

OIL POLICY OF WEST ASIA IN
FIRST HALF OF 20TH CENTURY

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The worldwide importance of the Near East Throughout much of known history has been greatly enhanced by the development in the 20th century of its vast petroleum resources. In the Global context, oil and its products account for more than half of the physical volume of the world trade. Oil is not only the most important item of the world commerce; it is also a strategic commodity. The economic and military machine of the developed countries run on oil which, in most cases is imported from the Gulf and it makes the Near East economically a more strategic area than it has ever been in the past. Early in the twentieth century the prospect of finding oil in the Ottoman Empire begin to interest the great Oil Companies of Europe and the United States and the governments of the great power. Near Eastern and foreign concession hunters sought to secure control of Turkish petroleum deposits which became an added source of international rivalry.

The development of oil production, refining and transportation has resulted in a great flow of capital to the Near East and

considerable increase of income in the form of royalties and wages, which in some region are bringing about astounding changes. In a variety of ways the future destiny of the near east and of its people is being saved by its one great mineral resources-**Petroleum**. The competition to secure control of these all resources was on a global basis between the titanic oil companies of the world. By the end of the 19th Century the very nature of the petroleum business had made this competition one between *giant corporations, trusts, cartels* and combines operating throughout the world. Because of its oil resources the near east became a factor in the vast struggle for control of the oil businesses of the world.

OIL IN PERSIA:

The immense profits and fantastic expansion of the petroleum business excited men to action in many different parts of the world environment. Eager men sought for oil. The knowledge of the existence of petroleum in West Asia goes back to ancient times in 1900 A.D. General Kitabji Khan, Persia's Commissioner ask sir Henry Drummond, former British minister in Iran at a Paris exposition to find someone in London who would be willing to invest in the exploitation of oil. Sometimes later General Kitabji was summoned to London where he proposed his plan for exploitation of minerals of Persia to William Knox D'Archy. After D'Archy had the possibilities of the Persian fields investigated by a geologist, H.T. burns he sent to Teheran his

representatives Alfred M. Marriot and Mr. Cotte with General Kitabji to obtain a concession in his name. After passing some difficulties because of Russian influence the concession was signed in D'Archy name on May 28, 1901A.D.

Before the oil fields began to produce insufficient quantities the D'Archy original investment was almost exhausted and he called for the financial assistance. The British Admiralty became interested apparently fearing that the concession might fall in the hands of the American or the Dutch oil trust. It asked D'Archy to defer negotiations with foreigners until British interest could be found to invest in his undertaking.

The Admiralty advised Strathcona of Burma oil company to co-operate with D'Archy and in May 1905 A.D. the concessions Syndicate Limited was formed with D'Archy as director. It took over assets of the first exploitation company and provided financial resources for continuing resources. The additional resources were soon exhausted but in the middle of the 1908A.D. oil in commercial quantities were discovered at Masjid-i- Suleiman and on April 4, 1909 A.D. *The Anglo-Persian oil company* was formed with an initial capital of £2000,000.

During the early years of concession two important events took place which deeply affected the future history of Persia as well as the development of oil.

Firstly, In August 5, 1906A.D. Shah Muzaffar-ed-din issued a proclamation granting constitutional government for Persia.

Secondly, in August 1907A.D. an agreement between England and Russia was signed dividing Persia into three zones:

- i) The northern under Russian influence, and reserve for Russian nationals to seek concessions.
- ii) The southern under British influence and reserved for British nationals;

This agreement neither admitted to Persia to partnership even to consultation. The result was the weakening of the control of the Teheran government over the territory under the influence of Russia and Britain. After this concession all the super powers were in queue to pursue the oil rich countries for concessions. The Americans on their part showed no great desire to search for oil until the end of first world war ,but when they saw how much American oil had been consumed during the war from then a continuous struggle had been waged between the US and the Great Britain for the exploitation of oil resources and in seeking oil concessions.

Now the American oil interest became active in the region. The American group represented by *Teagle* continued to negotiate with the Turkish petroleum company. And till the year 1928A.D., the shareholders of the Turkish petroleum company were:

- i) Anglo Persian Oil Company.
- ii) Royal Dutch Shell company.
- iii) Campaign Francaise des petroles.
- iv) The American group.
- V) S.C.Gulbenkian.

On July 31 1928 A.D. all the participants of the Turkish petroleum company signed a group agreement which limited the activities of each participant in a specified area, which was marked out on a map attached to the agreement by Red line, hence it was called the '**red line agreement**'. And the name of the Turkish petroleum company was changed to "**Iraq Petroleum Company**".

SAUDI ARABIA:

Saudi Arabia was a British protectorate and no oil concession would be given without the approval of the British government but the relationship between Ibn Saud and Britain was no longer be that of a protector and protected and Britain recognized Ibn Saud as an independent ruler. The financial situation of Saudi Arabia was in doldrums. The financial situation of Saudi Arabia was not better, the concession seekers were in queue to get concession for the region but because of the Red line agreement it became difficult to adjust.

Finally the standard Oil Company of California (SOCAL) obtained a concession for Saudi Arabia on my 29, 1933 A.D. To carry on its operation in Saudi Arabia, this company created the *California Arabian oil company* which became *the Arabian oil company* in 1934 A.D. with the *Texas oil company* having a 50% share. Ibn Saud granted the concessions to American company because of the pressure exerted on him by the governments of other foreign country and America was the only country which was made making his choice of money. In order to preserve the dwindling resources of oil the availability of West Asian oil must become the Cardinal aspect of American oil policy and American oil. But it was sure that America wanted the oil just for her profits to secure a dominant position over Britain and France, while for her consumption America was having enough oil but for Britain and France the situation was quite different they did not have any alternative resources other than West Asia .Their economies did not permit them to depend upon United States for oil. For solving this problem the British approach Northern Iran which was under Russian dominancy. Russia prevented the establishment of other foreign companies in her area of influence .While the Iranian tried very hard to induce American companies to exploit their Northern fields. However neither Soviet Russia nor Great Britain was willing to permit the Americans enter into Northern Iran .The

relation between the Iranian Government and the Anglo-Iranian oil Company which were tolerably good began to deteriorate because the Iranians had started to realize that Great Britain was making enormous profit out of the great potentialities of their oil resources which they could use for the welfare of their own country.

After Second World War oil prices dropped. The country's basic needs were not full filled together with the difficulties and power politics of superpowers set the stage for the nationalization of Anglo-Iranian Oil Company in 1951A.D. In March 1951 A.D. the company name changed to *National Iranian Oil Company*. This gathering storm in Iran prompted ARAMCO to conclude an agreement with Saudi Arabia inaugurating the principle of equal profit sharing. The Americans were primarily concerned with the profit sharing and with keeping Soviet Union far from entering the area.