Black Gold: The Discovery & Impact of Oil in the Middle East

Oil is a black gold. This expression and its meaning are well known. Oil is a truly inexhaustible source for humans. Now our life depends on it very much and it would be terrible to imagine its absence. First of all, oil is a raw material for fuel production. But the main value of the fuel is not in the possibility of widespread road transport, but in the work of different agricultural machinery and equipment. It turns out that precisely because of oil we have today the opportunity to receive food in the quantity needed for a comfortable existence of human. However, that is not all. Manufacture of the majority of plastics, which have been widely used in all spheres of life for a long time, is not possible without the use of oil. Production of metals (primarily aluminum), cosmetics products and medical industries is also impossible without the use of oil. Virtually all of modern mechanisms, machines, technical devices are dependent on oil production.

The most significant and undeniable fact is that that oil belongs to the non-renewable natural resources. That forces the countries that have limited supplies of oil to search for possibilities of further production of oil. One of such possibilities is the exportation of oil from rich in oil countries, such as the countries of the Middle East region. The countries of the Western Europe and United States have tried to gain the territories rich in oil many times. This has caused a lot of conflicts and struggles. The following paper gives a detailed analysis of how this natural resource was discovered in the Middle East, and in what way it influenced the fate of oil rich countries and the whole world in general.

The history of oil in the Middle East

After the opening of Suez channel Britain became the undisputed master of the Persian Gulf and along with Russia was the actual ruler of Iran. Once it became clear that the sea lanes of the Indian Ocean will be protected by the fleet, which is supplied with oil of the Middle East, the territory lying between the Mediterranean Sea, Red Sea, Iran and the Persian Gulf to the gained the utmost importance for British Empire. Thus, that was Britain who began the conquest of the Middle East.

A very important question is how and where the oil in the Middle East was firstly discovered. It was in the Rocky Mountains near the Gulf where Australian D'Arcy has found oil. Soon he was able to obtain agreement on the oil concession from the Shah of Iran for the sum of 40,000 pounds and for a certain percentage in favor of the Shah of future profits.

Initially, geologists sent to the area near the Iranian-Turkish border returned with disappointing results. The beginning and further exploration of oil have been unsuccessful. But on June 28, 1908 a great fountain of oil scored in the area Maidan-i-Naftun, which later became one of the major oil producing areas of Iran and has already given more than 190 million tons of oil.

Britons began to produce oil in large quantities, and by 1912 it was fed on the 230-kilometer pipeline to the refinery in Abadan located in the northwestern part of the Persian Gulf. Subsequent events have been pre-planned. May 14, 1914 Iran was officially informed of the fact that 1.3 million square kilometers of concession area, that is, in fact, the whole country is under control of the British Government. During the years of the existence of this giant oil company, it had gained millions of pounds of profit.

The scale of colonial plunder of Iran carried out by British imperialists show the following data. Capital of Anglo-Iranian Oil Company from 4 million pounds in 1914 increased to 26.5 million pounds in 1931. During the period of 1905-1932 years net income from the sale of Iranian oil stood at 171 million pounds. The Iranian government during the same period received only 11 million pounds of concession payments, i.e., only 6 percent of all profits of Anglo-Iranian Oil Company (Shaked, 30).

In March 1951 Iranian Prime Minister Rosemary, who obediently carried out the will of London, was assassinated. The Iranian people were demanding the nationalization of the oil industry and the expulsion the country from the British and Americans. Mossadegh Government under pressure of the masses nationalized Iran's oil industry. It was the beginning of the Anglo-Iranian conflict, in which the U.S. acted as negotiator. The main purpose of “negotiator” was the penetration of U.S. oil monopolies to Iranian oil. The American magazine U.S. News and World Report in this regard clearly wrote that the real task of Harriman (negotiator of the U.S.) was to report to Washington to what extent and in what form is needed U.S. aid to fill the gaps formed there as a result of the decline of military and political power of England. In any case, England played no longer a major role in the Middle East, but became a junior partner of the United States (Randall, 126).

The similar situation existed in other Middle East countries. Saudi Arabia, Iraq, Kuwait, Bahrain and Qatar had to defend their national interests and fight for every scrap of land containing so mush desired oil. This fight still lasts.

Oil strategy of Western and U.S. countries in the Middle East

Western and United States companies from 1925 to 1938 concluded the main concession agreements with Saudi Arabia, Iraq, Kuwait, Bahrain, and Qatar on 55-57 years, which expires at the beginning of the 21st century. On the eve of World War II the Middle East was divided between the United States, Britain, Holland and France, which had their oil interests in the region.

Historically, the struggle for oil in an acute form manifested itself between the U.S. and Britain. These countries had the most major oil interests in the Middle East. U.S. sought to undermine the established before World War II English military, political and economic domination in the Middle East. Active diplomatic support from the government, increased financial strength of the oil companies allowed the U.S. to weaken the position of England and change the balance of forces in the Middle East in its favor. Britain, the Netherlands, and France were acting in the operation of capturing the oil sources of the Middle East along with the U.S.

Fundamental basis for the deployment of expansion in the postwar period were the captured by U.S. before World War II oil concessions in Iraq, Saudi Arabia, Kuwait, Qatar, Bahrain, and in some other parts of the Middle East. Petroleum monopoly, with the assistance of the U.S. government imposed the rulers of these states, who were then depending on Western countries, concession agreements, which were the basic legal documents to legalize the right of monopolies to invest their capital and monopolistic exploitation of oil received in concession areas (Randall, 189).

The doctrine of American oil expansion was first described in the report U.S. national policy in the field of oil presented in 1949 by the U.S. government to the National Petroleum Council. The report focused on the need to ensure by all possible means access of U.S. to oil from foreign countries.

In the 50's - 60's under "access" the U.S. understands its own monopoly on the extracted Middle Eastern oil with the right to establish reference prices, the volume of production and processing, and geographical areas of oil exports. In the 70's under the "access" has become increasingly understood the United States' ability to provide guaranteed long-term purchases of crude oil from Middle Eastern countries on favorable commercial terms with the recognition of property rights on the very oil for local governments. The problem of continuity of Middle East oil imports in the U.S. and other NATO countries have gained paramount importance.

"Stability" in the Middle East established in the relationships between United States, Britain, France and the Netherlands in the late 50's - early 60's, was based (except for Iran) on the pre-war concessions served as a kind of constraint limiting factor for one-way expansion of U.S. monopoly. Joint activities of the Western monopolies did not exclude the struggle between them. Anglo-Iranian conflict of 1951-1953, the energy crisis in the U.S. and Western Europe in 1973-1974 contributed to the escalation of political struggle.

In 1974 the share of investment dollars in the oil of the Middle East in total U.S. investment in oil foreign countries amounted to only 5.3% while the share derived from these investment profits 62, 5%. The rate of profit of the monopolies in the area reached 520%, despite an increase in tax rates on profits of the monopolies and the sale prices for oil taken by Middle Eastern countries. The reason for such a high income was the cheap local labor, extremely high productivity of oil wells, the proximity of the main sources of oil to marine transport arteries, low risk of loss in exploration work due to the high probability of finding oil.

In 1974 there was a decrease in investment dollars in the oil of the Middle East. This was a consequence of reducing the inflow of new American capital into the area due to the explosive political situation, as well as measures of Middle Eastern states to nationalize and control the monopolies, but on the other hand the process of foreclosure governments of Middle Eastern countries the assets of branches of monopolies within the framework of participation, which resulted to a change in the ownership structure of the monopolies. However, by forcing up prices of final petroleum products and the intensification of production processes ensure the monopoly in 1974 (Amirahmadi, 37).

In 1974 the U.S. had a total 16 corporations, the assets of each exceeded $ 6 billion. Among these corporations 8 oil companies (Exxon, Texas Oil, Mobil Oil, Golf Oil, Tenneco, Shell Oil, Standard Oil Company of California, Standard Oil Company of Indiana).

During the period from 1945 to mid-70-s there were some changes in the policy of Western counties and the U.S. on oil strategy in the Middle East region, associated primarily with the nationalization of the oil industry in Arab countries. This factor has certainly been taken into account the leading oil companies represented in this market.

The impact of oil on the Middle East region

Oil played a huge role in the destiny of Middle East countries. During the whole period after discovering of oil in the Middle East and till our days it attracts foreign countries. Oil production in the Middle East is very profitable for the imperialists. The labor force in the Middle East is paid much less than in the U.S. Arab and Iranian workers are paid less than one tenth of that gets the American worker. But the latter is subject to very severe exploitation. Cost per ton of oil in the

Middle East does not exceed 25 percent of its costs in the U.S., and crude oil sells on the world market at one price. All this provides the oil monopolies in the Middle East enormous profits.

Of course, Middle Eastern counties always have tried to gain profit from their natural resources, but it was too much barriers on their way. Difficulties with the acquisition of oil equipment, a shortage of vehicles and refining capacity, the lack of a developed system of sales channels abroad adversely affected the activities of public companies. In order to coordinate joint efforts in September 1960 an organization of Petroleum Exporting Countries (OPEC) was founded to protect the common interests of oil producing countries in Asia, Africa and Latin America, including countries of the Middle East. OPEC defended the sovereign right of states to manage their oil resources for the development of national economy, more remunerative prices for oil producing countries, the regulation of the levels of oil production and oil exports in the interest of oil producing states, the provision of national governments broad rights in the control of production activities of the monopolies on their territories (Farid, 45).

According to the management of Arab oil-producing states, oil should also serve for the welfare of their populations, so they did not agree with the policies pursued by Western companies that didn't take into account national interests. As a result of complex and lengthy negotiations in October 1972 in New York was signed a general agreement on participation among the nine Western oil companies, acting in the Middle East and the four Arab oil-producing countries (Saudi Arabia, Kuwait, Qatar, and United Arab Emirates). The agreement provides for the transfer to the governments of these countries ownership of over 25% of all assets in the Middle East branch of the monopolies in 1973, with the bringing in 1982 the Arab share up to 51%. However, in 1974, the countries demanded the Western monopolies to force the transfer of controlling stakes and won control over 60% of the companies' assets of Aramco, Kuwait Oil, Qatar Petroleum and Abu Dhabi Petroleum. In December 1975 Kuwait established full control over the assets on its territory. Establishing the legal ownership of the assets of monopolies has not yet been actual nationalization, however, it was important that Arab states have entered a fundamentally new relationship with Western oil capital and undermined the former undivided domination of the monopolies on the basis of concessions, which has put their work in a tightly-defined frame, thus they made a practical step towards a real statement of national sovereignty over natural resources and control of their destiny.

Countries of the Middle East have created the Ministry of Oil which administered the oil industry. State-owned oil companies gradually took over most of the production, processing, transportation and marketing of oil, provided training to the independent conduct of further full-cycle oil operations. There has been a fundamental change in the ownership structure of oil assets. All these measures have allowed domestic companies to significantly expand production activities. They worked on the domestic market, were prospecting and drilling activities, carried out construction of refineries and petrochemical plants, pipelines and tanks, conducted training of oil workers. National Iranian, Kuwait and Iraq Oil Companies have become strong companies with high technical and economic potential and developed industrial relations.

U.S. economy was to some extent dependent on Middle Eastern oil supplies, so its policy was quite rational and in general took into account the current situation in the region.

The change on the oil market

Oil prices in the region kept at a certain level before 1973, i.e. before the next Arab-Israeli war, when an unprecedented spike in oil prices that changed the whole situation on the world market. It should be noted that the rise in oil prices has led to the fact that oil money boosted the coffers of Arab states, including Iraq, just a year before the Iraqi government nationalized the oil industry, ending the monopoly of foreign companies. Huge profits from oil exports allowed to force the industrialized countries and powerful industry, primarily engineering, was formed in a short time. It made possible the huge investments in construction, healthcare and education. Iraq has used oil money for their industries; created new branches of industry have not always corresponded to the interests of foreign monopolies (Amirahmadi, 92).

During 1970-90 oil prices have changed. In 1990-1994 oil prices have steadily dropped from 22.1 to 16 dollars per barrel. In 1996-1997 they stabilized at 20-19 dollars, and in 1998 dropped to 13.1 dollars. The reason for the volatile situation on the world market was the fact that OPEC countries in January 1, 1998 have increased their production quotas and the financial crisis in Southeast Asia sharply reduced demand for oil.

1995 was a turning point in the oil market, where all the exporting countries have limited production of oil and OPEC adopted a new mechanism of price regulation, which helped to maintain within the 22-28 dollars per barrel and deprived importing countries from the possibility to maintain a high level of commercial stocks. Despite the various contradictions to OPEC in September 2001 managed to keep oil prices within the adopted corridor. In connection with the terrorist acts of September 11, 2001 there was a destabilization of the situation, which led to the increase of prices.

U.S. foreign policy in the Middle East at the end of 20th and beginning of 21st century

U.S. policy in the Middle East was always aimed at providing strategic, political and economic interests of the United States in the region. Foremost among these has been and remains access to oil and gas deposits. The desire of American capital to acquire control over the production, processing and sale of the Arab oil is the main reason the U.S. economic expansion in the Arab countries, which began shortly after the First World War. In the oil sector was primarily a clash of interests of American monopolies with their Western European competitors in the region, from which U.S. came out as the winner.

Seizure of control over oil and gas fields has created the necessary prerequisites for the penetration and consolidation of U.S. capital in other sectors of the Arab and Iran economy.

Thus, exploitation of Middle East oil fields in the 80’s-90’s remained the main field of application of American capital in the region. It served as one of the main incentives for the continuation and revitalization of the United States in both the economic, political and military fields. It is no coincidence therefore that preserving the Persian Gulf as an oil reservoir of the West was one of the arguments of the Bush administration, with which it justified the sending of troops to Saudi Arabia in August 1990. The U.S. strategy was aimed at further implementation in these countries and holding them in its area of influence by close binding of the military-political and economic terms (Odell, 2000).

Besides, U.S. considers Middle East as one of the strategically important regions of the world. Here, at the crossroads of Europe, Asia and Africa, has long passed the critical communication, linking the

European powers and their colonial possessions in the nearby and remote countries of the East, primarily in India (a path that is substantially reduced by the discovery of the Suez Canal). The U.S. believes that the Middle East is an important region, which may pose a direct threat to American interests and economic security of their country.

According to the Bush's energy program, which was published in May 2001, the task of the state is to increase consumption of oil to 23 million barrels a day in 2040. Such ambitious plans call for finding new sources of energy resources in all areas of the world and establishing strict control over them.

The new U.S. national security strategy evidenced a feasibility of choosing a way out of the pre-crisis state in which was the American economy. Washington hoped to solve these problems primarily through military force, establishing control over key resource areas of the world, and willed the introduction of flexible oil prices for themselves and loyal countries
in the depths of contemporary politics in Washington, seeking to under the guise or pretext of solving the problems of combating international terrorism to establish full control over a strategically important regions of the world's oil flows in the Middle East, ignoring the interests of most of its allies and international legal norms.

U.S. invasion of Iraq showed the world community: firstly, the destruction of international legal traditions and rules emerged in the last 50 years, which became the foundation of European democracy, and, secondly, a situation where the United States, using oil as a lever to the Middle East, regulate the global political and economic processes, guided solely by their own interests.

Events in the Middle East are in the focus of attention around the world and therefore any problems associated with them are doomed to be relevant. And while much is known about the processes taking place in and about the interaction of Middle Eastern countries with the international environment, many issues have not yet answer, and in particular it concerns the war in the Persian Gulf.

Conclusions

Oil factor remains a crucial element affecting international relations for a hundred years. Great importance of energy resources in world politics causes the hidden and open confrontation for control over them between the major powers. The situation is compounded by the fact that the world's oil reserves are extremely limited, irreplaceable and unevenly distributed across the globe. Despite tremendous efforts in the exploration of new deposits, the number of oil reserves over the past decade has increased very slightly. Oil serves as the most widely used energy products in the global economy, but at the same time the overwhelming majority of countries or core consumers are virtually devoid of its own oil fields.

Relatively large impact of oil problem on the international relations can be explained by at least three main reasons. Firstly, all the nations of the world are extremely interested in ensuring energy security. Hence, it also follows the emergence of some long-term alliances which define the situation in key oil producing regions. Secondly, a significant effect on foreign policy has the fact that selling the black gold remains one of the most lucrative businesses. Thirdly, the oil industry by its nature is of international character, which leads to the formation of very large companies. Last operate across borders of sovereign states, regardless of political differences between them.

Moreover, major oil companies are negotiating with national governments and reach agreements with them.

Middle East countries have a special place in the global oil trade. The world's richest oil fields and its major manufacturers and exporters are focused in the Persian Gulf. Along with this the important specific feature of this region is the large income of petrodollars, which significantly increased the solvency of the countries and increase their requests for importation of technology and consumer goods in accordance with government plans to accelerate economic and social development.

Sharp aggravation of inter-state conflicts and political situation in the Middle East region for several decades of the 20th and the beginning of the 21st centuries was caused by an active and largely negative interaction between internal and external factors. Chief among them is a significant increase in prices of petroleum products, the level of which largely depended on the political position of states in the Middle East. However, such changes in pricing caused great concern and opposition from the West. The increase of revenues from local oil countries, in turn, has spurred the growth ambitions of ruling elites and the arms race. On the other hand, there was a strengthening of political, military and ideological Western interference in the internal affairs of the region. This was done in the name of maintaining control over trade in strategic commodities of global importance - oil, as well as for the sake of keeping the political situation in the Persian Gulf in satisfying the interests of Western powers.

During this period, oil has become a powerful and often decisive arm in determining the political status of countries in the Middle East. One of the most recent examples is the events in Iraq.

Oil is financial wealth, weapon, an extensive import of foreign products and the opportunity to reach a sufficiently high, or at least satisfactory, standard of living of the population, and foreign military and political assistance. Thus, the oil is a strategic and deep factor, not only of local, but also of global significance, which led to fierce international opposition of large range of states (including the principal - the U.S., Iran, Iraq and other Arabian countries).

Increasing its interference in the internal affairs of the Persian Gulf, U.S. have created a comfortable, firstly ideological, and then the international legal basis for its direct participation in resolving inter-state (and in some cases and domestic) problems of the Gulf. To achieve its objectives, Washington used every opportunity to enhance intra-regional tension. As a result, there emerged interstate conflicts, wars, dictatorships and increased forcible influence of U.S. It was done with the aim to create an atmosphere of international condemnation of political opponents of the United States and to facilitate the overcoming of resistance in their political game.