

Oil in the foreign policy of Algeria Toward France and The United States from 1962 to 1978

A historical view

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Abstract:

After having gained her political sovereignty in 1962, Algeria engaged straight away in the battle of restoring her economic sovereignty by putting her hands on her national resources of Oil and Natural Gas in particular. This fact had made Algerian Hydrocarbons especially Oil and Natural Gas the main axe around which Algerian foreign policy in post- National Independence era rotated. The study is a rear view on the main historical events and stations that marked Algerian foreign relations with both France and The United States to show the Impact Algerian Oil and Natural Gas had on Algerian foreign policy toward the two countries.

Keywords: Algerian foreign policy; Algerian Hydrocarbons; Algerian-French Trade and Economic relations; Algerian-American Trade and Economic relations .

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INTRODUCTION

Algeria, having been a French colony for 132 years, gained its independence on July 5, 1962, after fighting for seven years one of the most savage and bloody wars in modern history.

From the beginning, Algerian leaders were aware that the political independence of their country would be only a first step to the real independence: economic independence.

The problem was that the commodities were not in Algeria's hands. French oil companies succeeded in maintaining their prominence in the petroleum sector despite the country's formal independence. Thus, any immediate integration of the hydrocarbon sector into a national development strategy could not be achieved.

However, the leaders of independent Algeria were eager to challenge France's upper hand in the petroleum sector, this was shown by the BEN BELLA government's intrusion into oil affairs only 18 months after independence. The government refused the companies' request to build the pipe-line (Haoud el Hamra oil fields-Arzew). Instead, a national oil company, SONATRACH (société nationale du transport et commercialisation des hydrocarbures), was formed and assigned the task of building the project.

In fact, it was not until 1967 that the Algerian leadership succeeded in defining a clear and concise development strategy for the country. Its main characteristic was an emphasis on "industries industrialisantes" (industries which generate other industries). The hydrocarbons were seen as the resource to be exploited in order to finance this strategy.

thus, the government had no choice but to reassert the country's control over its petroleum resources, and this complex and controversial sector was nationalized in 1971.

This crisis affects all aspects of Algerian-French relations, and influenced the foreign policy of Algeria toward its former colonizer.

The take-over of the oil sector also affected Algeria's relations towards the US. It is well known that since independence, Algeria had

followed a radical foreign policy. Algeria's stands on world issues were, in fact, diametrically opposed to those of America.

However, at the time Algeria nationalized its petroleum resources, America imperialism did not constitute an obstacle in the road to building close business interactions between the two countries. The need to secure markets for its petroleum and gas and to find new sources of assistance and technology for its developing industry brought Algeria closer to the US than ever before.

Beginning in 1968, Getty, a US oil company, entered into terms with SONATRACH on a joint venture basis that was considered more advantageous to Algeria than the 1965 oil agreement with France. This was followed by an important gas contract between SONATRACH and the El Paso company of Texas. After that, US private companies steadily consolidated their presence in Algeria.

Commercial relations between the two countries quickly grew to make the US in 1977 Algeria's first economic partner, surpassing France and other nations of the European economic community, Algeria's traditional economic partners.

On the whole, one can say that petroleum has influenced the foreign policy of Algeria considerably, especially in its relations toward France and the US.

The study research problem may be therefore formulated as such : what was the role the Algerian petroleum had played in shaping the course of Algerian foreign policy toward France and The United States from 1962 to 1978 .To provide an answer to this question the study goes back to the 60s and the 70s of last century to register and analytically read the principal, historical, Economic and trade facts that linked Algeria with France and The United States

1. The foreign policy of Algeria, 1962-1965

1.1 Algerian –French relations 1962-1978

1.2- Algerian –French cooperation in hydrocarbon sector

1.3- The third pipeline Issue

1.4-SONATRACH: The Algerian tool of hydrocarbon policy

The war of independence left its mark on the people and the leaders who were carry out the foreign policy of independent Algeria .In September 1962, Ahmed Ben Bella, one of the nine historic chiefs who in 1954 launched the insurrection ,was elected the first president. Under his regime, Algeria followed an active foreign policy. From the beginning he wanted Algeria to play a prominent role in third world politics.

In the third world, Algeria became the cornerstone of De Gaulle's policy. Why did he choose Algeria? He was motivated by three considerations: to preserve the fifth republic,to build a new image for France that would serve him in these relations towards third world countries, and to maintain France's privileged position in the Algerian oil industry and thus preserve France's freedom from the Anglo-American oil companies.

1.2 Algerian –French cooperation in hydrocarbon sector

Oil was the axis around which relations between Algeria and France had rotated. Oil was important for both sides. The Algerians saw oil as the surest commodity on which they could rely to industrialize their country,and France, to which 70 percent of their oil was being exported,provided a close and secure market.

But despite this mutuality of interests,cooperation was not smooth, the Evian agreements confirmed French companies' rights on oil and made Algeria a spectator who,as Jean De Broglie put it in 1964 ,saw its oil being passed away (Sereni, 1971, p. 32).

However,, this situation did not last long. eighteen months after the signing of the peace agreements,the Algerian government started its intrusion into oil affairs, showing the willingness to overturn the status quo. It took the first occasion to challenge the French oil companies when they planned to build a third pipeline.

1.3 The third pipeline issue

At the time of independence ,there were only two pipelines by which to ship Saharan oil to the coast. the first one ,owned by SOPEG (Société pétrolière de Gérance),connected Haoud el Hamra oil fields to Bejaia on the coast. the 660 kilometers pipeline was constructed in 1959 and put into service the same year. the second one,owned by TRAPSA (compagnie des transports par pipelines au sahara),connected In Amenas to la Skhira in Tunisia. The 775 kilometers –long pipeline, of which 225 kilometres were on Algerian soil ,also was constructed in 1959 and put into service in 1961.

In 1963 the production of oil increased by 16 percent over the previous year (Obsarvateur, 1971, p. 17) .as a result,the two existing pipelines became insufficient for the shipping of the whole production to the coast. thus,oil companies operating in the sahara saw the need to build a third pipeline.

To this end, a group of 16 concessionaire—10 French ,five American and one Italian—created a company called .TRAPAL(transport du petrole Algerien) (Monde, 11-03-1971, p. 31). TRAPAL's purpose was to build a new pipeline that would connect the Haoud el Hamra oil field to Arzew on the west coast of the country. Its length would be 805 kilometers, with a capacity to evacuate 24million tons of oil per year.

However, a problem emerged when the companies requested authorization from the Algerian government to construct the pipeline. The government made its participation in the project a condition of granting the authorization .the Algerian government requested 33 percent share in the capital of the pipeline (diary, 1971, p. 548).

The French companies objected,arguing that the Saharan code and the Evian agreements gave them alone the right to transport their production. After intense negotiations, they agreed to allow the Algerian government to participate with a 20 percent share, but refused the remaining 13 percent.

In response, the Algerians denied TRAPAL the right to build the pipeline. Instead, they decided to do it alone. To that end, the Algerian government created a national oil company, SNATRACH (societe nationale de transport et de commercialisation des hydrocarbures),and obtained the

financing for 25 percent of the project from Kuwaiti bank, 25 percent from the Arab bank for development ,and the remainder from the British government (Boutros, 1978, p. 167).

The construction of the pipeline was entrusted to John Brown construction, a British company. On February 11, 1966, the fought-over third pipeline entered into service.

After winning the first round against the oil companies, the Algerian government quickly moved to the second round. On July 17, 1964, a decision was made that obliged the oil companies to move their headquarters to Algeria and to invest 50 percent of their oil revenues into the Algerian economy. This was another step toward the Algerianization of the hydrocarbon sector. But overall, the creation of SONATRACH was the most decisive step towards gaining Algerian sovereignty over its resources.

1.4 SONATRACH the Algerian tool of hydrocarbon policy

SONATRACH came into existence at a time of crisis between the government and the companies operating in the Saharan over the third pipeline issue. But, because of its early creation, and the lack of both skilled workers and financial means (this was only a year and a half after the independence), SONATRACH's activities were limited to transport and marketing.

The first intervention of SONATRACH in oil activities was the construction of the third pipeline. In 1965, after Algeria and France signed a new oil agreement, SONATRACH was to carry out the Algerian obligations vis-à-vis the French partner. It was strengthened in 1967 when the government took over the US companies dealing mainly in marketing and refining.

The strategic role of SONATRACH developed quickly, sped along by the determination of the government to control the hydrocarbon sector. The role the company was to play derived from the development strategy itself. The hydrocarbons were seen as the means to be exploited in order to build up a modern economy based on a speedy state-directed industrialization.

Boumediene made it clear from the beginning that foreign policy

would no longer be the government's first concern. He shifted the government's efforts to domestic politics. At the top of this agenda was the building of a stable state and the construction of a national economy. Under his regime, Algeria changed course and entered a period of isolationism that lasted from June 1965, to the Arab-Israeli war of June 1967. After the war, Algeria emerged on the world scene and abandoned its relative isolationism to become actively involved in world politics until 1978.

Algerian relations with France were not affected by the coup. Four days later, France broke its silence and declared that its position was, as usual, "to recognize states and not governments (AAN, 1965, p. 191).

This showed that its interest in Algeria went beyond the man in office. De Gaulle and the French government as a whole knew that Boumediene was a strong nationalist.

Boumediene's foreign policy was less ideological than that of Ben Bella. His realization of Algeria's dependence on France led him to follow a more pragmatic foreign policy. Yet he recognized a need to unite third world countries to counter the west politically, thus preserving Algeria's militant stance.

II-Algerian –French relations 1965-1978

1-The 1965 oil agreements

A crisis between the two countries over oil matters was brewing. Both governments moved to clear the way for their relations before it became too late. In order to build a more acceptable and sound cooperation, Algeria and France entered into negotiations on October 27, 1963. An agreement was finally reached on July 29, 1965, one month after Boumediene's coup d'état.

The agreement was considered an innovation. In the middle east and elsewhere, oil agreements were usually negotiated and signed between oil-rich countries and the private oil companies. The Algerian–French agreement was unique in that it was between two governments.

Thus, the signing of this agreement was in accordance with Algerian diplomatic strategy which sought a state—to-state cooperation.

2-Algerian French relations from 1971 to1978

The oil nationalization constituted a turning point in Algerian-French cooperation. The special relationship woven by De Gaulle to serve France's foreign policy was destroyed. the Pompidou government's decision to hand over negotiations to the oil companies represented an implicit recognition that Algeria was no longer France's opening door to the third world.

In a television interview, Pompidou said:

"We do not give Algeria a priority in our cooperation, but we do not exclude her in any way from the number of states with which we cooperate closely, and especially we abstain from any polemic" (wizniter, 1971, p. 09) .

Thus, while Pompidou admitted the end of the privileged relationship, he left the door for cooperation open, consequently rejecting a total breakdown in relations.

The same thinking was held by the Algerian government .in an interview with the Christian science monitor,

Boumediene said:

"At the present time France is trying to put a knife at our throat, to dry up our means of payments. They have ceased taking Algerian oil, as they have ceased buying Algerian wine. Despite that, we persist in thinking that a formula can be found that will enable France and Algeria still to cover a long road together" (quandt, 1972, p. 114)

The Algerian president, like his French counterpart, also left the door for future cooperation open. While the Algerians wanted to end as soon as possible the special relationship which they saw as too beneficial to France ,they were not interested in a total break. But despite the will show by both sides to continue cooperation, the difficulties that resulted from the oil conflict had a continuing economic effect on relations between the two countries.

2. Algerians-American relations 1962-1978

2.1 Algerian –American relations in early Algerian national independence years

2.1.1 Algerian-American relations under Ben Bella regime

Despite the early nomination of William porter as US ambassador to Algiers in 1962, and Cherif Guellal as Algerian ambassador to Algiers to Washington in 1963, relation were slow to take shape and developed rather badly .this was due fundamentally to the different if not antagonistic perception of world politics by the two countries.

Algeria's world review was shaped by its own bitter colonial experience and anti-colonial struggle. In this respect, Algeria identified the US with colonialist France.

In fact, the Tripoli program, an official Algerian document,denounced without ambiguity the multiform support the US granted France in its efforts to crush the Algerian revolution. In addition,, the existing international system did not please Algeria. The newly independent states, in Algeria's view, should not be the battlefield for a cold war resulting from a bipolar conception of the world which they did not create. the US's view, on the other hand,was shaped by anti-communism, its leading position in the international system and its commitment to perpetuate the status quo.

These conflicting perceptions of world politics were reflected in each country's external behaviour. The overt military intervention of the US into the affairs of other countries to stop the "spreading rot" of communism was a matter of "national security". The harsh and constant denunciation by the Algerian press of these US interventions was a matter of commitment to the Algerian revolution's principles and a moral obligation towards the poor people of the world who were fighting for their freedom.

Another setback to Algerian-American relations came in 1963. In march, the Algerian government announced what came be known as the "March decrees». These,as we mentioned earlier ,legalized Algeria's take-over of the "vacant properties" in the agricultural ,industrial and mining sectors and established worker self-management. some American citizens were affected by these decrees. several millions of dollars worth of claims

for the compensation of properties were filed with the US government later. despite their limited value, these nationalized properties became an issue between the two countries (Roosens, p. 594)

This continuing Algerian opposition to US positions on international issues such as the Congo, Cuba, Vietnam and the middle east led some American officials to call for the severing of diplomatic relations with Algeria (Roosens, p. 594). Thus, it was not hard to find out why the US government was pleased when Ben Bella was overthrown in 1965.

2.1.1 Algerian –American relations under Boumediene regime

Under the Boumediene regime, Algeria's relations with the US followed two distinct courses: a radical, ideological one from 1965 to 1968, and a pragmatic one from 1965 to 1978.

American dissatisfaction with the highly ideological foreign policy of the previous regime led it to welcome the take-over by the newcomers. Boumediene's willingness to cooperate with the US was made known in a message to president Lyndon Johnson on June 27 (lassassens, p. 161). Foreign minister Bouteflika also had talks with William porter, the US ambassador to Algeria.

A state department declaration released later stated that the US was willing to "explore with the Algerian government new roads of mutual cooperation" (lassassens, p. 161). This common willingness to cooperate did not, however, materialize. The Algerian press kept the same tone it had under the previous regime against the US foreign policy behaviour. American entanglement in Vietnam, and its policy in the middle east and elsewhere were easy targets for the Algerian government –controlled press.

The continuing and intense criticism of US foreign policy by the press led the newly appointed American ambassador, John D. Jernegan, to send a letter to the Algerian foreign minister stating that "the atmosphere" between the American and Algerian governments "has grown worse during the past few months" (friendly, February 26, p. 423).

On June 7, 1967, the Arab –Israeli war broke out. Algeria immediately

broke off its diplomatic relations with the US and put under state control all American oil companies operating in the country. These were El Paso, Esso, Phillips, Mobil, Getty and Sinclair. These Algerian decisions brought an end to the first era of Algerian –US relations since independence had been gained

2.2 Algerian American relations 1968-1978

2.2.1 Algerian American cooperation in hydrocarbon sector

The severing of diplomatic relations between the two countries did not affect consular relations. In fact, the two US consulates – one in the west (Oran) the other in the east (Constantine) - were left open.

Meanwhile in Algeria, new developments occurred, the government embarked upon a series of economic plans made possible by the doubling of oil revenues that resulted from the 1965 oil agreement (A.A.N, 1974, p. 34).

A first three-years experimental plan was put into practice in 1967.

A year later, the government announces that it was ready to indemnify the American nationalized companies. After settling their conflict with the government, one of these companies, Getty, reached an agreement with SONATRACH to create a joint venture.

In 1970, the government continuing its development program, started its first four-year plan. Its implementation coincided with the long Algerian-French negotiations over the 1965 oil agreement. All these developments led the Algerian government to seek economic partners other than France.

The Algerians, in particular the technocrats, saw in the US a better positioned partner. The US could not only absorb Algeria's oil and gas production, but could also provide more sophisticated technology than France. As American diplomatic sources pointed out, "US exporters sometimes find that they have an advantage over their competitors if they can offer what the market [in Algeria] wants at the right place and right time" (digest, 23-12-1979, p. 17).

The Algerian –US warming became clear when on October 9, 1969, SONATRACH and El Paso Natural Gas of Texas signed the most important gas contract ever. The deal consisted of selling 20 billion worth of Algerian gas to the US (confidential, 12-October -1971, p. 03). Under the terms of the

contract. El Paso would import 10 billion cubic meters of natural gas per year for a period of 25 years beginning in 1975.

The US federal power commission, after hearing evidence from Si Ahmed Ghozali, director of SONATRACH, gave its approval on the contract in 1972. The first tanker carrying Algerian natural gas left Arzew, Algeria, on march 3,1978, to arrive 10 days later at covepoint, Maryland, and on to savannah , Georgia ,where El Paso regasification complexes were located (Bruno, 15-03-1978, p. 25).

In 1971, further contracts were signed between the Algerian state company and a number of US companies, although they were short-term or “spot contracts”. Between 1971 and1978, Boston gas imported 675 million cubic feet of Algerian natural gas. Another company, Distrigas, was authorized by the FPC to import 15 million BTUs (British thermal units) of gas for a period of two years, and asked the commission’s approval to import 59 million BTUs of gas between July 1973 and July 1975. The same company signed two more important contracts with SONATRACH to import 0.5 billion and 1.2 billion cubic meters a year of natural gas ,both for a period of two years.

At the end of 1971, a more important deal was reached. On December 14, SONATRACH and CORCO (commonwealth oil refining cop.) signed an agreement. The American company would import 380 million tons of Algerian oil over a period of 25 years , beginning in 1972. According to Mr. Nouredine Abderrahim, vice-president of SONATRACH, the deal would assure Algeria of \$350 million (Maghreb, january - february 1972).

Panhandle company had its contract with SONATRACH approved by the FPC in August 1977. The company would import 4.5 billion cubic meters of natural gas a year over a period of 20 years (Bruno, 15-03-1978). In 1972 Eascogas LNG, Inc which consists of Public Service Electric co. of new jersey and Algonquin Gas Transmission co., reached an agreement with SONATRACH. The company would import about 190 billion cubic feet of liquified natural gas a year, over a period of 22 years. The deal was worth about \$ 3.6 billion (diary A. , July 8-14,1972, p. 28)

SONATRACH signed several contracts with a number of other

American companies which were interested in importing Algerian oil, but most concerned gas.

2.2.2 Algerian-American business boom

Algerian –American cooperation extended to embrace the cultural field. In 1972-73 there were 50 algerian students in American training centres. Their number rose to 1.000 in 1976, and to 2.000 in 1977, including 1.000 technicians for SONATRACH alone (Balta, 28-06-1977, p. 04)

There were about 3.000 americans working in Algeria in 1979, mainly in hydrocarbons (degest, 14-12-1979, p. 17). The US also built projects related to the education sector, including the INELEC (Institut national d'électricité et d'électronique) at Tlemcen, where 2.000 engineers and 1.000 technicians graduated each year. They also built the ISTP (institut des sciences et de la technologie des polymères) at Setif and Annaba. The institute of medical sciences of Algiers and the school of Medicine of the university of Wisconsin cooperated in different domains (digest, 23-12-1979). The Institute of gas technology of Chicago also had closely cooperated with the IAP (Institut Algérien du Pétrole) in Boumerdes and Oran.

Cooperation extended even to the military domain. In 1977, a delegation from the US National war college left for Algeria and visited the “Ecole interarmes” at Cherchel. During the visit, the delegation was received by the officials of the Defence Military and the president (Gharbi, 1977, p. 17).

The two countries also cooperate financially, Algeria borrowed from US financial institutions. In 1979, its debts to the exports-import bank alone amounted to \$ 1.500 billion (degest, 14-12-1979). Algerian credit-worthiness to borrow from international financial institutions and private banks was strengthened in 1977.

That year, Bechtel International of the US submitted to SONATRACH what came to be known as the VALHYD (valorisation des hydrocarbures) plan. This was a blueprint drawn up to estimate in financial terms the hydrocarbon resources of the Sahara between 1976 and the year 2005. With this in hand, SONATRACH could approach the financial institutions confidently. In 1975, Boumediene said in an interview, “I obtain credits from

US banks more easily than from Arab countries (Africa contemporary record, 1975-1967, p. 13).

Trade between the two countries gradually increased until the US became Algeria's first economic partner in 1977, surpassing France and west Germany. The new position acquired by the US alarmed the long time European holder of the position, France, whose chamber of commerce warned in 1976 that "France is definitively losing its predominant position in the economic and the cultural domains [in Algeria].

Algeria's crucial need for diversification in the early 1970s brought the US to the top of its trade relations. Algerian exports to the US consisted mainly of oil and gas. Its imports included grains, mechanical handling machinery, iron and steel products, construction, mining and oil field machinery, electric power machinery, and civilian aircraft. In 1970, Algeria exported \$8.2 million to the US, and in 1977 it exported \$3.009.7 million (YEARBOOK, 1982, p. 62).

In fact, the US was the only major western industrialized country with which Algeria had had a trade surplus. In 1978, for example, the trade balance amounted to \$3.200 million (degest, 14-12-1979, p. 17) . Trade increased despite Algeria's unchanged positions over US foreign policy.

CONCLUSION

Throughout this paper, we have tried to describe the role played by hydrocarbons in shaping the foreign policy of Algeria. We dealt with the effect of petroleum on Algeria's relations towards France and US.

Algeria's determination to consolidate its political independence through economic development led her to emphasize industrialization as a means to accelerate the development of the country and to serve as a source of capital accumulation. In this context, the hydrocarbons were seen as the means by which to lay down the foundations of an industrial base.

To deal with this anomaly, the Algerians mobilized their diplomacy. Here we should notice how the Algerian diplomacy played on the conflicting interests of capitalism. Both France and the US wanted to consolidate their Interests in Algeria, each to the detriment of the other.

To be clear, the Algerian take-over of the oil sector resulted in two paradoxical outcomes. On the one hand, it negatively affected relations with France, and on the other, it positively affected relations with the US. This was the case because oil was at the origin of the Algerian-France divorce, while gas was the source of the Algerian –American rapprochement.

Thus, disagreement over hydrocarbons strained Algeria's relations with France and led Algeria to look for other economic partners despite France's willingness to continue the cooperation. They also pushed Algeria closer to the US despite its constant disagreement over American foreign policy behaviour.

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