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Uri Bialer. *Oil and the Arab-Israeli Conflict, 1948-63.* New York: St. Martin's Press, 1999. vii + 282 pp. $69.95 (cloth), ISBN 978-0-312-21284-1.

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This fascinating and intriguing book rightly claims to contribute to the field of international political economy. It describes and analyzes in considerable detail Israel's oil diplomacy during the first fifteen years of statehood, and the extremely adverse circumstances under which the country's energy supplies were procured. At the time, petroleum was the only practical source of energy for Israel's rapidly growing population and its expanding and modernizing economy. As such, it was no less a basic existential problem than the supply of armaments. However, despite almost crippling financial limitations, the chief constraints in obtaining crude oil and its refined products were political. Governments and the major oil companies, primarily British and American (and later the Soviets and the Iranians, too) viewed the issue predominantly from the perspective of the Arab-Israeli conflict. In view of the Arab countries' role as the Western world's major oil suppliers, their strategic location, and their potential as developing markets for manufactures and other goods (in contrast to Israel's negligible weight as a market), it is in a sense surprising that Britain and its oil companies did not abandon Israel entirely–as they almost did in the mid-1950s.

Nevertheless, Israel pursued an ambitious oil policy, whose aims extended well beyond the supply of minimal civilian and military requirements. It sought to reestablish the Haifa oil refinery (a British enterprise, in operation since 1939) as a supplier of domestic demand (to include a newly-established petrochemical industry) and of export-earned foreign exchange. For these purposes, the pipeline from Iraq to Haifa was expected to be reactivated and/or the Suez Canal opened for tankers serving Haifa. Moreover, the Israeli government repeatedly tried to break the monopolistic price structure imposed on the domestic oil market during the British Mandate regime, and to abolish the tax-exempt status of the foreign oil companies. Only few of these goals were achieved. The long-run policy aim was to rid Israel of its dependence on a small number of leading British and American oil companies and to diversify its sources of supplies.

The present study traces the successes and failures of these endeavors. It is based on recently declassified records from Israeli, British, and U.S. archives. In this case especially, contemporary sources were almost silent on the painful limits of Israel's capability to translate political sovereignty into independence from the international oil companies, whose interests coincided with their respective countries' dominant strategic interests. Moreover, from its earliest days Israel was handicapped by "an almost total lack of familiarity with the international oil business and the world of oil diplomacy" (p. 31), and even twenty years later such experience and expertise were the province of a mere handful of "initiates." It was thus relatively easy to preserve the desired secrecy regarding oil supplies, since secrecy was also an integral part of the modus operandi of the oil companies. This book is therefore more revealing (and at times surprising) than most other contemporary history works. Regrettably, this feature also tempts the author to relate parts of the story in excessive detail.

In mid-1950 Israel seemed to have finally circumvented the Arab oil blockade. The British companies agreed to operate the Haifa refinery at partial capacity, using Middle Eastern oil from non-member countries of the Arab League to satisfy Israeli demand, despite doubts with respect to the enterprise's profitability. All that had been achieved, however, relied on temporary arrangements, without redress of Israel's grievances regarding prices, taxes, and foreign exchange earnings or guaranteed supplies for the petrochemical industry. Subsequently, the foreign companies marketing in Israel even agreed to the establishment of an Israeli-owned corporation which would gradually be allocated up to 30 percent of the domestic market. But the British owners of the refinery adamantly refused to invest in its modernization and diversification.

Gradually Israel also managed to acquire oil business know-how and connections, to diversify its supplies by closing independent deals with Russia and Iran,

and to somewhat improve its relations with the foreign companies operating domestically. However, the Israeli market became commercially less and less attractive, and outside developments–chiefly the 1956 Suez-Sinai campaign–weakened the political will to stay in it. Thus, during 1954-1957 the oil companies decided one by one to sell off their interests in Israel and leave the country. This process culminated in the 1959 agreement to sell the Haifa refinery to the Israeli government. While this process must be viewed as an Arab League success, it did not result in blocking Israel's oil supplies.

The crucial new factor was a series of oil supply agreements with Iran, made possible once the Anglo-Iranian dispute following the nationalization of Iran's oil industry was settled. The chapters describing the formation of Israel's "petroleum link" with Iran, which analyze its procedures, complications, and the varied political interests involved, are the most fascinating and innovative in this volume. This link was related to developing the Red Sea port of Eilat into an oil depot, constructing pipelines from there northward, eventually to Haifa, and thus opening a new oil supply route (of Iranian crude and of Haifa-refined products) to Europe. Iran was even willing to underwrite part of the cost of the Eilat-Haifa sixteen-inch pipeline. The U.S. in effect guaranteed secure shipping in the Gulf of Aqaba, and Iranian war ships discreetly escorted Israeli tankers in the Persian Gulf.

The book ends with the very favorable agreement with Iran in May 1963. Although its almost total dependence on a single oil supplier was a drawback, Israel's position in the international oil business had apparently been secured, and was even strengthened after the 1967 closure of the Suez Canal. As the Epilogue points out, however, subsequent events, chiefly the 1973 war, reopening of the Suez Canal, and the fall of the Shah of Iran in 1978 virtually wiped out these achievements. The Sisyphean labor of securing Israel's energy supplies had to start all over again. The next installment of the story awaits the declassification of the relevant archives, and will hopefully be addressed again in Bialer's exemplary manner.

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