing them off with references to White Hall were over. FDR authorized the aid on grounds of Saudi Arabia’s centrality to US national security.26 Moreover, Ickes hired Fred Davies, Socal’s vice-president, as his deputy in managing the Office of Petroleum Coordinator.27 By mid-1943, the government’s interest in the ARAMCO concession had far exceeded the companies’ expectations. They themselves had suggested that Washington offer them greater financial support in exchange for a share of the Saudi concession, but Undersecretary of the Navy William Bullitt liked the idea a little too much. He advocated that the government purchase a controlling interest in ARAMCO. The notion found favor with Roosevelt, who promptly established the Petroleum Reserves Corporation (PRC), with Ickes as its president and a board of directors featuring the Naval, War and State secretaries.28 The companies took immediate offence, but did show an initial willingness to negotiate. By October 1943, however, with Rommel’s armies no longer posing a threat to its concession, ARAMCO partner Texaco walked away from the table, vitiating the possibility of a settlement.29 But Ickes then proposed something new, something which appealed all over again to the oil companies’ bottom line, Rommel’s absence notwithstanding. This was the thousand-mile pipeline from Saudi Arabia to the Mediterranean. It would get ARAMCO’s oil to market, and the US government would pay for it.

The Imperial Dynamic: State and Capital, Part I

At this point, we might stop to note that determining who drew whom to the Middle East, the US government or US capital, already has proven rather complicated. It seems clear that both parties found it in their respective interests to enter the region, though these interests evolved in accord with changes in circumstance. Cooperation between the US government and US capital in the region was clearly a fragile and contingent affair, with no one party dominating or determining the actions of the other. The pipeline episode helps to illustrate this.

In 1945, the same year that Texaco and Socal went it alone and built the famous Trans-Arabia Pipeline (TAPLINE) themselves—the US government having been forced out of the scheme by the widespread impression that its involvement amounted to, as the New York Times put it, ‘imperialism’.30—State Department Petroleum Division head John Loftus stressed that ‘diplomatic assistance to and support of American oil companies in their various dealings with foreign governments’ in the Middle East remained imperative.31 Such support and assistance was shortlly forthcoming. First, the Truman Justice Department guaranteed in March 1947 that Standard Oil of New Jersey and Mobile would not face an anti-trust lawsuit for helping Socal and Texaco finance the $200 million TAPLINE in

26 Little, American Orientalism, pp. 45–46.
28 Little, American Orientalism, p. 49; and Sampson, Seven Sisters, pp. 95–96.
29 Sampson, Seven Sisters, p. 97.
30 Vitalis, America's Kingdom, pp. 78–79.
31 Little, American Orientalism, p. 52.
exchange for a part of the Saudi concession. 32 Second, having already aided in the construction of the first large-scale refinery in Dhahran (where ARAMCO was headquartered), the government now secured the building of a US military base there. The official rationale was that the base was needed to protect ARAMCO. In fact, however, an early and critical government memorandum related to the base’s construction spoke only of ‘our interest in the oilfields’ and ‘occupation by a rival power,’ though with the war’s winding down, as the State Department made clear to the new president in May 1945, ‘the base seems less important.’ 33 By August, when the Saudi king signed off on the project, the War Department itself regarded it as ‘of doubtful military usefulness.’ 34 A third instance of support and assistance gives us our first transparent case of US imperialism in the region. The US government collaborated with ARAMCO in charting the most feasible course for the TAPLINE and determined that it would have to run through Jordan, Syria and Lebanon. The second of these proved less than amenable. Consequently, the CIA began plotting a putsch in early 1949, a plan shortly consummated when opportunity knocked in March of that year and Syrian Army Chief of Staff Husni Za’im took power with covert US support. The new Syrian government approved the TAPLINE deal in May. 35

As is clear, such assistance is hardly evidence of the government’s playing valet to corporate power. The latter two cases served Washington’s own strategic interests, as laid out in State Department memoranda and other internal sources, as much as they served ARAMCO’s bottom line. State and corporate interests simply converged in these instances. But if imperialism results from separate state and corporate interests propelling each other forward in the pursuit of coterminous goals, then imperial ventures ought to be hobbled when state and corporate objectives detach from one another, since a key push factor for the imperial enterprise is thereby converted either into dead weight or, worse still, a countervailing vector.

Such a detachment of objectives occurred in the 1970s, when the long-simmering struggle among Third World producers for ‘participation’ (in the ownership of the oil companies) and nationalization entered a critical new phase. As Francisco Parra writes, ‘By the end of 1973, the companies had for all practical purposes lost control over pricing, production levels and much of the investment decision,’ all of which revealed a momentous geopolitical fact to the producing countries: The companies’ governments would come to their aid only in the case of supply disruptions. 36 In the post-1967 atmosphere of humiliation and US recalcitrance with respect to Israel’s refusal to withdraw from territories occupied during the Six Day War, this revelation was timely. Arab rallying around the ‘oil weapon’ placed the Saudi king, Faisal, in a delicate spot given his intimate ties with the United States. He made this clear to the ARAMCO companies (Exxon, Socal, Texaco and Mobil), all of which then made strenuous attempts to impress the gravity of the situation upon the Nixon administration. 37 Jack McCloy, the white-shoe lawyer who often had mediated between the

32 Ibid, p. 53.
33 Vitalis, America’s Kingdom, pp. 80–81.
34 Ibid, p. 82.
36 Parra, Oil Politics, pp. 146–147.
companies and the government and was at times in the employ of both.\textsuperscript{38} approached both Joseph Sisco at the State Department and Henry Kissinger, urging them on behalf of the oil companies not, in his words, to ‘just think in terms of the next New York election.’\textsuperscript{39} Matters were greatly exacerbated when in October of the same year, 1973, Egypt and Syria struck at Israeli forces in their respectively occupied territories. The major oil companies happened to be en route to a conference with OPEC in Vienna, having girded themselves for a fierce showdown over OPEC’s escalating price demands. Now, in addition to the price demands, the possibility of an embargo against the United States over its support of Israel loomed. ARAMCO again employed Jack McCloy, this time to pass along a statement signed by the four heads of its constitutive companies to Kissinger and President Nixon, via Alexander Haig. It urged them not to increase aid to Israel at this sensitive juncture.\textsuperscript{40} McCloy made little headway. Haig replied days later, and then only to say that he would make sure to pass the message up the line. By then, the president had approved the US airlift to Israel.\textsuperscript{41} When Faisal himself finally communicated to Nixon that he could either stop supplying Israel immediately or suffer an embargo, Nixon simply confirmed that his obligations lay with Israel. The king had spoken frankly, and thus commenced an oil crisis of unprecedented severity. By February, US oil imports from the Arab world had dropped 98 percent, from 1.2 million barrels per day to 18,000.\textsuperscript{42} The imperial juggernaut was now jack-knifed, with ARAMCO working for the Saudis and against the United States.

It plausibly might be argued that the Nixon Administration’s tin ear for the threat of Arab retaliation was less a consequence of divergence between government and capital than it was a result of incomplete information, miscalculation and simple incompetence. Administration officials, for example, disbelieved reports of an imminent embargo and were especially confident that Saudi protests, however impassioned, were more bark than bite.\textsuperscript{43} The CIA agreed.\textsuperscript{44} Incompetence too was undoubtedly an important factor and was seemingly embodied in the person of Henry Kissinger, who was appointed Secretary of State two weeks prior to the outbreak of the October War (placing him in the historically unique position of holding the offices of National Security Adviser and Secretary of State simultaneously). Despite such unprecedented control over the machinery of policy, Kissinger’s grasp of the economics of oil left something to be desired, and this surely contributed to the Administration’s seemingly cavalier attitude toward the possibility of an embargo. In one of his voluminous autobiographical instalments, Years of Upheaval (1982), Kissinger explained: ‘...the United States had decisive influence over the world price of oil. If the price of foreign oil went up beyond what we thought desirable, we could increase our production, restrict our imports, and force our foreign suppliers onto world markets.’\textsuperscript{45} This was, writes Parra, ‘simply nonsense.’ Indeed: ‘... [Kissinger] was the only person of stature, and influence over energy policy, ever to have put forward such a

\textsuperscript{38} Sampson, Seven Sisters, p. 222.
\textsuperscript{39} Ibid, p. 247.
\textsuperscript{40} Ibid, p. 251.
\textsuperscript{41} Ibid, p. 252.
\textsuperscript{42} Ibid, p. 262.
\textsuperscript{43} Yergin, The Prize, p. 596.
\textsuperscript{44} Sampson, Seven Sisters, pp. 245–246.
\textsuperscript{45} Henry Kissinger, Years of Upheaval (UK: George Weidenfeld & Nicolson, 1982), p. 855; quoted in Parra, Oil Politics, p. 198.
bizarre view of oil prices ... it was absurd to suppose that a nation with a small amount of high-cost shut-in producing capacity ... could possibly exert any influence at all over the international price of oil.46 But Kissinger's analytic shortcomings in the economic realm were not the whole story. Contrary to his later claims, he actually sought to maintain the high price of oil on account of his primary focus, which was reinforcing US allies in the region against Soviet expansion. This was especially the case with respect to Iran, whose costly oil exports enabled it to purchase $9 billion in armaments between 1972 and 1976, twice its oil revenue from the entire year of 1973 prior to the price hike. Better yet, the deluge of arms thus had been routed around the US Congress, ensuring its uninhibited flow.37 In reality, then, while incompetence and ignorance were part of the story, the divergence between state and capital turned largely on the differing objectives of the two.

The Imperial Dynamic: State and Capital, Part II

To return to our earlier question: Did this divergence undermine US control in the region? That is, did it undermine US imperialism? It would appear not, as both Washington and US capital remained the principal and decisive players on the scene in the Middle East. Even in the case of the oil embargo, which lasted from October 1973 to March 1974, the most suffered by either Washington or the major oil companies was popular discontent at soaring pump prices, directed largely at the companies. Nevertheless, the companies' profits shot skyward as a result of the price hikes48 and Washington's 'cops on the beat' in the Middle East, Saudi Arabia and Iran, were soon flush with the arms needed to carry out their policing mission. It is true that the 'OPEC tax' resulting from the long-term shift upward in oil prices undercut purchasing power in the United States and contributed to a six percent drop in GNP between 1973 and 1975, in addition to a doubling of unemployment.49 Nevertheless, this did not fundamentally impair US strategic prerogatives in the Middle East,50 nor, as we will see later, did it diminish US corporate profitability in the region. This suggests that something deeper than mere congruence of

46 Parra, Oil Politics, pp. 198–199.
48 Ibid, 211; and Sampson, Seven Sisters, p. 308.
49 Yergin, The Prize, p. 635.
50 Developments in the Middle East had been moving in a direction decidedly advantageous to the United States since the Six Day War in 1967, when the so-called Arab Cold War between Saudi Arabia and Egypt was defused upon the latter’s humiliating defeat and Nasser’s subsequent recalibration of his regional ambitions. With Nasser’s death and Sadat’s ascent, the ‘Saudi era’ came into its own. This period was characterized by the Saudi ushering in of the United States as the ‘honest broker’ of the Israel-Palestine conflict, with the requisite elbowing out of the Soviet Union. It was also the period in which the Saudi program of crushing leftist movements both at home and in the broader region was conducted under the US-friendly cover of anti-communism. Finally, as As’ad AbuKhalil writes, the Saudi era ‘put an end to schemes for unity in the Arab world.’ All of this was to US liking, and all of it was contemporary with the empowerment of OPEC, the 1973 oil crisis, the nationalisations of the concessions in the region, etc; see As’ad AbuKhalil, The Battle for Saudi Arabia: Royalty, Fundamentalism, and Global Power (New York: Seven Stories Press, 2004), pp. 99–103. Meanwhile, despite Sadat’s defiance of American expectations in co-launching the October War in 1973, his was, as Raymond Baker writes, ‘the era of the economic solution,’ in which ‘Egypt would turn right, to liberalisation and to the West.’ This ‘signalled the end of the period of competitive superpower bidding and a closer identification with the United States’; see Raymond William Baker, Egypt’s Uncertain Revolution Under Nasser and Sadat (Cambridge, MA and London: Harvard University Press, 1978), pp. 132, 178.
state and corporate objectives underlies the imperial dynamic, or perhaps that the congruence itself is located at a deeper stratum than so far explored.

One hint as to the nature of this deeper account of US imperialism in the Middle East may rest in the arms trade. As noted, the increase in oil prices allowed the main proxies of US control in the region to receive massive injections of armaments without the White House having to secure Congressional approval; that is, via private purchase rather than foreign aid. The 1970s actually lay in the middle of a remarkable curve upwards in the privatization of arms sales. Private sales stood at about five percent of total US arms exports in the 1950s. By the early 2000s, they constituted the vast bulk of the market. As Michael Watts writes: ‘The key to the rise of the armaments industry—the shift from aid to trade—was in fact OPEC, and its newfound wealth.’ From about 10 percent of arms purchases in the early 1960s, the Middle East’s share shot up more than three-fold by the mid-1970s, half of it furnished by US corporations. The symmetry of these developments should not be overlooked. As US arms progressively were privatized and increasingly directed to the Middle East, oil in the region was increasingly nationalized, producing the price increases necessary to sustain these arms imports.

If, as the political economists Jonathan Nitzan and Shimshon Bichler suggest, we expand the scope of capital beyond the oil industry to encompass, among much else, the weapons industry as well, it appears that what providence plucked from one of capital’s hands it restored to the other. Nitzan and Bichler argue that this more expansive perspective gives us considerable traction in accounting for US actions in the region from the late 1960s forward, i.e., the period in which what would otherwise appear to be a state-corporate divergence took hold. On the contrary, they maintain, the entire notion of divergence confers an empirically unsustainable degree of autonomy on the state and corporate realms, respectively. They are not, in reality, separate at all, but rather facets of a single process, which is accumulation. More specifically, *differential* accumulation—the drive of corporations to grow their assets at a rate that beats the average—is the manifestation of the form of power known as capital. This form of power engages the entire spectrum of political institutions in society in order to restructure them in a manner conducive to profit. It is insinuated into the very fibre of the state. So much so, Nitzan and Bichler contend, that any analytic partitioning of the two is academic.

The history of the American arms trade from the mid-twentieth century forward is instructive in this regard. The first hint of the switch from aid to trade spoken of by Watts occurred in the 1960s, when US arms shipments not only moved from NATO countries to South East Asia, but also surged in terms of overall volume, rising 65 percent between 1965 and 1973. The financing for the South East Asia shipments remained a matter of foreign aid, but rising deficits and the pinch of the arms race caused first Eisenhower, then

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54 Ibid, p. 10.
56 Ibid, p. 216.
Kennedy and Johnson, to shift an increasing share of the financial burden for weapons shipments to the NATO countries onto the countries themselves. Nixon would complete the transition, applying this principle to Third World countries as well. Thus, weapons sales became dependent on the financial wherewithal of the buying countries, not on US foreign aid and the government contracts it entailed.\(^{57}\) In the case of the Middle East, whose countries were the largest importers of weapons in the world from the mid-1970s, ‘The large defence contractors which earlier depended mainly on the level of domestic military spending and foreign military aid, now found their financial fate increasingly correlated with the boom and bust of the oil business.’\(^{58}\) It was the booms, after all, that furnished Middle Eastern countries with the cash to purchase US arms. Thus to the extent that we speak of a convergence of interests, we should perhaps look first to a convergence among corporate interests, rather than to that between the state and capital. In the case of the Middle East, such a convergence between oil companies and weapons manufacturers occurs when the differential accumulation of the oil giants falls below the average, leading them to press for policies apt to generate or exacerbate hostilities in the Middle East in order to send up oil prices and boost their profits. The push for such policies is a perennial feature of the arms manufacturers, of course, since wars in the region (and rumours thereof) are their bread and butter.\(^{59}\)

Before registering the obvious objection that any such ‘push’ on the part of the oil companies and weapons manufacturers requires evidence if it is to be believed, we might take note of a statistical trend that lends some plausibility to this framework. From 1966 up into the 1990s, all major Middle Eastern conflagrations (1967, 1973, 1979, 1980–88, 1990–91) were preceded by the major oil companies’ slide into negative differential accumulation, and succeeded by their return to positive differential accumulation.\(^{60}\) While conceding that each of these outbreaks had its own local antecedents, unrelated to arms or oil, Nitzan and Bichler argue that such factors do not account for the pattern, which appears to point to a ‘broader logic.’\(^{61}\)

Taking the 1967 case, the parameters of this broader logic consist of Israel’s having successfully impressed upon US planners its vital role in preventing supply disruptions in the region,\(^{62}\) its availability as a CIA proxy in carrying out US operations in the region (arming the Kurds, assisting SAVAK, etc.), and its ability to thwart Soviet intrusion into the region at a time (the mid-1960s) when Washington was lodged in the quicksand of Vietnam—in short, its strategic utility to the United States, where ‘strategic’ picks out a set of concerns best understood within a category subsuming those of the state and capital. The Egyptian president having fallen decisively out of favor with the US by the time of

\(^{57}\) Ibid, p. 217.
\(^{58}\) Ibid, p. 218.
\(^{59}\) Ibid, p. 235.
\(^{60}\) Ibid, p. 236.
\(^{61}\) Ibid, p. 238.
\(^{62}\) Ibid, pp. 239–240. The authors quote Shimon Peres’s explanation of Israeli participation in the Suez War of 1956 approvingly: ‘If it were not for the Suez Operation, the danger was that Britain and France would leave the Middle East before the Americans became aware of the issue, therefore allowing the Russians to penetrate and shape the region without the U.S.A. Following the Suez Operation, the Americans became committed to a regional balance. It was this commitment which shaped the U.S. stance toward the Six Day War . . . ’; ibid, pp. 240–241, emphasis added.
Israel’s attack on Egypt in June 1967, ‘it is clear that the Americans (like the French and British before them) hoped that Israel would use the opportunity to topple Nasser, and the closing of the Tiran Straits now offered the pretext for a pre-emptive strike.’ Of course, this claim is only meaningful with respect to the ‘broader logic’ the authors seek to establish if the US approved or encouraged the Israeli attack. They cite one source to this effect (Haber 1987), but that does not suffice without an effort to engage the many sources that go the other way. According to the historian Michael Brecher, for example, President Johnson stated his position to the Israeli Cabinet in rather blunt terms on May 28, 1967: ‘As your friend, I repeat even more strongly what I said yesterday to Mr. Eban: Israel just must not take pre-emptive military action and thereby make itself responsible for the initiation of hostilities.’ Secretary of State Dean Rusk insisted that stronger language be added to the missive: ‘... unilateral action on the part of Israel would be irresponsible and catastrophic.’ Rusk later would recount: ‘On May 26 Abba Eban came to Washington, where President Johnson and I urged restraint upon him in the strongest terms. LBJ also told him that Israel would not be alone unless it acted alone. Four days later, on May 30, Premier Eshkol assured Johnson that Israel would wait for as much as two weeks for international action to open the Gulf of Aqaba ... We in Washington thought that ... we had a good chance to de-escalate the crisis.’ Observes Richard Parker: ‘After the war Johnson told a number of Israelis that they had made a terrible mistake, complicating life for others.’ He also writes: ‘... by my count the Americans sent at least nine high-level messages to Israel telling it not to start the fighting.’ In any case, Nitzan and Bichler advance no evidence to the effect that either the oil companies or the arms manufacturers encouraged Washington to support an Israeli attack, making the ‘broader logic’ retroactive at best.

The same holds for the authors’ account of the October 1973 War, in which the evidence for Washington’s role in intentionally stoking the conflict is weaker still, as they admit openly, though with a feeble qualification: ‘While there is no evidence to implicate the U. S. Administration as instigator in the conflict, there is also little to indicate it keenly tried to prevent it.’ They briskly move on to conjecture at the role of the arms and oil companies in generating this apparent indifference to an imminent regional war but fail first to establish that the lack of preventive action on the part of Washington did not result from its failure to appreciate the reality of the threat. They do try, first by claiming that ARAMCO knew of the impending attack and informed Washington. Their footnotes to Yergin, however, do not bear this out, as Yergin notes only that ARAMCO executives communicated to Washington that their concession was at risk, along with broader US

66 Ibid, p. 146.
69 Nitzan and Bichler, Political Economy of Israel, p. 247.
access to the region’s reserves. But he also recounts that their interlocutors in the Administration expressed, in the words of ARAMCO president Frank Jungers, ‘a large degree of disbelief that any drastic action was imminent,’ as did Nixon and Kissinger when Brezhnev hinted breathlessly that a belligerent outbreak involving Egypt, Syria and Israel was just around the corner. Likewise with the citation of Sampson, as these pages contain only one open reference to impending belligerent action on the part of Egypt. King Faisal’s confidant, Kamal Adham apparently touched on the possibility obliquely in conversation with Jungers, but there is no evidence put forward that this message reached the Administration. The same episode is recounted in another of the authors’ sources (Blair), but here the writer simply paraphrases Sampson’s account and again offers no proof of the companies having communicated to Washington that hostilities were imminent. Citing Andrew and Leslie Cockburn, Nitzan and Bichler note that ‘a CIA study’ also ‘concluded that the Egyptians were planning to attack Israel.’ But the context of this revelation in the Cockburn’s book creates a much less ominous impression. After observing that ‘both Washington and Israel agreed that there was little reason to fear the Arabs’ and drawing attention to ‘a handbook circulated to CIA analysts in 1971 [which] reported that the Arab fighting man “lacks the necessary physical and cultural qualities for performing effective military services,”’ the Cockburns cite a single CIA report produced by one analyst, Fred Fear, who warned of an impending attack on Israeli forces by Egypt, only to remark that Fear’s superiors foolishly dismissed his findings. Nitzan and Bichler’s final reference (Neff) in support of the claim that ‘the war didn’t catch the Nixon government by surprise’ fares no better. Based on this source, they write: ‘Kissinger was directly informed of the pending assault, both by Jordan’s King Hussein and by sources close to President Sadat of Egypt.’ This time their source flatly contradicts them. Nowhere does Neff state that King Hussein informed Kissinger that an assault was pending. On the contrary, ‘[Hussein] suggested that the United States had about two to three years to find a settlement before the region exploded.’ Neff continues: ‘This helped lull Nixon and Kissinger into thinking they had more time than they did.’ As for sources close to Sadat, Neff only relates that the Egyptian National Security Adviser, Hafez Ismail, brought a note to Kissinger and Nixon in which Sadat wrote: ‘the situation in our region

73 If we choose to read this into ARAMCO representatives’ claim to government officials that ‘everything would be lost’—which we cannot justify, since the context makes clear that this was a reference to the concession, not military action—we are still left with the fact that Sampson’s account makes perfectly clear that such warnings were disbelieved by virtually everyone in the Administration who heard them.
77 Ibid, p. 171.
has deteriorated almost to the point of explosion.’ But Ismail also ‘expressed flexibility’ and, after meeting with Kissinger for two days in late February 1973, ‘the two men, believing time was on their side, promised to meet each other again in several months.’

Neff also recounts that, in preparing for the meeting with Ismail and other regional leaders, Nixon had settled on a policy of ‘[working] privately toward a comprehensive settlement.’

The authors are on sturdier empirical ground in treating the 1979 events in Iran and the outbreak of the Iran-Iraq War in 1980, but it does little to bolster their theoretical framework. Their account runs roughly as follows. Given that the overthrow of the shah did not produce a surge in oil prices, something else would have to. The hostage crisis did the trick. How were the arms and oil companies implicated in the latter? We are never told. Regardless, while the hostage crisis may have triggered a spike in oil prices, it also triggered a political migraine for Carter, given the approaching election and the political imperative of securing the hostages’ release. As the authors report, the president pursued the latter on several fronts, one of which was clandestine: He attempted to trade for the American captives weapons components of which the Iranians were in desperate need. In an effort to underscore for the Iranians just how dire was their situation, Administration officials gave various signals (as well as more palpable intimations, such as intelligence on the weakness of Iranian defences) to Saddam Hussein that an invasion of Iran would be in accord with US interests. Once attacked, the Iranians would be far more amenable to a hostages-for-weapons swap, or so went the thinking. The logic was sound, of course, as revealed when Ronald Reagan defeated Carter in November, in part through employment of the very same stratagem.

Nitzan and Bichler conclude: ‘For the Weapondollar-Petrodollar Coalition, of course, the deal was manna from heaven, regardless of who won the election . . .’ It is perfectly apparent, however, that the authors have done nothing to substantiate the claim that oil and weapons companies exerted influence over (much less determined) Carter’s behaviour. If anything, this episode is a paragon of the convergence between the discrete (though overlapping) fields of state and capital. Carter sought re-election, and helping American arms and oil companies served that end.

Further assessment of Nitzan and Bichler’s test cases for the proposition that state and capital are essentially inseparable—and that regional wars and crises in the Middle East result, in the broadest causal sense, from powerful sectors of American capital slipping

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82 Ibid, p. 104.
83 It should be noted that the theses regarding the Carter and Reagan administrations’ machinations vis-à-vis the weapons-for-hostages gambit have been difficult to nail down in all their empirical detail (as one would expect of such sub rosa scheming), though there is abundant circumstantial evidence. For the Carter administration’s involvement in encouraging Saddam Hussein to attack Iran in an effort to prompt Iran to seek spare weapons components from the US, see Dilip Hiro, The Longest War: The Iran-Iraq Military Conflict (New York: Routledge, 1991), pp. 71–72. For a relatively recent survey of the accumulating evidence regarding how the Reagan administration’s campaign’s having stolen Carter’s thunder by striking its own deal with the Iranians in exchange for their postponing the release of the hostages until after the election, see: Kevin Phillips, American Dynasty: Aristocracy, Fortune, and the Politics of Deceit in the House of Bush (New York: Viking, 2004), pp. 282–290. Needless to say, for present purposes we can grant Nitzan and Bichler all their hunches regarding these intrigues and simply assess whether any of it advances the authors’ argument regarding the influence of oil companies and weapons manufacturers.
84 Nitzan and Bichler, Political Economy of Israel, p. 252.
into negative differential accumulation—is superfluous. Indeed, it should be added that even if the authors’ evidence were borne out, it is far from clear that their thesis regarding the illusory nature of the capital-state distinction would be confirmed. At most, it seems they would have demonstrated that capital had in fact led the state abroad in these instances. At the same time, Nitzan and Bichler effectively demonstrate that in the case of the Middle East, capital tends to maintain a high level of differential accumulation despite what seemed (even to the companies themselves) like profound setbacks, such as the OPEC countries’ wresting back possession of their oil via a wave of nationalizations in the 1970s. In the Middle Eastern case, state and corporate objectives can and do diverge. When this occurs, however, corporate strategies for adaptation—whether by forging new alliances for profit with other sectors or by shifting their operational foci downstream (to marketing and distribution) or by reaching lucrative new arrangements with counter-cartels such as OPEC—tend successfully to reinforce capital’s perch of profitability.

Conclusion

US imperialism in the Middle East results from a corporate-state convergence that is, in one sense, perfectly comprehensible. In the end, US capital cannot function safely outside the umbrella of US military power. At the same time, capital expands the strategic domain of the state, whose interests in, for example, Saudi petroleum reserves, could not get off the ground were their exploitation not made possible by US oil companies, with their expertise, reserves of capital, etc. The fact that this state-capital convergence survives its own rupture with such astonishing success turns in large measure on capital’s flexibility in maintaining high rates of profit via nimble adaptation to US strategic imperatives. To speak of such flexibility is to presuppose the distinction between state and capital, however, just as to survey the history of US imperialism in the Middle East is to study the imprint of this distinction on the empirical record.

References


85 Ibid, pp. 220–224. On these pages the authors mount formidable evidence of the flourishing profits of the major oil companies after the rise and consolidation of OPEC. Among other things, they find: ‘If we consider the world’s largest 40–42 petroleum companies as a reasonable proxy for the international non-governmental petroleum industry, then it appears that the share of the Petro-Core in global oil profit in fact rose—from around three-fifths during the late 1960s and 1970s, to almost three-quarters by the 1980s, and then further, reaching close to four-fifths by the early 1990s.’


