

*October 14, 2019*

## **The End of the Carter Doctrine: Part I**

In our [2018 Mid-Year Geopolitical Outlook](#) we opened the report with an analysis of America's evolving hegemony. We noted that America's hegemonic narrative centered on containing communism. This factor united Americans to accept the burden of the superpower role. However, embedded in that commitment to contain communism was the "freezing" of three conflict zones.

In Part I of this report, we will identify and reiterate the need to stabilize these three areas in order to maintain global peace. We will focus on the Middle East and discuss the development of the Carter Doctrine and examine how the doctrine has been enforced since its inception. In Part II, we will discuss the reasons for the breakdown of the order prior to President Trump and follow this discussion with the impact of the current president. We will project the likely actions of the nations in the region and, as always, conclude with market ramifications.

### **The Frozen Zones**

Since its founding in 1870, Germany, due to its location in the middle of the Great European Plain, was destined to become an economic powerhouse. Sadly, its central location also meant that it was vulnerable to invasion from both the east and west. To address its insecurity, Germany's military doctrine was designed to avoid a two-front war by attacking either east or west to "knock out" one front or the other. After WWII, the U.S., through NATO,

demilitarized Germany and prevented another German-led war. Essentially, the U.S. solved the "German problem" by taking over the defense of Europe. The rest of Europe no longer had to fear German military aggression and Germany no longer had to defend its eastern and western borders.

A similar situation existed in Asia. Japan had become the most industrialized nation in the region at the turn of the last century. Unfortunately, Japan lacks natural resources and is dependent upon open and secure sea lanes for nearly all its raw materials. Insecurity over resource flows led to Japan colonizing large parts of the Far East. A U.S. threat to embargo oil flows to Japan led Tokyo to launch a surprise attack on Pearl Harbor and brought the U.S. into WWII.

After the war, the U.S. installed a pacifist constitution in Japan, allowing its military to only engage in defensive actions. But, in a similar fashion to Europe, the U.S. effectively took over Japan's defense. The critical sea lanes were now defended by the U.S. Navy. This action by the U.S. meant that Japan no longer had to fear a disruption in natural resource flows. Additionally, Japan's neighbors no longer had to fear military action by the island nation to secure raw materials.

The third area of concern was the Middle East. The colonial powers in the region created artificial states that reflected the goals of the colonialists, not the people. The states often put groups together that would have preferred separation and separated groups that would have preferred to be in the

same nation. For example, the Kurds were spread over Turkey, Iraq, Syria and Iran. At the same time, the colonial nations would often put a minority group in power in the states they created. In that way, the minority group would need the support of the colonial nation to remain in power. For example, in Iraq, the minority Sunnis ruled over the majority Shiites. In Syria, the minority Alawites ruled over the majority Sunnis.

When the Middle East became independent of the European powers after WWII, one of two outcomes was likely. The first was that the colonial “proto-states” would devolve and natural nations would develop. This process would eventually lead to stability but only after years of civil conflict. The other alternative was to maintain the established borders even though the states, due to their constituent groups, were best governed by an autocrat. Although supporting such states is inconsistent with American ideals, the U.S. was more concerned about stability in the region.

### **U.S. Regional Relations before the Carter Doctrine:**

By the 1930s, American interest in the Middle East had risen. Oil had been found in what is now Iraq and Iran in 1927 and 1908, respectively. The British had control over these oil producing areas. Oil was discovered in Saudi Arabia in 1938; the kingdom was independent and thus U.S. firms could gain concessions there.

As WWII was coming to an end, there was evidence to suggest that the British were an exhausted power. Although Churchill worked furiously to maintain the Commonwealth, in reality, the war had left the British economy in a sorry state and the U.S. decided to step into the breach to ensure global stability. One of the actions taken by President Roosevelt was to meet

with Ibn Saud, the founder of Saudi Arabia. [The king and the president met on Valentine’s Day, 1945](#), on the U.S.S. *Quincy* which was positioned in the Suez Canal. Roosevelt and Saud agreed that the U.S. would provide military support and training in return for oil and political support in the region. The U.S. had an ally in the Middle East. Roosevelt died less than two months later but both nations continued the relationship.



(Source: Wikipedia Commons)

After WWII, the British Empire began to contract. India became independent in 1949. Although Britain maintained interests in Iran, its influence waned after the coup against Iranian PM Mohammad Mosaddegh, who had nationalized the Anglo-Iranian Oil company. Iraq had become formally independent in 1932 but British influence remained strong until 1958, [when the monarchy was overthrown by a military coup](#). [During the 1960s, the British began to formally withdraw from the region](#), leaving the U.S. as the dominant, but not uncontested, outside power.

The U.S.S.R. had designs on the Middle East. To a lesser or greater degree, Egypt, Syria and Iraq were allied with the Soviets, although the degree of ties varied. Egypt fell out of the Soviet orbit under Sadat. Iraq, like many nations during the Cold War, had

relations with both the U.S. and the U.S.S.R. Syria was more closely tied to the Russians.

The U.S. had Israel, Saudi Arabia, Turkey, Iran and the Emirate nations as its regional allies. Relations with Israel were, at times, problematic. Although the Truman administration quickly recognized Israel in 1948, France was its primary ally until the 1967 Six-Day War. The French did not approve of Israel's pre-emptive attack on the Arab states (which were plotting to attack Israel) and the U.S. became its foreign protector. The Arab Oil Embargo in 1973 was partly due to the Nixon administration's decision to rearm Israel during the Yom Kippur War. Being a close ally of Israel has put the U.S. at odds with other nations in the region. However, it has also given the U.S. a reliable partner in an area of the world that is prone to unrest.

Turkey became a strong ally of the U.S. in the region. It became a member of NATO because of its border with the Soviet Union. Simply put, Turkey was critical in communist containment. The Emirate states had relied on British protection; when the U.K. "left the field" in the mid-1960s, the U.S. simply replaced Britain's role. The relations with Saudi Arabia, as detailed above, had been established before the end of WWII. However, it was not all smooth sailing. The aforementioned Arab Oil Embargo was supported by the Saudis, although the kingdom did try to rein in the more radical members of OPEC, Iran and Iraq, from trying to drive prices even higher.<sup>1</sup> The embargo was due in part to their opposition to the support of Israel but was also retaliation for Nixon's decision to end the dollar/gold link at Bretton Woods. The rapid depreciation in the dollar that

followed exiting the gold standard had a negative impact on the dollars that OPEC gathered from oil sales. However, in 1974, the U.S. and Saudi Arabia agreed on a plan where the kingdom would insist on dollar pricing for oil. [As part of that arrangement, the kingdom would buy U.S. Treasuries, recycling the dollars earned back into the U.S., and America would provide military equipment and support.](#)

### **The Carter Doctrine**

The Carter Doctrine grew out of two situations. The first was the breakdown in relations with Iran. The U.S. had been a participant in the 1953 coup against PM Mohammad Mosaddegh. The Iranian prime minister supported greater control over the Anglo-Iranian Oil company (which later became British Petroleum [BP, 37.25]). Britain did not want to give up control to Iran and thus took steps to remove him from power. The resulting coup increased the power of Mohammad Reza Pahlavi, better known as the Shah.

The U.S. and the Shah had good relations, but the latter's autocratic behavior became increasingly unpopular with his subjects. Iranians chafed under the heavy hand of Iran's security apparatus and unrest became overwhelming. In January 1979, the Shah went into exile and Ayatollah Khomeini led a successful revolution against the government. A new government was declared in April 1979. U.S. support for Iran led Iranian students to invade the American embassy. In November 1979, 52 Americans were taken hostage; they were held until Ronald Reagan was sworn into office. Ever since these events, relations between the U.S. and Iran have been hostile.

In December 1979, the Soviet Union invaded Afghanistan to secure a communist government that had taken power in April

<sup>1</sup> Yergin, Daniel. (1991). *The Prize: The Epic Quest for Oil, Money and Power*. New York, NY: Simon and Schuster pp. 608-632.

1978. As the new government implemented communist control, the countryside rebelled. The Soviet invasion was designed to prevent the rebellion from overthrowing the allied government.

The U.S. was concerned that the breakdown in relations with Iran and the Soviet incursion into Afghanistan created the risk of instability in the Middle East. In response, to underscore the U.S. commitment to the region, President Carter made a clear statement of intent at the State of the Union address on January 23, 1980.

***Let our position be absolutely clear: An attempt by any outside force to gain control of the Persian Gulf region will be regarded as an assault on the vital interests of the United States of America, and such an assault will be repelled by any means necessary, including military force.<sup>2</sup>***

The position left no room for doubt; the U.S. was willing to commit its military force to ensure the stability of the region. Effectively, it indicated that the U.S. viewed regional stability as a vital interest. To some extent, what President Carter did was make explicit what had been implicit. From Roosevelt on, the U.S. had acted to ensure regional stability. Now, the U.S. had made it clear that the U.S. considered the Middle East part of communist containment. In effect, it confirmed the region was an element of the broader Truman Doctrine, which stated that the U.S. would send military aid to any nation facing the threat of communist expansion. This doctrine was

the basis of American foreign policy in the Cold War.

In the ensuing years, the U.S. proved the Carter Doctrine was not mere talk.

During the Iran-Iraq War, the belligerents in this conflict targeted oil shipments from the Persian Gulf. By 1987, the attacks had become so frequent that the U.S. Navy began guarding oil shipments in the gulf. This action prevented either side from significantly reducing oil flows from the region and likely forced Iran to agree to a truce with Iraq.

The doctrine was further tested in the waning days of the Cold War when Iraq, angry over Kuwait's support of lower oil prices, invaded Kuwait and claimed it as its 19<sup>th</sup> province. The U.S. sent troops to defend Saudi Arabia and later built a large coalition to liberate Kuwait. After the Persian Gulf War, the U.S. created no-fly zones in northern and southern Iraq to protect the Kurds and Shiites from Saddam Hussein. This was done to protect these groups without regime change in Baghdad.

## Part II

Next week, we will discuss the reasons for the breakdown of the order prior to President Trump and follow this discussion with the impact of the current president. We will project the likely actions of the nations in the region and conclude with market ramifications

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<sup>2</sup> Op. cit., Yergin, p. 702.

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