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<u>Examining the Impact That Oil-Related Events Featured in Each Episode of Daniel Yergin's "The Prize" Documentary Has Had on U.S. Domestic Policy and Global Foreign Relations</u>

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Episode 1 - "Our Plan"

The first episode of the Yergin-based web series focuses on the early history of oil in America beginning with the construction of the first oil drill in 1859 (which arguably marked the birth of the industry) and ending with the collapse of the nation's first monopoly. As this episode focuses solely on the United States, this first paper will delve into how America's early interactions with oil helped shape its approach to relations with oil-abundant countries.

There are many parallels that the oil boom of the late 1800s shares with the Gold Rush of the mid 1800s, but the one that influenced American's foreign policy to the largest extent was the exemplification of the American Dream. The web series uses the phrase "rags to riches" to describe the impressive yet often sensationalized stories of American civilians striking oil and immediately gaining wealth. Although such stories often overstated the probability of success actually occurring, they nevertheless encouraged immigrants from Asia and Europe to begin a new life in America. With this influx of migrants, however, came a rise in anti-immigrant sentiment, and legislation limiting or prohibiting immigration was soon passed by Congress. This sentiment, along with the development of a healthy oil industry domestically, helped contribute to the development of an American isolationist foreign policy that began to gain prominence in the early 1900s.

The cumulation of "Our Plan" centered around the breakup of Standard Oil. Although S.O. founder John D. Rockefeller's response to the news ordering the breakup was "Let the world wag," suggesting indifference (at least publicly), the breakup had a profound effect on foreign policy as it relates to oil. The many successor companies that Standard Oil split into were not as strong as their parent company, and thus they faced new competition from companies abroad, like Royal Dutch Shell. To find new sources of revenue and stay competitive, these successor companies searched for oil exploration sites outside the United States. Starting around the 1930s, American oil companies began to team up with foreign oil companies like Shell and Anglo-Iranian (now BP) to help develop operations in countries like Saudia Arabia and Iran. These multinational joint ventures mirrored America's gradual rejection of isolationism in favor of policies more receptive to countries that contained oil. Thus, America began to rely on a foreign policy favoring firm relations with oil-abundant countries for the sake of its national interests.

Episode 2 - "Empires of Oil"

The rise of competing oil companies in Europe became the focal point of the second episode. Ludvig Nobel's Russian oil company, Marcus Samuel's British company (Shell), Henri Deterding's Dutch company (Royal Dutch), and the British government-backed Anglo-Persian Oil Company (later Anglo-Iranian, now BP) rose to power as fierce competitors. According to the web series, some companies, like Shell for example, began to compete in the U.S. to find new markets amidst the increasingly crowded Eurasia continent. (Other regions explored at this time included Sumatra by Shell and Royal Dutch as well as Baku by Nobel's company.) As a result, the marketing of oil to distinguish companies from their competitors was established.

In retaliation for the arrival of new competition, Standard Oil - likely with the U.S.'s backing - tried to prevent the Suez Canal from giving access to Shell's tankers. This endeavor failed, however, and Shell began using the canal to transport oil from the Far East to Europe. This represented one of the earliest efforts by the United States to interfere with affairs in foreign countries to further national interests. In America's defense, though, the governments of other countries also took an active role in supporting their domestic oil companies. Britain, as an example, bought 51% of the fledgling Anglo-Iranian Oil Company in the early 1900s, to Samuel's chagrin. Likewise, Germany supported their oil companies heavily during the two World Wars. America would use their military power increasingly after World War 2 to guarantee safe access to oil for themselves as well as their allies.

"Empires of Oil" concludes with a focus on World War 1 and oil's unforeseen (at the time) importance towards a decisive victory. The web series notes that the war established oil as having an undoubtedly clear significance for national power. America's entry into the war allowed Britain and France to be resupplied with oil, helping the tide of the war turn in favor of them (although this is an oversimplification). Germany used the lessons learned in their loss to better prepare themselves for future wars. And it had a visible effect - Germany initially had a very impressive synthetic oil supply during World War 2.

The United States used the time period covered in this episode to draw a conclusion that oil was very important for both military production and economic purposes.

Episode 3 - “The Black Giant”

The search for new oil sources in pre-industrialized Mesopotamia was the focal point for this episode, as was the threat of both underproduction and overproduction of oil for economies in developed countries.

The end of World War 1 brought about a period of peace and increased consumer spending over the upcoming decade. This in turn led to increases in automobile ridership, gas consumption, and - most importantly - oil depletion. According to the web series, the president of Standard Oil of New Jersey (later Exxon, now ExxonMobil), Walter Teagle, recognized the national security threat that an oil shortage presented and lobbied President Herbert Hoover to give approval towards searching for oil overseas. Hoover approved, and Teagle soon crossed paths with Calouste Gulbenkian. A Turkish oil businessman, Gulbenkian discovered the oil potential of the Mesopotamian area and, after over half a decade of negotiations, convinced Teagle as well as the leaders of Anglo-Persian (now BP) and Royal Dutch Shell to sign an accord now known as the Red Line Agreement in 1928. The agreement outlined the terms of business for oil exploration in the region (notably excluding Kuwait) and marked a novelty in international cooperation. Despite foreign competition, the U.S. understood the strategic interest (both domestically and globally) of having stable oil prices dictated not by the free market but by oil producers.

Unfortunately for Teagle, his prediction of peak oil did not come to fruition and the onset of the 1930s instead brought about a massive surplus of oil. Hence the threat of overproduction quickly became a problem. In response, President Franklin D. Roosevelt appointed his Secretary of Interior, Harold Ickes, to solve the issue. In Texas, where unregulated production as well as overproduction was particularly concerning, the Texas Rangers were sent to stop what the web series called “hot oil,” or illegally produced oil. These events had great significance for American domestic policy, as it marked an early instance of the U.S. government interfering in the free market of oil to prevent the collapse of the economic sector. Roosevelt’s actions sparked debate over the extent in which the American government should interfere in sectors of the U.S. economy, if at all. This debate has many political and economic factors that makes finding a balance in free market government intervention very difficult, and it continues to the present day.

Episode 4 - "War and Oil"

The role that oil played during World War 2 was unrivaled by any previous war and had a major impact on American policy as well as on the global military alliance system. The war marked the first time warring countries involved capturing oil-abundant territory as a significant part of war strategy on a large scale (although Germany made some effort during the late stages of World War 1 to capture the oil fields of Baku) as well as the first time oil reserves were heavily targeted for bombing. Many regions of Eurasia were sought after not because of geographical significance but instead due to the presence of nonrenewable resources such as oil. Multiple battles were won or lost due to the presence of oil or lack of oil. The demise of the Axis powers was inarguably hastened by a weakened home front effort caused by the lack of one particular three letter word.

A resurgence in military buildup along with the construction of the Autobahn spurred Germany's investment in abundant, reliable fuel. Since Germany lacked natural resources, according to the web series, they enlisted IG Farben to convert coal into synthetic oil. The company's effort was accomplished successfully. Likewise, Japan lacked natural resources, and invaded regions such as Manchuria to alleviate this issue. When the United States froze Japanese funds in 1941, it effectively cut off Japan's oil supply - of which America supplied 80% of. It could be argued that this action led Japan to attack Pearl Harbor and force the U.S. into the war.

Both Germany and Japan planned to capture regions that possessed oil. Germany sought after the Caucasus, while Japan set their sights on the Dutch East Indies. Neither endeavor ultimately succeeded, and the oil supplied by America helped the Allies gain a decisive victory.

The events covered in this episode had a substantial effect on the foreign relations of the United States. Isolationism was jettisoned due to the war. As the United States took control over rebuilding Japan and (West) Germany, they established strong relations with each country that continue to the modern day. Although Britain and the U.S. had hever shared any sort of special relationship before the 1940s, the Lend-Lease Act instigated America's entry into the war as well as the modern close bond between the two countries. In contrast, the shared interest the U.S. and the USSR faced in defeating Germany dissipated once that goal was accomplished and foreign relations instead took a much different direction.

Episode 5 - "Crude Diplomat"

The relationship the United States and Saudia Arabia have shared is nothing short of remarkable given the countries' differences in social issues, government structure, and status in world power. Relations have garnered criticism and skepticism from both Republicans and Democrats - an impressive feat given the current hyperpartisan state of U.S. politics - and the rise of American-produced energy sources caused one to wonder if the U.S. really needs Saudia Arabia as much as they need America. Nevertheless, the relationship has historically been key strategically for U.S. Middle Eastern policy and stems back to the years after World War 2.

Yet another reversal in concern amongst oil supply occurred in the late 1940s, as underproduction and the idea of peak oil began to cause issues for governments. The solution of the U.S - to drill for oil in Saudi Arabia - came about after a number of events made the idea possible. The King of Saudi Arabia, Ibn Saud, sought to create allies as far away as possible, according to the web series. He believed that such countries possessed no invasive threat. Meanwhile, Standard Oil of New Jersey (now Chevron) had begun to drill for oil in Saudia Arabia during the late 1930s and formed the California-Arabian Standard Oil Company (now Saudi Aramco). During World War 2, President Roosevelt concluded that Middle Eastern oil was significant to American interests from a military standpoint and thus met with Ibn Saud in 1945 to strengthen the relationship. Although Saudi Arabia was also courted by Britain, Ibn Saud preferred the U.S. due to the negative colonial status associated with Britain along with America's recognition of Saudi self-determination. The U.S.-Saudi Arabia transcontinental relationship initially flourished.

The relationship soon hit some bumps, however. The United States supported the creation of the state of Israel, against Ibn Saud's wishes, while the Saudis threatened to nationalize Saudi Aramco due to what they saw as an unfair deal. Under normal foreign relation circumstances, two countries in this predicament would likely break off the relationship and search for other countries to do business with. Yet the importance of oil and security for the U.S. and the Saudis respectively made it clear that it was in the best interests of both countries to let the relationship continue. The U.S. and Saudi Arabia eventually agreed to a 50/50 split on oil revenue.

The United States-Saudi Arabia relationship, despite the unlikely circumstances, remained strong throughout the rest of the century. Other Middle Eastern relationships, such as between Britain and Iran as well as Afghanistan and the Soviet Union, have failed in contrast. Although the circumstances are different nowadays, the U.S.-Saudi Arabia relationship proved to benefit both countries in the long run during the second half of the 1900s.

Episode 6 - “Power to the Producers”

The period of time that followed World War 2 saw an increase in the amount of Western nations wanting to do business with Middle Eastern countries as well as the subsequent political, military, and economic conflicts and issues that developed. These Western countries simply wanted accessible sources of oil for their nations (and, perhaps concurrently, a stable region to go along with it) but instead found themselves forced to take sides in religious conflicts, proxy wars, and embargo threats that became increasingly common. Such entanglements began to pave the way for the development of a modern Middle Eastern policy that is often tweaked but nonetheless required for all post-World War 2 U.S. presidential administrations.

As the world entered the decade of the 1950s facing neither a global outbreak of war nor an economic depression, the demand for oil rose due to consumer spending. Many countries turned to the Middle East as a way to increase their supplies of oil. While American companies initially faced few difficulties in dealing with the region (while also being cautious to adhere to local customs and avoid offending the Arab people), other countries, such as Britain, had a less pleasant experience. The web series places a spotlight on Italian businessman Enrico Mattei’s attempts to elevate his oil company, ENI, to the same level as the “Seven Sisters” that dominated the industry. Appealing to the nation’s nationalism, he offered Egyptian President Gamal Abdel Nasser a staggering 75% of oil production profits if they joined forces. This manner of dealmaking caused the web series to frame oil executives as unofficial diplomats due to the significance of oil to a nation’s economy.

Conflicts in the Middle East began occurring during this time period and forced Western nations to take into consideration geopolitical policy when dealing with oil-abundant countries. The Suez Crisis, precipitated by Egypt nationalizing the Suez Canal, demonstrated the extent that countries would go to in order to protect their national interests. In this case, France and Britain were involved in invading Egypt, although the U.S. opposed the invasion which Saudi Arabia interpreted as a commitment to their relationship (although this was a mistaken belief). Arabian nations’ perspective on Western nations soured, leading to the creation of the OPEC cartel in 1960 which regulates the price and production of oil produced in participating countries. Emboldened by cooperation, countries like Libya began to dictate production terms to oil companies (in the web series, businessman Armand Hammer was the recipient of Libya’s terms) under threat of nationalization. Religiously motivated wars such as the Six Day War of 1967 or the Yom Kippur War of 1973 were fought with Arab nations threatening embargoes if Western nations intervened. The Middle East began becoming more and more unstable.

By the end of the 1960s, the oil producing countries had extracted the upper hand over the oil companies in negotiating power, hence the title of this episode. This arrangement turned out not to be permanent in the long run, however.

Episode 7 - “The Tinderbox”

The decade of the 1970s brought about what could perhaps be described as the peak of oil producing Middle Eastern countries’ influence on the global community. Dependency on Middle Eastern oil gave leverage to Arab nations over the level of energy consumption of other countries and, consequently, the state of the global economy. The actions OPEC countries took during this time, however, ultimately ended up hurting their influence on the global stage as countries figured out ways to reduce their dependence on Middle Eastern oil.

Cognizant of their leverage over oil companies, some countries in the Middle East began to use what the web series called the “oil weapon” on nations considered hostile to them. The idea was that if a country angered, say, Egypt or Syria, oil would be embargoed and that country would experience an energy crisis. A coalition of Arab nations tested out this theory by invading Israel in 1973 on a Jewish holiday, marking the start of the Yom Kippur War. The United States intervened as per their allegiance to Israel, and was immediately embargoed. Other Western countries saw the devastating effects of the embargo on the U.S. and began to distance themselves from their previous pro-Israel foreign policy (or, if previously neutral, began to adopt pro-Arab policies). This is one of the best examples of oil having an effect on foreign policy of countries in the West.

Improved relations eventually led to the lifting of the embargo (led by Secretary of State Henry Kissinger’s use of shuttle diplomacy) but the Iranian Revolution of 1979 led to the second oil shock of the decade. The United States had previously backed the Shah of Iran under the foreign policy objective of multiple presidential administrations in an effort to keep peace in the region. This objective clearly failed. Saudia Arabia began increasing oil production which helped mitigate the overall effects of the worldwide oil shortage to an extent less harmful than what occurred in 1973. Iraq, now viewing Iran as vulnerable, invaded Iran in 1980 which started yet another war. Both of these events led to OPEC’s decline in influence and the cartel was actually forced to decrease prices in 1983.

In an ironic twist, the destabilization of the Gulf region due to the spread of the Iran-Iraq War battleground led some Arab nations to turn to the U.S. to help bring stability. The Iraq invasion of Kuwait led to the Gulf War, in which a U.S.-led coalition force sought to win back Kuwait (and prevent the possibility of Iraq invading Saudi Arabia, giving them control of approximately half the world’s oil supply according to the web series). Few countries - even in the Gulf region - objected to America’s actions.

By the end of the 1980s, power had shifted away from oil-producing Middle Eastern countries and instead headed towards developed countries due to exploration in alternative sites, such as Alaska, the

Gulf of Mexico, and Columbia, as well as an increase in renewable energy research and usage. The amount of power that Arab nations had held - possibly even costing Presidents Ford and Carter their reelections - was no more.

Episode 8 - "The New Order of Oil"

As this web series was produced in 1992, "The New Order of Oil" chronicles the then-current situation of the oil market as it relates to Western countries, Middle Eastern countries, and developing countries. The "Age of Oil," a phrase the web series uses to refer to the 20th century, was wrapping up. Challenges to the oil industry, such as environmental regulations and alternative forms of energy and vehicles, were at the time perceived as threatening to reduce the overall impact of oil in everyday life. Although the commodity nevertheless played a role in domestic policy, differences in policy between developed and developing countries started to occur.

Oil exploration had expanded to encompass vast portions of the world's known oil reserves, which essentially ended the threat of the oil weapon. As concerns over peak oil lessened, a new problem began attracting attention in America - pollution. Led by the state of California, environmental regulation laws intended to eliminate or decrease smog were passed. Parts of the U.S., especially in scenic areas, saw oil drilling prohibited. On the other hand, many developed countries envisioned an opportunity for economic improvement with the help of oil companies and began enticing them. This was prevalent mostly in Latin America, with Russia - experiencing economic uncertainty due to the collapse of the Soviet Union - being an exception. Siberia was opened for oil exploration, mirroring the route neighboring regions in Alaska took in the 1980s. A visible split began to emerge in nations' domestic policy regarding oil, as developed countries shied away from increasing oil production even as developing countries began embracing the resource.

Changes in oil accessibility also began to affect U.S. foreign relations as well as global power status for select countries. Japan, having reduced its dependence on oil due to the oil embargo of the 1970s, turned to technology and saw its economy rapidly expand to a point that rivaled only America (now a hyperpower). This led to some resentment towards Japan by members of the U.S. Congress, which is similar to the anti-China economic policies currently popular amongst American politicians. As more and more alternative sources of energy are discovered, countries with state-owned oil companies such as Venezuela, Mexico, Saudi Arabia, and Kuwait have seen their influence in global power decrease for the most part.

The web series concludes with Daniel Yergin noting the rise of an unconventional revolution in the oil and gas industry, with shale gas and shale oil increasing in usage due to new (and controversial) drilling techniques like hydraulic fracturing being introduced. Declaring the theory of peak oil obsolete - at least for now - Yergin implies that the United States will likely experience a decrease in the probability of foreign policy being influenced by oil. The main debate about oil policy in the future, according to

Yergin, will center not on the threat of overproduction or underproduction but on the environmental impact and prohibition status of new types of drilling techniques along with the extent of the need for upkeep of aging refineries.

Final Thoughts on “The Prize”

Daniel Yergin’s “The Prize” web series focuses on two central conflicts that shape the domestic policies and motivations of countries, that is, the shift in concern between overproduction and underproduction of oil (and its effect on economic policy) as well as the shift in power between oil companies and countries. After oil was first discovered via drill in 1959, overproduction drove the price of oil down rapidly. After World War 1, an increase in cars caused fears of underproduction. During the Great Depression in the 1930s, overproduction began occurring. Oil was rationed during World War 2 to reduce the risk of oil shortages within the war effort. Concerns of underproduction after World War 2 sparked a new era of oil drilling in the Middle East. In the 1970s, deliberate underproduction by Middle Eastern countries caused perhaps the most validated fear of oil shortages in the 20th century. But new oil exploration sites discovered in the Arctic and offshore created a generally stable oil market that currently exists today. The year 2020 saw U.S. oil prices turn negative for the first time due to oversupply - an unthinkable reality to the people experiencing the oil embargo back in the 1970s.

Shifts in power between oil companies and countries also occurred during the web series, though not as dramatically as the shifts between overproduction and underproduction. In general, oil companies - with their promises of economic development - had the upper hand over oil-abundant countries in the early 1900s. This changed once OPEC was formed, leading to the 1970s oil embargo which impacted the lives of everyday citizens who had never thought twice about where their fuel came from. The power struggle eventually headed towards something along the lines of a stalemate, as oil companies, although facing a larger selection of sites to explore, still need to be able to physically drill somewhere while countries recognize the benefits of oil production (at the expense of the environment).

Domestically, oil has had a large influence over U.S. policy in a wide range of fields. Since the moment of time when Standard Oil was declared a monopoly, the U.S. government has had decent influence over aspects of oil production (as well as the U.S. judicial branch to a lesser extent). Balancing the need to provide energy through refining oil into products like fuel with the need to protect the environment and reduce the growing threat of climate change has been a big challenge for state and federal legislatures. Recognizing backlash over environmental accidents and a public image of lacking care for the environment, oil companies have begun marketing themselves as partaking in greener initiatives - such as working to solve issues like climate change - by investing in cleaner forms of energy. This is a step in the right direction for environmental issues. Congress has recognized a rise in concern amongst the general public over environmental protection and climate change, yet the partisan backlash regarding greener initiatives such as the Green New Deal of 2019 (in defense of U.S. energy production and, ostensibly, workers in nonrenewable resource industries at risk of losing their jobs) shows that American domestic policy has a long way to go in figuring out a way to deal with the current state of the oil industry.

Global affairs have experienced shifts in viability amongst countries whose economies center around oil. Middle Eastern countries saw a peak in global influence in the 1970s, but their relevance today has slowly declined since then. It could be argued that America's emergence into becoming the sole hyperpower of the world has increased the likelihood of other countries seeking to have good foreign relations with them. This can be attributed in part to the rise in prominence of the American oil industry. Concerns over the environment have caused a strain in relations between the conservative U.S. and the more liberal members of the European Union. Oil-abundant countries are experiencing competition from the renewable energy industry, but will continue to yield global influence as long as oil is consumed in good amounts.

Lastly, certain attention should be given towards the concept of peak oil. Throughout the documentary, Yergin expresses skepticism over peak oil predictions - which he feels aren't warranted. The years after the documentary was made have in essence proved him right. If Yergin's prediction stays true, the oil industry will continue to affect the relations between countries, the national interests and domestic policies of countries, the global status of countries, and the foreign policy initiatives of countries worldwide.

References

Most of the information I put into the project came from the web series or from prior knowledge of historical events. I usually gave an in-essay reference to the web series when introducing new information or paraphrasing. Other than the web series, I used the following links either to double-check information or to provide context.

Some context was also provided through Richard Haass's "The World: A Brief Introduction" novel.

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https://foreignpolicy.com/2011/05/13/revenge-of-the-invisible-hand/	Episodes 1, 2
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https://www.geoexpro.com/articles/2013/06/once-upon-a-red-line-the-iraq-petroleum-company-story	Episode 3
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