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The Iranian Crisis of the 1970s-1980s and the Formation of the Transnational Investment Bloc

Abstract

The events surrounding the Iranian Revolution in the 1970s and 1980s significantly contributed to the formation and consolidation of a U.S-Saudi transnational investment bloc.

Keywords

Iran, Transnational Investment Bloc, U.S. Foreign Policy, Saudi Arabia, Transnational Corporations

Cover Page Footnote

I am indebted to Ronald W. Cox for his theoretical insights and intellectual support.

Introduction

This article examines how the events surrounding the Iranian Revolution, namely the fall of the Shah, the hostage crisis, and the Iran-Iraq war in the 1980s, contributed to the formation of a U.S.-Saudi transnational capitalist investment bloc in U.S. policy toward the Persian Gulf. Theorized by Koruzhde and Cox (2022), the transnational investment bloc refers to a cross-border coalition between transnational investors in the U.S. and the Persian Gulf that formed during the late 1970s and early 1980s. Specifically, this coalition included U.S. business transnationalists with investments in the Persian Gulf and the U.S. military-industrial complex (MIC), deeply embedded in U.S. foreign policy bureaucracy, on one side, and state-business elites in the oil-rich countries of the Persian Gulf, particularly Saudi Arabia, on the other.¹ I show how the developments in Iran even before the revolution facilitated the consolidation of the transnational investment bloc by accentuating the failure of détente and shifting the focus of the bloc toward great integration and reliance on Saudi Arabia. This transnational investment bloc saw the Iranian Revolution of 1979 and its ramifications as a strategic and economic threat to their investments in the Persian Gulf. The bloc then became the main advocate of American assertiveness and military preparedness in the Persian Gulf and aggressively promoted anti-Iran and pro-Saudis policies.

This perceived threat that Iran posed to transnational investors was accentuated by a broader context of the structural shifts in the global economy, U.S. militarization, the end of détente, and the geostrategic and economic imperatives for U.S. policy as defined by an emerging transnational investment bloc. The Iranian crisis was, as described by Don Oberdorfer of the Washington Post (Klare 1980), “one of those rare international hinge events” that fueled the U.S. militarization of the Persian Gulf. The aggressive Iran sanctions policies during the Carter and Reagan administrations were adopted in large part to protect the interests of an emerging business-state coalition whose militaristic tendencies reflected major changes in the U.S. business-state elite structure. I examine the declassified documents from the meetings that National Security Council (NSC) and its Special Coordination Committee (SCC) held in the wake of the hostage crisis to show how the crisis contributed to shift in policy debate toward militarism, especially by changing the perspective of figures like Brzezinski who was one of the founders of the Trilateral Commission.²

Transnational investors worked closely with U.S. policymakers in building cross-border alliances with business and state leaders of the oil-rich countries of the Persian Gulf and in incorporating them within a U.S.-led neoliberal economic order. Of great importance to the consolidation of the transnational investment bloc was the incorporation of Saudi Arabia that was facilitated by the policies pursued by the Shah of Iran after the oil crisis of 1973 and his eventual collapse as a U.S. ally in 1979. I document how Saudi Arabia played a key role in helping to stabilize the dollar and oil prices in the 1970s, and to revive American foreign weapons sales that dramatically declined with the loss of the Shah of Iran as a major customer of U.S. “arms supermarket.” The events surrounding the Iranian Revolution helped the Saudis become an integral part of the transnational investment bloc and expand their partnership over time. The Iran policy debates demonstrate the

¹ The concept of the transnational investment bloc draws heavily on the “transnational interest bloc” theorized by Ronald W. Cox (2019).

² For an extensive account of the U.S. business-state elites’ role in the establishment of the Trilateral Commission see (Sklar 1980).

ways that the transnational interest bloc consolidated around Saudi Arabia linkages due to the Iranian crisis.

Overall, the foreign economic and political crises of the 1970s, culminating in the Iranian Revolution, the hostage crisis, and the Iran-Iraq war, led to a more integrated transnational capitalist interest bloc that became dominant in U.S. foreign policy toward the Persian Gulf in general and Saudi Arabia and Iran in particular. Anti-Iran policies adopted in the Carter and later in the Reagan administrations fit very well into the growing needs of the transnational investment bloc that necessitated U.S. assertiveness and military protection in the volatile Persian Gulf region. No account of U.S. Iran policy would be complete without locating it within the broader context of the efforts of a U.S. state-corporate transnational bloc to uphold the American neoliberal hegemony.

In the next two sections I examine two major ways in which the developments in Iran surrounding the revolution contributed to the formation of the transnational investment bloc: first, I discuss how these developments accelerated the breakdown of liberal internationalism represented by *détente* that was instigated by dramatic changes in the structure of the global economy. Which it then helped the transnational investors to find their interests in the Persian Gulf aligned with that of the MIC [that was opposing *détente* since its beginning] and join them to promote U.S. military expansion in the region; second, I analyze how the revolution took away from the U.S. the Shah of Iran as an ally and led the U.S. to replace him with the Saudis. The role that the Saudis came to play in stabilizing the U.S. and the global energy and financial markets as well as in making continuous purchases from the U.S. arms supermarket poised them well to become an integral part of the transnational investment bloc. In the final section, I will document how U.S. business-state elites, embedded within the U.S. foreign policy decision-making and prestigious think-tanks, used the Iranian crisis to thicken energy, financial, and military ties to the Persian Gulf. This marked the beginning of the dominance of an oil-finance-military complex in U.S. policy toward the Persian Gulf, particularly toward Saudi Arabia and Iran.

The Iranian Crisis and the End of *Détente*

In the late 1960s, the U.S.-Soviet relationship entered an era of decreased tension known as *détente*. U.S. *détente* with the Soviet Union resulted in a ratified and implemented SALT I and a negotiated SALT II.³ This era presented the U.S. business community with the prospect of increased trade and investment opportunities. The main supporters of *détente* were a coalition of corporate internationalists consisting of internationally oriented businesses like commercial and investment bankers, capital-intensive manufacturers, and transnational oil companies. This liberal internationalist bloc was heavily represented by a corporate elite network consisting of Business Roundtable,⁴ Council on Foreign Relations, and most importantly the Trilateral Commission that can be understood “as the ideological perspective representing the transnational outlook of the multinational corporation [which] seeks to subordinate territorial politics to non-territorial economic goals” (Falk 1975, 1005).

³ Before the latter was scrapped due to international and domestic factors.

⁴ Described by Business Week as “the most powerful voice of business.” Quoted in (Saloma 1984, 66).

The U.S. faced international political and economic crises in the 1970s and the early 1980s which led to the breakdown of liberal internationalism, the end of détente, and the resurgence of militarism in U.S. foreign policy. The demise of the Bretton Woods System, the increased international competition, the 1973 oil price hikes, the 1973-1975 “Great Recession,” the overall decline of profit rates, and the fact that trade and investment agreements with the Soviet bloc had lost momentum, all brought about a structural shift in the global economy. Moreover, by the late 1970s, business internationalists as the main supporters of détente were becoming more transnational in their financial and production structures.⁵ The Third World countries were profitable destination for the transnational capital as they offered cheaper labor as well as brighter trade, investment, and loan prospects. The Third World however suffered from social and political turmoil that was a threat to the profitability of the transnational capital. The Iranian revolution of 1979 as well as the Soviet invasion of Afghanistan embodied that threat as they came to destabilize the Persian Gulf that was the backbone of the entire oil/dollar-based structure of the world economy.

The Iranian crisis in particular accentuated the fraying of the détente coalition and legitimized the long-standing critique of détente that had already been developed by the U.S. military-industrial complex (MIC) from the beginning of this policy. The revolution and the hostage crisis sent a unifying message to the American elite structure, as Bacevich (2008, 38) puts it: “Here was unmistakable evidence of what happened when the United States hesitated to assert itself in this part of the world.” Just like the message, the lesson was clear too: “If developments in the Persian Gulf could adversely affect the American standard of living, then control of that region by anyone other than the United States had become intolerable.” Following these crises, the corporate coalition of liberal internationalists fell apart and abandoned détente as the predominant U.S. foreign policy characterization in favor of a more militarized and confrontational approach. Seeing détente as inadequate in protecting their interests, liberal internationalists distanced themselves from liberal political supporters of the Carter administration, particularly on U.S. Third World policies and the military posture.⁶ They started to see confrontational measures like sanctions and military force and preparedness as a necessary element in fending off the challenges posed by the increasing internationalization of the economy, oil price shocks, the growing turmoil in Third World, and the declining competitiveness of U.S. firms vis-à-vis the German and Japanese economies (Ansell 1996, 61).⁷

By the late 1970s, the important segments of the business internationalists, led by prominent U.S. banks, deeply embedded in U.S. decision-making and corporate-backed think-tanks,⁸ urged the U.S. government to develop global and regional policies designed to preserve access to foreign markets as well as to protect capital investment and profit margins from the turmoil in the Third

⁵ These economic shifts, as Peschek (1987, 141) puts it, “had two results that fed into resurgent militarism: the costs of disrupting U.S.-Soviet relations were lowered, and the enhancement of military intervention capabilities seemed necessary to protect economic interests, given the politically explosive effects of uneven capitalist development in the Third World periphery. The heightened rivalry of advanced capitalist powers in the late 1970s...also encouraged the belief that military strength might spell political leverage.”

⁶ The coalition that supported Carter’s foreign policies, comprised of multi-national corporate interests and liberal political groups, was already divided. For more on the rifts in this coalition on one hand and unity and organization in the conservative front on the other see (Skidmore 1996, 120-125).

⁷ This is why Cox (1998) calls them “aggressive internationalists.”

⁸ Such as Trilateral Commission, Business Roundtable, Brookings Institute, and Council on Foreign Relations.

World, especially in highly unstable regions like the Persian Gulf.⁹ They also ended up supporting aggressive policies toward Iran even before 1979, due to concerns about the threatening and negative impact of Iran's policies on their global financial investments. For the transnational investors, a show of strength through military projection and assertiveness was necessary to facilitate the ongoing needs of an increasingly transnational investment bloc.¹⁰ Use of force, be it military intervention or economic warfare, became predominant means of dealing with the political and economic instability of the Persian Gulf that threatened access of transnational capital to oil supplies and potentially drove countries away from a U.S.-backed global order.¹¹ So, by the early 1980s, these sectors of transnational capital found their interests aligned with the business sectors associated with the MIC and joined them in their efforts [that had started since the late 1960s] to push U.S. foreign policy more toward militarism,¹² providing a broader emphasis toward a more consolidated "right turn"¹³ among economically powerful sectors and marking the beginning stages of the formation of the transnational investment bloc.¹⁴

Together, these sectors established an oil-finance-military complex that worked closely with U.S. policymakers to identify U.S. military expansion and economic entanglement in the Persian Gulf region as central to U.S. national security, calling for higher military spending and militarization in general, including use of military and economic force. The developments in Iran validated the increasing concerns of this complex that was growing power in U.S. Persian Gulf policy, especially in the context of the purported diminishing U.S. military and economic superiority in the 1970s. Following the Iranian crisis, this coalition pushed the Carter administration away from its Trilateral principles- hinging on anti-military posture, multilateralism, and reliance on U.S. European allies and the Japanese- and more towards rearming and toughening American posture that the opposition had been advocating since the early 1970s. Creating an atmosphere where only assertive measures were considered patriotic, the hostage crisis contributed significantly and directly to abandoning détente and supporting militarization.

The perceived threat the new regime in Iran posed to the stability of the Persian Gulf further consolidated the transnational investment bloc by institutionalizing U.S. military expansion in the region through the Carter Doctrine announced in January of 1980. The transnational investment bloc had several motivations to support anti-Iran policies and to manufacture an image of Iran as a major threat to U.S. "national security" over time. Knowing these motivations, we can connect the interests of the bloc to the Iranian threat definition by the end of the 1970s and throughout later decades. Ever since its establishment, the Iranian government has been regarded as the greatest

⁹ For more on the strategic planning of the transnational corporations see (Haendel 1981, chap. 1). For an analysis of the interventionist tendencies of corporations with large investments see (Cox 1998, Frieden 1989, Ansell 1996).

¹⁰ For more on the strategic planning of the transnational corporations see (Haendel 1981, chap. 1).

¹¹ By the time, the Persian Gulf region covered 34 percent of U.S. petroleum imports.

¹² The MIC mobilized in the late 1960s and early 1970s in response to the decline in military expenditure and overseas arms sales that resulted from détente. The major military companies, manufacturers of basic weaponry components, and mining companies, among others who were ideologically tied to the far right, all had vested interest in increasing U.S. military adventure in the Persian Gulf.

¹³ For an extensive analysis of the business mobilization that led to this shift in U.S. foreign policy by the late 1970s see (Ansell 1996) and (Skidmore 1996).

¹⁴ This was not the first time that mutual interest drove these two camps with different sectoral interest into a coalition. Back in the mid-1960s, when the Vietnam War offered dividends to both groups, they built a pro-Vietnam coalition to support Johnson's Vietnam policies. For more on this subject see (Devereux 1996). Also, see Cox (1998) on the role of this coalition in bringing about the "right turn" in U.S. foreign policy.

challenge to the U.S.-led petrodollar structure (Wight 2021, 280) that tied the transnational investment bloc to the Persian Gulf.¹⁵ In this system, the oil-rich Arab countries of the Persian Gulf, led by Saudi Arabia, started to recycle their vast surpluses that resulted from massive oil revenues in the 1970s in major U.S. banks, invest in U.S. Treasury bonds and finance U.S. debt, and buy advanced weapons from U.S. top military firms. In the wake of the revolution, the Iranian government formed a militant Shia to challenge the Sunni Arab governments of the region, particularly Saudi Arabia and the UAE. Through the Quds Force as its lead agency for military operations, the Iranian government has engaged in a constant proxy war in the region for the last four decades.¹⁶ Iranians' sabotaging and destabilizing capabilities in the region have had the U.S.-GCC investment coalition believe that their investments and petrodollar ties would be protected from the Iranian threat only through a more pronounced U.S. military intervention in the region.

One of the main reasons why Iran sanctions policies have expanded over the past four decades, regardless of the different administrations in office, is the promotion of this policy by this capitalist interest bloc. There are several logics behind their support of Iran sanctions. First, a sanction-free Iran was portrayed as more capable of financing the militias that operate against Americans, Arabs, and Israelis in the region. These militia groups were thought to pose a threat to the major investments of U.S.-based sectors of transnational capital that have been partnering with the Persian Gulf countries in multi-billion-dollar projects, both in the Persian Gulf and in the U.S. Second, sanctions were expected to help reduce the Iranian threat to the major U.S. business/security allies in the Persian Gulf, particularly Saudi Arabia, UAE, and Israel. Third, an isolated Iran would be less of a peril to the stability of the oil flow which is tantamount with the flow of petrodollars from the region into the U.S. banks as well as the global capital market. U.S. strategists and business leaders are aware that the steady access to the Persian Gulf's oil and the stability of the prices are extremely vital to the entire capitalist system which is inextricably intertwined with the U.S. strategic planning (Stokes and Raphael 2010, chapter one). Fourth, economic warfare would reinforce Iran's hostility toward the U.S. and its Arab and Israeli allies in the region. This promotion of what I call "tension politics" leads to continuous arms transfer to the region, benefiting the U.S. arms industry that has been a key component of the transnational investment bloc since its formation. And fifth, sanctions are assumed to instigate domestic opposition that would eventually remove the ruling Mullahs and put in power a government more friendly toward neoliberal principles. Transnational capitalists preferred a neoliberal government in Iran that could generate significant profits for foreign investors. Profit-making activities in Iran would be especially attractive in the energy sector. This last motivation is pretty evident in Dick Cheney's account of the U.S. strategic economic interests when he was out of office and became the CEO of one of the largest oil service companies in the world.¹⁷

In sum, the loss of Iran as an ally due to the revolution, and the hostage crisis following it, corroborate the claims of the critics of the Carter administration that détente could no longer serve U.S. "national interests." The main supporters of this view in the U.S. business community were the business sectors associated with the MIC that opposed détente all along. In the early 1980s, they were joined in their efforts to push U.S. foreign policy further to the right by corporate

¹⁵ For a detailed examination of U.S.-Saudi petrodollar ties embedded in the transnational investment bloc see (Koruzhde and Cox 2022).

¹⁶ For a detailed discussion on the Quds Force's role in the Iranian way of war in the region see (Uskowi 2019).

¹⁷ For more on this point see (Anthony 2008/July30, 20-21).

internationalists that abandoned détente after the structural shifts in the global economy and foreign policy crises in Iran and Afghanistan that were perceived to pose serious threat to their investment and trade opportunities in the Persian Gulf. This emerged coalition marked the very early stages of the formation of a transnational investment bloc in U.S. policy toward the Persian Gulf that is deeply embedded in U.S. foreign policy decision-making and corporate elite networks. This bloc aggressively promoted anti-Iran policies in the wake of the revolution and has dramatically expanded its campaign against Iran over the decades.

Iran's Contribution to the Saudis Integration into the Transnational Investment Bloc

As a cross-border coalition, the transnational investment bloc thrives on U.S.-Saudi petrodollar structure that rests on the stability of oil prices, the dollar, and weapon sales to Saudi Arabia. The developments in Iran before and after the revolution led to the incorporation of Saudi Arabia as the key element of the transnational investment bloc. The massive oil revenues of the 1970s convinced the Shah of Iran that in order to cover the expenses of the military buildup and the expensive social and economic programs he had embarked upon, the price of oil should stay high and even go higher. Gradually U.S. leaders realized that the Shah was very ardent in pushing for higher prices, thus becoming a threat to the oil-based American way of life.¹⁸ They then tilted toward the Saudis to encourage them to use their leverage in OPEC to secure production targets that would help stabilize the price of oil, as well as to help ensure that the West would have ongoing access to Persian Gulf oil (Cooper 2008, Wong 2016, Gibbs 2021). When approached by Simon in 1976, the Saudis agreed to undercut the price of oil and boost production to flood the market. Therefore, at the December 1976 OPEC summit in Doha, Qatar, Saudi Arabia, in collusion with the U.S., decided to force down the price of oil to guarantee the stability of oil markets.¹⁹ The Iranian revolution resulted in even more reliance on Saudis' contribution to the stability of the oil markets. For the revolution brought the oil markets to the verge of a shock due to the loss of Iran's oil production, and it was Saudi Arabia that came to the rescue and covered Iran's share of production.

Given the intertwined links between oil and the dollar, Saudi Arabia assumed an even more crucial role in the health of the U.S. economy. Saudis' role in stabilizing the dollar began in July 1974, when Secretary of Treasury William Simon, a high-profile Wall Street investor,²⁰ traveled to Jeddah to negotiate an agreement whereby the Saudis agreed to sell their oil in dollar and invest ("recycle") their vast surpluses into U.S. Treasury bonds, explicitly financing the U.S. debt.²¹ Saudi Arabia would also use its clout with the smaller Gulf states, so that they would do the same with their

¹⁸ As Bacevich points out, the U.S. officials could not tolerate such measures because the oil shock of 1973 and the oil price spike had already shown the "clearest and most painful affirmation of [Americans'] sudden economic vulnerability" (Bacevich 2008, 30).

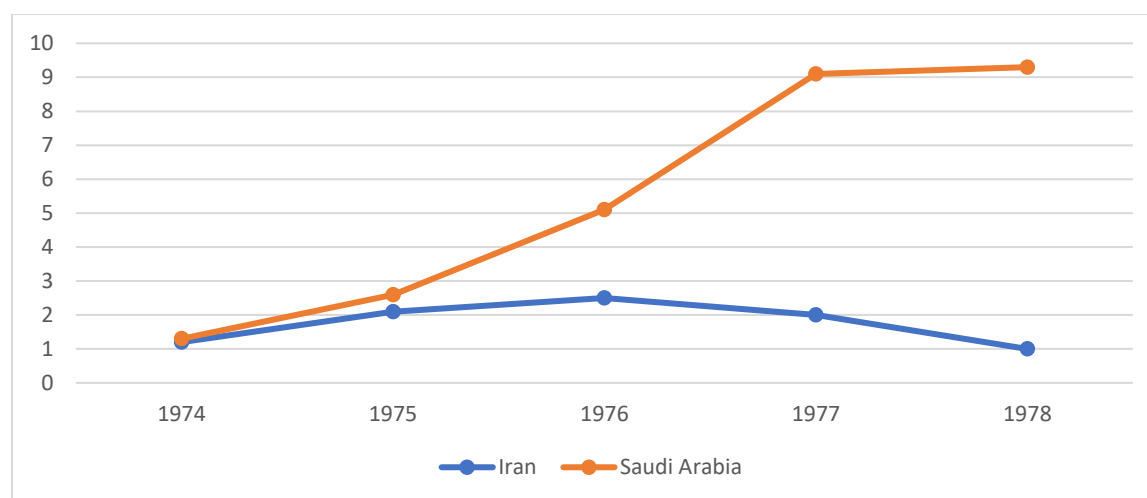
¹⁹ The decision "rushed the Iranian economy to the precipice," destabilized its economy and cost the Shah his hold on to power (Cooper 2008, 589).

²⁰ For more on business affiliations of William Simon see (Stevenson 2000).

²¹ There are strong ties between the Treasury Department and Saudis. Treasury secretary John B Connally before Simon had irrefutable ties to Saudi and Arab interests. See (Doran 2012, 290).

petrodollar surpluses.²² These moves in turn sent a signal to central banks and private financial interests around the world that the U.S. debt was a worthwhile place to park surplus capital, drawing in vast resources, enabling the U.S. to remain a debtor nation – with no penalty of needed austerity. It is worth mentioning that the Saudis were very emphatic as to keeping the purchase of U.S. debt “strictly secret.” For more details on the importance of the Saudis petrodollars to U.S. financial system see (Wong 2016). While Saudi Arabia was becoming a more prominent actor in U.S. debt market, the Shah was losing his position as his lavish programs did not allow him to contribute as much to recycling Iran’s petrodollars. *Figure 1* displays how the two countries went in different directions in financing U.S. debt, thus stabilizing the dollar.

Figure 1: U.S. Treasury debt to oil-exporting countries; Iran and Saudi Arabia (billion dollars)



Source: U.S. Department of Treasury, Federal Reserve Board (2016)

Last but not least, the Iranian revolution facilitated the Saudis incorporation into the transnational investment bloc by positioning Saudi Arabia in Iran’s place as the major customer of U.S. foreign weapon sales. The Shah’s collapse ended the U.S. “surrogate strategy” and with it the massive arms sales programs to Iran. For nearly a decade the U.S. opened its “arms supermarket” (Klare 1984) to the Shah who intended to transform Iran into a major military power. During this period, the Shah ordered over \$20 billion worth of a rainbow of military hardware amounting to what one U.S. lawmaker called “the most rapid military buildup of military power under peacetime conditions of any nation in the history of the world” (Studds 1978). With his fall, the Shah took away his portion of the U.S. arms sales abroad which amounted to 28 percent of all U.S. foreign military sales program during that period and sent “shock waves” through the arms export establishment. By the time of the revolution in Iran, the U.S. arms industry was left with an estimated \$8-\$10 billion dollars’ worth of advanced weapons systems already under construction

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and a sudden liquidation of the Shah's \$15 billion shopping list. In fact, these problems produced, to borrow from Michael Klare (1984, 134), "the greatest crisis in U.S. arms export policy since the onset of the sales program in the early 1950."

President Carter ordered Secretary of Defense Harold Brown to overcome the crisis very expediently and dispose of all the equipment ordered by the Shah but not produced or delivered yet. Brown's first stop was Riyadh. He offered a comprehensive program to the Saudis which would alter the arms transfer paradigm in U.S.-Saudi relationship. The program essentially aimed to substitute Iran with Saudi Arabia and transfer some of the former's "peacekeeping" functions in the Persian Gulf to the latter in return for continuous arms and military assistance from the U.S. The Saudis' responsibility would not involve blocking the Soviet invasion but rather "combating local insurgencies and tribal conflicts that could threaten the oil flow." Frightened by the ripple effects of the Iranian revolution throughout the Moslem world, Saudi Arabia wholeheartedly embraced Brown's proposal. Later they even agreed to finance the sales of advanced U.S. arms to several neighboring countries including North Yemen and the Sudan (Klare 1984, 136-138). As is evident today, the overthrow of the Shah as the major customer of American arms supermarket entirely changed the U.S.-Saudis military relationship. Before 1978, the U.S. arms transfer to Saudi Arabia not only was not significant, but it was viewed mostly as an isolated transaction rather than part of a consolidated arms-supply relationship. After Brown's trip to Saudi Arabia in 1979, U.S. weapon sales to the Saudis became a constant in U.S.-Saudi relationship. U.S. top military contractors are the major beneficiaries of this relationship, of course.

To sum up, the Iranian crisis prepared the ground for Saudi Arabia to become tied to an expanding transnational investment bloc through its contribution to the stability of the oil and financial markets, and to the flourishing of U.S. military firms. This role has only deepened and widened throughout decades as more diverse sectors of transnational capital have been integrated to the U.S.-Saudi capitalist bloc (Koruzhde and Cox 2022).

U.S. Business-State Elites, Iran Policy Debate, and Consolidation of the Transnational Investment Bloc

The policy debates within the U.S. foreign policymaking structure demonstrates how the Iranian crisis contributed to the consolidation of the transnational investment bloc through facilitating the transition from global interdependence to global militarism and a pivot toward Saudi Arabia, integrating it into a growing oil-finance-military complex. The loss of confidence in détente and the signs of assertiveness were evident in the conclusion of the morning Special Coordination Committee (SCC) meeting on November 6, two days after the hostage crisis broke out.²³ In this meeting, a range of options was presented in case the hostages were killed, all of which points to the change of attitude in U.S. foreign policy apparatus: "seizure of Iranian assets, cutoff of trade (including food), and cessation of supply of spare parts for the military. Militarily, we could: blockade Iran's oil shipments; strike or seize a site such as the Bandar Abbas military base in the south, Kharg Island oil loading terminal, or the three islands which Iran occupies at the mouth of the Persian Gulf; we could attempt to destroy the F-14s and/or other military assets by air strike;

²³ The main institution tasked with analyzing the situation and evaluating the U.S. response to the events in Iran was the National Security Council (NSC) and its crisis management arm, Special Coordination Committee (SCC).

we would consider renewing direct support to the Kurds; and we could potentially kidnap a leading Iranian figure as a counter-hostage” (SCC-d6 1979). Although Carter himself was more inclined toward economic options, some key figures like Brzezinski and Admiral Turner, Director of the CIA, were skeptical of them as the only measure. In the afternoon meeting SCC meeting on November 6, Brzezinski supported more hawkish options from the list, especially in case the hostages were killed.²⁴ Supporting him, Admiral Turner weighed in by saying that “we really ought to try to isolate Iran and blockade it.” Even some point even Carter agreed with this standpoint and said: “we should insist that our European allies cooperate with us on an air blockade as well as naval blockade. They might not agree but we should go to the mat on this one” (NSC-d8 1979).

The shift in the elite structure away from détente manifested most in Brzezinski’s arguments as to how to cope with the Iranian crisis. One of the founders of the Trilateral Commission, Brzezinski very soon realized that détente-driven policies against Iran could not help Carter in his reelection campaign. He believed that some show of military strength could be of use for public appearance. He cast doubt on the efficacy of what he called “litigational” approach and patience, arguing that it would not fit U.S. triple goals of how to get the hostages back, how to get rid of Khomeini or save Iran for the West, and how to get on with the Muslim world. Even if successful and the hostages were released, he maintained, “we still run the risk of jeopardizing our electoral chances if the public perceives us as having been intimidated in some fashion. From every public contact I have had, I sense a strong desire for U.S. honor to be reasserted and for American power to be demonstrated. Moreover, the Moslem world, and especially those Moslem states most dependent on us, will become increasingly convinced that the United States can be coerced. This will make our friends more insecure and our enemies more assertive, and thus it will also jeopardize goal #3 (a respectable relationship with the Arab world)” (Brzezinski-d80 Dec 4, 1979). Although the blockade of Iranian port “would involve high risk,” he underscored, it not only would serve the achievement of the mentioned goals but it also “be politically more appealing.” He emphasizes that “[t]he public senses that our position is 100% correct on grounds of principle and that a strong reaction is justified. It would support it...The application of military pressure, which involves very high risks but which historically and politically is a preferable course to [endless litigation]. Moreover, the paradox of the situation is that increasingly evident willingness to use military pressure may actually hasten a peaceful outcome, because it is likely to generate greater worldwide desire for a rapid termination of the crisis” (Brzezinski-d61 Nov 1979).

Brzezinski advised Carter that if he thought time was not working in the U.S.’s favor, they would need to combine financial sanctions (preferably coordinated with allies) with the threat “to proceed with a direct unilateral blockade. “Alternatively,” Brzezinski emphasizes “*we could begin to apply such a blockade ourselves (by mining)*, and simply ask for allied support for that step, rather than insist on an allied initiative in the economic area” (Brzezinski-d80 Dec 4, 1979). Earlier on December 1, Secretary Brown had also advised the President to the same course of action. In a memorandum he said: “I believe it will be time to push our Allies and friends to adopt some of the strongest economic measures we can devise. Apparently, action by the European and Japanese banks similar to our own—blocking, defaults, etc.—would soon have increasingly severe effects. But those countries correctly view such action as risky and painful to themselves. They will take it, if at all, only if they believe the alternative is military action by us that is even more risky to

²⁴ A comprehensive list of options Brzezinski offered to the President to consider can be found here (Brzezinski-d71 Nov 29, 1979).

them in economic and political terms. We must be prepared to threaten such action... If we cannot persuade them to take such economic and political action, or if it fails to secure release of the hostages, we will have to consider military options very seriously... Mining is the mildest military action I have found. We are seeking others, for example various acts to demonstrate how we could damage Iran, but I doubt that we will come up with any that are effective without being at the same time more escalatory” (Brown-d75 Dec 1, 1979).

Brzezinski believed that détente-oriented policies would be considered “soft” and would not serve U.S. “national interests” in the long-term. If driven by détente he contended, the formulation of Iran policy in the wake of the hostage crisis, could jeopardize America’s image and position among its allies, particularly the Saudis, in the Persian Gulf. In a memorandum to President Carter, he emphasized that “we need to look beyond the hostage issue in shaping our broad strategy” (Brzezinski-d80 Dec 4, 1979). He pointed out that: “Recent attacks on our embassies, as well as various Middle East press comments (encouraged probably by very subtle Soviet insinuations), point in the direction of transforming the conflict into a wider assault on “corrupt and impotent” America. This is a dangerous trend it could make. Perhaps I am wrong, but the issue is worth examining because whatever answer you give should drive our strategy. (Right now it is being driven by a diplomatic timetable.) My concern since a year ago has been that *a regional crisis is likely to develop as a result of the Shah’s fall*. It could even become a *global crisis*.” He raised his fear that “the emerging confrontation between Islam and the United States, accompanied by European backsliding, could transform overall international and economic relations in a drastic fashion.”

Of utmost importance was the U.S. posture in the Persian Gulf. Under a significant influence from Brzezinski, the SCC also “recognized that the possibility of a U.S. evacuation cannot be divorced from the larger question of U.S. strategic position in the region.” He believed that the Iran events from February 1979 and the following hostage crisis had set the administration up to define long-term U.S.-Persian Gulf relations. Unlike some of his colleagues (like Vance), Brzezinski did not approve of evacuation of Americans from the region due especially to the adverse effects it would have on U.S.-Saudi relationship. He noted in a November 29 SCC meeting that “an evacuation could seriously destabilize the regime and undermine our strategic position in the entire region. It would be a signal to the Saudis that the U.S. is disengaging from the region—and that could have the gravest consequences for our vital interests. Accordingly, we should ask the Saudis to assure the security of our people (and *not* talk of evacuation), and we should even consider offering U.S. military assistance—including the 82nd Airborne if required—to insure the security of the Eastern Province, if the Saudis would welcome it. This question will be reviewed further after we hear Fahd’s response (Top Secret)” (SCC-d70 1979).

Brzezinski’s position vis-à-vis the Saudis and the Persian Gulf was supported by other key members of the SCC who believed that a show of military strength was the answer to the Iranian crisis in that it would save the Saudis for the U.S. Paul Henze of the NSC also believed that in wake of the events in Iran, evacuating the Americans from the region may be the result of a “bureaucratic panic.” In a memorandum to President Carter, he opined: “The more we reduce presence in such countries, the less opportunity we have for communication with their governments and peoples on any level and the more opportunities there will be for suspicions and misunderstandings to grow. *Rather than demonstrating to the world that we break and run when*

under pressure, we would serve our own interests better if we displayed *a stubborn insistence on staying in place*, asserting ourselves and *being ready to fight* (let the Marines shoot!) to defend our installations and our principles when challenged. Eleven hundred Marines to protect more than 150 diplomatic installations around the world is too few. *We need to double that number*. We still possess the most *advanced technology* in the world—we should announce *a new program to apply it to defense of our diplomatic establishments abroad*” (Henze-d65 Nov 4, 1979). In a same line of reasoning, General David Jones, Chairman of the Joint Chiefs of Staff also espoused the deployment of AWACS in Egypt. He believed U.S. should take whatever steps are possible to expedite deployment of the AWACS in the event they should be needed. Gary Sick also, in a memorandum to Brzezinski supported this view: “Our presence in the region is vital and effective. We must know when and how we will be prepared to use it in order to respond promptly to events. Non-violent shows of force, limited military actions, and rescue operations give us options to up the ante or seize the initiative when conditions are ripe” (Sick-d78 Dec 3, 1979).

The insistence on U.S. presence in the region was accentuated by the fact that the loss of Iran’s oil production following the Iranian crisis dramatically increased U.S. reliance on Saudi Arabia’s oil production capacities. They thus used this dependence as a pretext to exaggerate the necessity of U.S. military power projection in the Persian Gulf. In November 1979, Saudi Arabia proved again to the U.S. elites that it was a reliable ally as it agreed to cover the loss of Iran’s oil production that brought oil markets to the verge of collapse. After the crisis unfolded, officials from U.S. Departments of Energy, State, Defense, and the National Security Council (NSC) immediately convened to figure out a way to fend off the repercussions of an eventual oil embargo or reduced production by Iran. According to the estimates of the Special Coordination Committee (SCC), in case of a shutdown of Iranian supply, the effect would take several months to kick in but nevertheless the consequences would be serious eventually. It was time U.S. policy makers tapped into the bonds between the federal government and oil multinationals as a sturdy bridge between the U.S. and oil-rich countries of the Persian Gulf. In their view, these corporations, particularly Aramco, were an “appropriate conduit for trilateral diplomacy” (Bird 1980, 348). Therefore, the SCC set out to “explore the possibility of arranging compensatory oil supplies from other oil producers” and [through Duncan and Miller] “consult with the leaders of U.S. oil companies about steps they could take to minimize the effects of any oil cutoff by Iran” (SCC-d6 1979). The U.S. government expected that its close relationship with the transnational oil companies finally pay off. In the November 6 meeting, Secretary Duncan mentioned that a “very high portion of ARAMCO and other American companies’ oil was going to Europe since it was more profitable there.” He opined that it was “an excellent idea to call in these companies and tell them that we expect them to make up any shortfalls in our own production. We should see just how American they really are.” Secretary Vance also believed that the U.S. could rely on Saudi Arabia. He echoed Ambassador West’s confidence that “the Saudis would be pleased to make up any difference in the event the Iranians should embargo us” (NSC-d8 1979).

The consolidation of the transnational investment bloc around Saudi linkages was also made possible by a corporate-backed policy-planning network that gained more respect and privilege during the Reagan administration.²⁵ Heavily financed by the leading firms in the U.S. defense, oil,

²⁵ There is a vast literature on corporate ties to think tanks and their collective power and influence in shaping policy agenda and pushing for implementing corporations’ policy preferences. See (Saloma III 1984, Doran 2012, Colwell 1993). The corporate financial contribution to think-tanks is protected by the 1886 *Santa Clara vs. Pacific Railway*

and banking sectors, this network ballooned the Iranian threat out of proportion and encouraged the U.S. government to show its Saudi-led Arab allies in the region that their hopes lay with the military support from the U.S., now that the new regime in Iran was a threat to their political stability. An influential think-tank, the Heritage Foundation warned the Reagan administration that “Iran would be encouraged to foment revolution in Kuwait, Saudi Arabia, and other Gulf states.” Sharing the Saudis’ concern about the threats that the Iran-Iraq posed to the stability of the region, the Foundation recommends, in its *Mandate for Leadership II*, that U.S. should “take advantage of the Iranian threat to other states of the region by improving U.S ties with them, particularly the Arab states of the Persian Gulf” (Butler, Sanera and Weinrod 1984, 346-47). It also urges U.S. officials to “maintain a fleet outside the Persian Gulf to protect shipping, to respond in local emergencies,” and to counter potential Soviet and the Iranian threat. The Foundation aggressively supported the reflagging of Kuwaiti oil tankers as a component of U.S.’s long-term efforts to contain the destabilizing spillover effects of the Iranian revolution. These efforts, as the Foundation suggested, revolved around fortifying military ties with the Saudis. That is why it encouraged the sales of AWACS surveillance planes to Saudi Arabia. For it believed that the Iranian threat comes less from its conventional capability and more from its asymmetrical warfare tactics. “American AWACS surveillance planes provide early warning not only of missiles and aircraft but also of Iranian speedboats” (Phillips July 20, 1987, 7).

As another “peddler of crisis,” the Committee on the Present Danger (CPD) took the most advantage from the Iranian revolution, the hostage crisis, and the Iran-Iraq war to stabilize the position of the transnational investment bloc within U.S. Persian Gulf policy, particularly within U.S.-Saudi ties. The CPD pictured the Iranian crisis as part of the larger Soviet plot to control the Persian Gulf and expand southward, thus assume more credibility for its military-oriented policy guidelines. In its 1981 publication entitled *The Security of the Persian Gulf*, the CPD claims that “Iran is a prime target of the Soviet Union in the latter’s southward course of expansion. For this reason alone, the fate of Iran has to be an object of concern to the United States and her western allies.” (CPD/92073 1981, 12-13). In another paper entitled *The Crisis of the 1980s*, the CPD asserts that the increasing expansion of the Soviet military presence that the CPD had documented gained accelerated momentum by the events in the Persian Gulf. It continues that taking control over the Persian Gulf is part of a much larger and ominous Soviet military presence all around the world from Africa to Asia. In its publication entitled *Alerting America*, the CPD expresses its concern about the Persian Gulf situation, “arguing among other things that the Soviets were responsible in part for the overthrow of the Shah. The violence of social and religious protest of the last few years in Iran were actively promoted by the Soviet Union from the beginning Further at this point there is a real danger of the USSR seizing control of Iran and hence the whole Gulf area and the West’s oil supplies, which “would expose the non-Communist world to the danger of strangulation” (CPD 1984, 172) According to Paul Nitze in this report, “[b]y achieving dominance over the Middle East, [the Soviets] aim to outflank Europe. They propose to outflank the Middle East by achieving controlling positions in Afghanistan, Iran, and Iraq on one side, South and North Yemen, Eritrea, Ethiopia, and Mozambique on the other, and by achieving the neutrality of Turkey to the north.” (CPD 1984, 160).

US Supreme Court decision. This case recognized corporations as ‘persons’, establishing that they had the same ‘rights’ as flesh-and-blood persons under the US Constitution and Bill of Rights.

In CPD's account, Iran had become a major threat to the Saudi-led oil flow from the Persian Gulf. A prominent CPD member and then Secretary of Defense, Casper Weinberger pictures Iran in his report, entitled *Security Arrangement in the Persian Gulf*, a vital threat to major American interests in the Persian Gulf, which are "preventing the spread of Soviet influence in the area or domination of the region by a hostile Iran; preserving the security and stability of the moderate gulf Arab states; and maintaining continued access to Gulf oil resources, which are becoming increasingly more important." (Weinberger 1987, 20). The challenge that Iran is posing to U.S. interests, he continues, comes from "Iranian intransigence in ending the [Iran-Iraq] war; Iranian determination to export its Islamic fundamentalism "from Tehran to Jerusalem"; continued Iranian intimidation of the smaller Gulf countries, in particular Kuwait, through attacks on shipping and territory; consistent Iranian support for and use of international terrorism; Iranian preparation to deploy SILKWORM missiles to threaten non-belligerent shipping and the free flow of oil through the Strait of Hormuz; and Soviet efforts to exploit regional tensions to increase their military presence and political stature in the area." (Weinberger 1987, i-ii).

Weinberger emphasizes that the Iranian threat necessitates more pronounced U.S. military expansion in the Persian Gulf. American presence is especially necessary, he highlights, to protect the growing U.S.-Persian Gulf investment ties, particularly in energy sector. He states in his report: "American business interests have long been established in the Gulf region. The Arabian-American oil company (ARAMCO) established in the 1930's in Saudi Arabia began large scale production after World War II. Similarly, oil production began in Bahrain in 1934, in Kuwait and Qatar in the 1940's, and in the United Arab Emirates (then the Trucial States) and Oman in the 1960's and 70's. The U.S. and other Western companies played a large role in the development of these oil systems as well as infrastructure construction and other projects associated with economic development that grew out of the Gulf's oil earnings... Given our growing economic relationship with the Gulf nations through trade in oil and non-oil products and services, we have a vital and unquestionable economic stake in ensuring that we have unimpeded access to and from the Gulf, both now and in the future." (Weinberger 1987, 6).

The Iran-Iraq war and the perceived threat it brought upon the Persian Gulf oil reserves helped the CPD to improve the arms sale component of the transnational investment bloc. As a complementary action to reflagging Kuwaitis oil tankers in countering the Iranian threat, the CPD recommended that, the U.S. should increase military assistance to its Arab allies in the region, starting with Saudi Arabia. In his report, Weinberger made this abundantly clear: "Another critical element of U.S. deterrent strategy in the region includes helping regional states acquire the capability to deter, and if necessary, defend themselves against external aggression, specifically Iranian threats and intimidation. For this reason, the Administration places an extremely high value on its security assistant relationships, including arms sales, with the moderate Arab gulf states, and in particular Saudi Arabia... These arms will in no way affect the overall regional military balance and will have no impact whatsoever on Israel's security. Recognizing the key role Saudi Arabia plays in regional security, U.S. willingness to help the Saudis meet their legitimate defense needs sends a very strong signal, both to our friends and others, of the level of U.S. commitment and resolve to protect our interests in the region." (Weinberger 1987, iv).

The narrative of Heritage Foundation and the CPD about the Iranian threat the necessity of improving security and business ties with the Saudi-led Arab allies was echoed by other

institutions within the policy-planning elite network such as the Center for Strategic and International Studies (CSIS), the Hoover Institution, The National Strategy Information Center (NSIC), and the like. Like the examined publications, such publications as *The United States in the 1980s* (Duignan and Rabushka 1980)- by the Hoover Institution- and *United States and the Persian Gulf: Past Mistakes, Present Needs* (Cottrell and Moodie 1984)- by the NSIC- maintained that the events surrounding the Iranian Revolution magnified the Soviet threat, threatened the stability of the Persian Gulf and steady oil flow from it, and necessitated an assertive U.S. military posture in the region through military assistance to its allies, particularly the Saudis, and stationing its military bases in the Persian Gulf. In this sense, this policy-planning network is an inseparable part of the transnational investment bloc that was growing its oil-dollar-military ties to the region and inflated the Iranian threat as a pretext.

Conclusion

I have examined the contribution of the Iranian crisis of 1979 to the formation of the transnational investment bloc in U.S. policy toward the Persian Gulf. By the late 1970s and the early 1980s, transnational capital reorganized itself in the political domain in response to the major changes in the structure of the global economy and foreign policy crises. The Iranian crisis in this period, including the revolution, the hostage crisis, and the Iran-Iraq war facilitated the shift of the reorganized business elite structure toward more militarist tendencies. The Iranian crisis was a key factor in bringing together the leading sectors of transnational capital and the military-industrial complex (MIC) in their emphasis on the necessity of the expansion of U.S. military and business ties with Saudi Arabia and other oil-rich Arab countries of the Persian Gulf, thus marking the early stages of the formation of a transnational capitalist investment bloc in U.S. The examination of declassified documents from the Carter administration indicates how U.S. foreign policy officials like Brzezinski, who were embedded in Trilateralist program, showed transparently that the Iran crisis required a move away from détente and more toward military assertiveness.

The developments in Iran, even before the revolution, brought about a shift in U.S. business-elite coalition toward Saudi Arabia as a new reliable ally. I showed how the Shah's insistence on higher oil prices and his ambitious social and military plans led Iran to lose its position as a true U.S. ally that would guarantee the stability of oil and financial markets to the Saudis. Saudi Arabia that had already [since 1974] assumed an important role in financing U.S. debts, became more integrated into the transnational investment bloc by covering the loss of Iran's oil production after the revolution. The perceived threat that the new Iranian regime posed- through its efforts to export the Islamic Revolution, militia activities, and resistance to ending the war with Iraq- to the stability of oil and dollar flows from the region, made Saudi Arabia's role even more significant in the consolidation of a U.S.-Saudi oil-finance-military complex. This threat was consistently inflated by a corporate-financed policy-planning elite network- most importantly the CPD and the Heritage Foundation- that used the Iranian crisis as a pretext for justifying more military expansion in the Persian Gulf. The developments in Iran very well fit the narrative that this network was advancing regarding how military preparedness in the Persian Gulf is an answer to all U.S. problems in the region.

All in all, the Iranian crisis of the late 1970s and the 1980s, empowered a U.S.-business elite coalition that was forming in U.S. policy toward the Persian Gulf. It situated a powerful cross-

border interest bloc at the core of what I call a “securitization complex” that manufactures an image of Iran as a threat to U.S. “national security” and “national interests.” Due to its mutual geostrategic and geopolitical interests with U.S. geopolitics planners- as well as being embedded within that apparatus- in isolating Iran, this transnational investment bloc has played a major role in defining Iran as an essential component of the U.S. strategic threat definition in the Persian Gulf. To counter this threat, this bloc has promoted more U.S. military involvement with the Persian Gulf as well as military fortification of U.S. allies, particularly Saudi Arabia. These securitization efforts have dramatically increased over the decades as more and more sectors of transnational capital have been integrated into and expanded the hegemonic transnational investment bloc. Perpetuating and institutionalizing the anti-Iran narrative would not have been possible without the financial support of corporate advocacy groups and a powerful bloc of business interests that draws profit from anti-Iran and pro-Saudi policies.²⁶ The fact that all Iranian attempts for rapprochement have failed throughout these decades speaks to the political and economic power of the anti-Iran conversation that has grown steadily. The last concerted effort of this bloc against Iran was to scuttle the 2015 Iran nuclear deal which was successful when President Trump withdrew from the agreement in 2018. The examination of the bloc’s role in formulating this decision is a matter to be discussed in another research.

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²⁶ Thomas Ferguson (1995) theorizes how the support of a powerful interest bloc is necessary for a political narrative to become prevalent.

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