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SAUDI ARABIA AT THE THRESHOLD

In the aftermath of the Iranian Revolution, it was fashionable among Western pundits to predict the imminent downfall of the Saudi Arabian regime. A presidential declaration was deemed necessary to emphasize Saudi Arabia's vital importance to the United States and to put on the record Washington's refusal to accept any change there. Five years after the establishment of the Islamic Republic of Iran, however, the mutterings of coming collapse in Riyadh have faded to an almost inaudible whisper. The reason for the nonappearance of the "Saudi Arabian Revolution" seems to have far less to do with events in the kingdom between the seas than with glaring defects in the crystal balls of the instant experts.

In the 52 years since the official establishment of the "Kingdom of Saudi Arabia," this deeply traditional society has undergone socioeconomic transformation to a degree unmatched perhaps anywhere else in the world. These changes necessarily have been accompanied by rapid growth and evolution within the political system. Herein lies the apparent paradox of Saudi Arabia: a deeply conservative monarchy, based on what has been termed "the world's largest family-owned business," has presided over a truly radical process of modernization. Yet, rather than being a hotbed of widespread repression and simmering instability, the Saudi Arabia of today – and probably for the foreseeable future – projects an image of continued prosperity and political stability. One benefit of this prognosis is a continuation of close ties between this important Arab kingdom and the United States.

SAUDI ARABIA AND THE UNITED STATES

Saudi Arabia has been one of the United States' oldest friends in the Middle East. The description of a "special relationship" seems fully justified by the extent of friendship and steady cooperation between the two countries throughout an often cataclysmic half century. The relationship easily weathered such benchmarks as the emergence of oil and oil power in the region, the independence of most of the Arab states and Israel, five Arab-Israeli wars, the intrusion of several Soviet toeholds in the area, the waxing and waning of the "Arab cold war," the appearance of two revolutions in the Gulf, and, most recently, the specter of anti-American and perhaps anti-Saudi

Islamic radicalism. At the midpoint of the 1980s, US/Saudi relations seemed stronger than ever, despite the continued presence of several troubling thorns.

Saudi Arabia's Importance to the US

At the beginning of the 1970s, only a few Americans connected with the oil industry or who specialized in Middle Eastern affairs were likely to have heard of Saudi Arabia. Over the following decade, however, discussion of the kingdom, its oil, its connection to the US, and its foreign policy, has become commonplace in US government pronouncements, newspaper headlines, television news reports, and even scholarly publications. By late 1982, in a poll conducted by the Chicago Council on Foreign Relations, 77% of the American public felt that the US had a vital interest in Saudi Arabia – a percentage exceeded by only Japan, Canada, and Great Britain.

There are many, impressive reasons why Saudi Arabia is important to the US, as the following "checklist" demonstrates:

- Oil, not surprisingly, stands at the head of the list.
 - As a source of crude oil, Saudi Arabia has no equals, with approximately one-quarter of the world's total oil reserves to be found in the kingdom. Between 1976 and 1981, Saudi Arabia was the largest source of oil imported into the US (although by 1984 it had slipped to sixth place).¹ Saudi oil has been an even more important source of energy for American allies and friends around the world.
 - The Saudi oilfields also constitute a strategic asset. A 1975 Congressional Research Service study² pointed out that the "Saudi core" would be the most likely target if the US ever found it necessary to intervene militarily to control international oil deposits. This conclusion was based on its great size, compactness, proximity to seaports, and relative isolation from population centers, among other factors.
- Saudi Arabia long has served as a moderating influence within OPEC. Because of the capital-surplus nature of its economy and its great excess capacity, Riyadh possessed both the willingness and the ability to enforce its views of what should be a reasonable price for oil (essentially, price increases should keep pace with world inflation). The emergence of the world oil glut in the 1980s has severely diminished this capacity, and it was left to Saudi Arabia to try and maintain order in increasingly contentious OPEC ranks by absorbing the lion's share of production cutbacks.
- Saudi Arabia's oil income gives it considerable importance and influence in a variety of arenas. The kingdom received well over \$100b in oil income in 1981, more than the earned income of all of Africa or all of South America.

¹*Washington Post*, 10 February 1985.

²U.S. Congress, House of Representatives, Committee on International Relations, *Oil Fields as Military Objectives: A Feasibility Study*; Prepared by the Congressional Research Service, Library of Congress (Washington: USGPO, 1975).

- The kingdom has become a major consumer. US exports to Saudi Arabia reached a high of \$8b in 1982. By 1984, it had become the sixth largest market for US goods, services, and technology, *excluding* arms sales. Not only do more than a thousand US firms operate in Saudi Arabia, but a number of US government agencies are heavily involved as well, including the the Interior, Treasury, Agriculture, Commerce, Energy, and Labor departments. The amount of military construction for which the US Corps of Engineers has been responsible exceeds \$19b.³ In addition, US/Saudi arms sales agreements through 1980 totaled nearly \$35b and arms deliveries were over \$11b.⁴ This figure does not the \$8.5b price tag for 5 AWACS and other equipment sold to the kingdom in 1982.
- The mass of oil revenues also enabled Riyadh to provide vast subsidies to a wide variety of states and parties in the Arab world, Africa, and Islamic community. As a result, Saudi Arabia has been one of the world's principal sources of development assistance. In 1981, its official disbursements of \$5.798b (4.77% of GNP) even topped the US total of \$5.783 (0.20% of GNP).⁵ The oil glut has taken its toll on Saudi development efforts, with 1982 and 1983 totals dropping below \$4b.⁶ In addition to development aid, Saudi financial assistance has been used to advance Islam (for example, the construction of mosques and distribution of Korans in a number of countries) and such political goals as building a "moderate" Arab consensus and shoring up anti-Communist alliances.
- Saudi Arabia is the US's principal partner in the Gulf, the last remaining "pillar" among the Gulf's "Big Three" states. Thus, its cooperation is especially important to Washington for several reasons:
 - It occupies a strategic location astride both the Gulf and the Red Sea, fronting Israel and Jordan, Iraq, Iran, the Yemens, and the Horn of Africa; and is much larger than all of its immediate neighbors.
 - It provides a potential platform from which to counter a possible Soviet advance on the Gulf.
 - It provides a buffer against the potential of larger but less-congenial Iraq and Iran for troublemaking in the region.
 - The kingdom embraces many of the same political goals as the US, both in the region and in general; consequently, the implementation of Saudi policy generally advances US policy interests.
 - Saudi Arabia cooperates militarily with the US to a far greater degree than any other Arab state, and the US has a massive arms transfer and training investment in the kingdom. According to many potential contingencies, the Saudi military establishment conceivably

³Washington Post, 25 November 1984.

⁴U.S. Congress, House of Representatives, Committee on Foreign Affairs, Subcommittee on Europe and the Middle East, *Saudi Arabia and the United States: The New Context in an Evolving "Special Relationship";* Report prepared by the Congressional Research Service (Washington: USGPO, 1981), p. 48.

⁵OECD, *Development Cooperation, 1982.*

⁶OECD, *Development Cooperation, 1984.*

would act as an extension of US capabilities. The overstocking of US supplies and equipment there raises the possibility of use by American forces in an emergency. Furthermore, the two countries share intelligence to a considerable degree, whether through human sources or by electronic equipment as in the AWACS.

- Saudi Arabia is a key actor in the region because of its predominance in the Arabian Peninsula and its leadership within the Gulf Cooperation Council (GCC). Riyadh can strongly influence, if not dictate, the policies of the smaller states. This is particularly important for the US since the other states (apart from Oman) tend to be relatively more inclined toward neutrality or non-alignment.
- Saudi Arabia also has an important role to play in the Eastern Mediterranean.
 - In the last 17 years, Riyadh has developed a "moderating" influence within Arab politics, and has used its moral capital and financial means in efforts to persuade Jordan, the PLO, Syria, and especially Egypt (prior to the Sadat initiative), to remain within the pale of Arab consensus. Given the closeness of American and Saudi goals on most issues, Saudi diplomacy in the Arab world often serves American interests. Nevertheless, there are severe limits to Saudi ability to pressure its sister Arab states, and Saudi objectives do not automatically parallel American policy goals.
 - The US and Saudi Arabia fundamentally share the same goal of constructive movement toward a comprehensive Arab-Israeli peace, although the two countries differ on the means to the end and the final status of the Palestinians.
- The capital-surplus years have provided Saudi Arabia with considerable financial clout. Saudi investment in the US is substantial, even though the precise amount is open to widely varying interpretations, and the movement of Saudi (and other Gulf states') liquid assets potentially could wreak havoc with the US dollar. It should be realized, of course, that the growth of Saudi importance on the international financial scene, as exemplified by its seat on the IMF Board of Governors, has been matched by a commensurate exercise of responsibility: the Saudi stake in the international economic order proportionally is just as great as any industrialized country.
- The US has a considerable stake in Saudi development efforts. One indication of the degree of American involvement is the formation of the US/Saudi Joint Commission for Economic Cooperation, formed in 1974; another is the presence of over 60,000 US citizens in the kingdom.
- More intangibly but perhaps even more important than the above reasons, Saudi "stability" carries great importance for US prestige and credibility abroad. Simply put, the US has a big stake in Saudi Arabia's future.
 - Much of the development and evolution of the modern Saudi state, economy and society has been influenced and/or shaped by an American input. Unmistakably, the blueprints of Saudi Arabia's three development plans reflect American thinking and operating methods. The thousands of Saudis educated in the United States have returned home to positions as prominent government officials, technocrats, businessmen, and intellectuals.
- At a broader level, the US faces the perennial problem of friendship and a favorable reception in the Third World. The fall of the Shah's regime in Iran was one more blot on the ledger of Third World perceptions of the US, following on the heels of Vietnam, Chile, and Central America. Washington's belief that it cannot afford to "lose" Saudi Arabia, and Reagan's codicil to the Carter Doctrine ("Saudi Arabia we will not permit to be an Iran").

Background to the US/Saudi Relationship

ARAMCO

The nascent Saudi state faced extreme poverty in the 1920s and 1930s. Between 1915 and 1924, the government's principal income came from a British subsidy; with the conquest of the Hijaz, the *hajj* tax provided income – but the contribution from this source diminished as a result of the great depression. Consequently, receipt of a bonus for signing an oil concession represented a major source of income, even without considering the actual discovery of oil.

The prospects for a strike in Saudi Arabia were good enough to interest several companies, among them SOCAL (Standard of California) which had discovered oil in nearby Bahrain in 1932. SOCAL's success in gaining the Saudi concession over its British rivals was due principally to its willingness to pay \$250,000 in gold upon King 'Abd al-'Aziz's signature, as well as royalties of 4 gold shillings per ton in the event oil was found. Discovery came in 1938 at Dammam in the Hasa region of the Eastern Province and California Arabian Oil (comprised of SOCAL and its new partner TEXACO) began exporting some oil to its Bahrain refinery soon after. The outbreak of World War II put a halt to production, however, and Saudi income was reduced again to British and American subsidies.

Saudi production began in earnest after the war ended, as Standard of New Jersey (now Exxon) and Standard Vacuum Oil (now Mobil) joined the earlier partners in the newly named Arabian American Oil Company (ARAMCO). In 1949, the Saudi fields were producing ½mbd. Production doubled by 1955 and jumped to 3½mbd by 1960. The growing scarcity of worldwide oil resources in the 1960s and 1970s meant that Saudi production continued to grow annually, reaching an average in excess of 10 mbd, until the early 1980s.

But ARAMCO served as more than simply a source of income for Saudi Arabia in those early days. The company provided the government with advice and expertise on a wide variety of subjects. It instituted the first formal educational system for its Saudi employees, both at its headquarters in Dhahran and abroad, and its local purchases paved the way for the emergence of present-day indigenous commercial concerns in the Eastern Province.

Foundations of Official Ties

Diplomatic ties began with the establishment of a US legation in Jidda in 1943. In February 1945, King 'Abd al-'Aziz met with President Franklin Roosevelt on a yacht in the Great Bitter Lake of the Suez Canal; one month later, Saudi Arabia abandoned its neutrality and declared war on Germany. A full embassy was subsequently established in Jidda in 1948.

Military ties between the two countries date from the same period. By 1943, the Pentagon deemed it desirable to establish its own air facilities in the Gulf (rather than rely on British ones) to link the Middle Eastern/North African theatre to South Asia and the Pacific. Negotiations over a base at Dhahran were started and the facility was completed shortly after the end of the war. The Dhahran airfield was used by the US until the agreement was terminated by mutual choice in 1962.

US teams were sent to survey Saudi military needs in 1944 and 1949, and the US Military Training Mission was established in 1953, replacing earlier British teams. The first arms transfers from the US to Saudi Arabia took place at this time as well, including M-41 light tanks and B-26 bombers. At first, the level of military assistance was extremely modest. Between 1950 and 1964, the grand total of sales agreements was only \$87m and deliveries totaled \$75m. But the level of sales agreements jumped to \$342m in 1965, and zoomed to over \$2b in 1974. By 1980, nearly \$35b in arms agreements had been negotiated, with over \$11b of deliveries made.⁷

The expansion of US/Saudi ties in the 1950s and 1960s, especially in military matters, was prompted by a number of factors. A principal one involved the growing importance of Saudi oilfields (and increasing levels of production) at a time when the world's oil supplies were growing short. Just as important was the emergence of the Arab "cold war" between the new, radical Arab republics and the older, traditional regimes, mostly monarchies.

Saudi interest in an American partnership stemmed from its being subject to active aggression by such "progressive" Arab leaders as Egypt's Nasser and Iraq's Qasim. For its part, Washington sought allies against Soviet encroachment in the Middle East. The complexities of the situation were clearly illustrated by the civil war in neighboring Yemen (1962-1967). Saudi Arabia provided as much aid as possible to the royalists fighting the Egyptian-backed republicans, and the US briefly posted a squadron of F-100 aircraft and paratroops in southwestern Saudi Arabia in case Egypt should use its troops in Yemen to attack Saudi Arabia directly.

Relations Between 1973 and 1978

Emphasis within the bilateral relationship during the mid-1970s appeared to be placed on Saudi development efforts and the Saudi role in the Eastern Mediterranean. Increased American involvement in the kingdom's development was encouraged by the US government due to its favorable impact on recycling petrodollars.

At the same time, the October 1973 Arab-Israeli War and resultant oil boycott marked a troubling undercurrent in the two countries' ties.⁸ Indeed, it has persisted as the only major thorn in an otherwise increasingly intimate relationship.

Washington looks at Riyadh as the key to Arab moderation regarding Israel, as a "tool" to bring other Arab actors into the "moderate" camp. Riyadh sees itself more as a force behind Arab consensus on many matters, including Israel. Its insistence on consensus derives from the experience of the Arab cold war and reluctance to return to the extreme polarization of Arab politics during those years. The Khartoum Conference of 1967, which put an end to the cold war, also created pan-Arab obligations for Riyadh, particularly in regard to Arab-Israeli matters. Saudi Arabia is also

⁷U.S. Congress, *"Special Relationship"*, p. 48.

⁸As the fighting continued, Saudi Arabia and most other Arab oil producers reluctantly instituted production cutbacks and a boycott of the United States and the Netherlands for their pro-Israeli attitudes; the boycott was later extended to include Portugal and South Africa, for their anti-black policies in Africa.

bound by the decision of the Arab summit at Rabat in 1975 to recognize the PLO as the sole representative of the Palestinians.

Saudi encouragement and midwifery produced the rise of the shortlived US/Saudi/Egyptian triangle of the 1970s. Saudi Arabia encouraged Sadat to turn from the Soviet Union to the United States. But Sadat's surprise decision to go to Jerusalem mocked Saudi concerns for a consensus approach and led to suspicions that Sadat's goal was a separate peace in which the other Arab states and the Palestinians would be sold out.

Relations Between 1979 and the Present

The "special relationship" prospered during the subsequent half-decade and even grew more intimate, despite the frustrations of the Arab-Israeli impasse. The Sadat initiative and resultant Camp David process alienated Egypt from most of the Arab world, including Saudi Arabia, and gave birth to only the Egyptian-Israeli treaty instead of a comprehensive peace. Saudi irritation at Sadat's tactlessness in pursuing a separate path with American encouragement was present in the US/Saudi relationship but did not seriously jeopardize bilateral relations.

Once Alexander Haig's stillborn conception of a "strategic consensus" (based on close cooperation of all American friends in the Middle East, including Israel, in an anti-Soviet alliance) was dropped, and after Anwar Sadat was assassinated, the potential rupture of US/Saudi closeness because of Egypt began to dim. The Israeli invasion of Lebanon in 1982 and Husni Mubarak's cautiousness gradually served to reorient Egypt back towards a centrist position in Arab politics. Egyptian support was forthcoming for Iraq in its war with Iran, Egyptian-Jordanian diplomatic relations were restored in late 1984, and it seemed only a matter of time before Cairo and Riyadh resumed official ties.

In large part, the limited impact of Sadat's policies on the US/Saudi relationship was due to increasingly volatile developments in the Gulf, alarming both Riyadh and Washington. The security threat posed by the militantly anti-US and anti-Saudi Iranian Revolution of 1979 seemed to tie in with a resurgence of populist Islam. Saudi fears seemed justified, at least briefly, by the November 1979 takeover of the Great Mosque at Mecca by Islamic extremists. Suspicions of Soviet designs on the Gulf were intensified by the brief border war between Saudi-backed North Yemen and Moscow-influenced South Yemen in early 1979 and then by the Soviet takeover of Afghanistan at the end of that year.

One consequence of this highly charged atmosphere was an emerging US emphasis on direct and indirect military options in the Gulf. The Carter Doctrine was promulgated in January 1980 to provide a warning to Moscow that any move to the Gulf would be met by US force if necessary. Efforts were made to give the teeth to that declaration through the Rapid Deployment Force, officially made the US Central Command in 1983. Pressure was put on Riyadh to permit access to Saudi military facilities by the Central Command on an emergency basis, and to allow the stockpiling of equipment there. Riyadh has continued to resist this kind of overt cooperation, as have the other GCC states with the exception of Oman.

The priority given to a possible Soviet attack in American planning for Gulf contingencies was forced to undergo re-evaluation with the outbreak of the Iran-Iraq War in September 1980. It finally

became apparent in official Washington circles that threats to Gulf security from regional sources were as great as – if not greater than – Soviet incursions. With the fall of Pahlavi Iran, Saudi Arabia had become the only remaining "pillar" of US interests in the Gulf. Washington was determined to protect its influence in Saudi Arabia, even to the point of intervention if necessary (as expressed in the Reagan codicil). In addition, efforts were intensified to build up the Saudi military to the point of self-defense, if not some regional defense capability.

US apprehensions over the apparent deterioration of "stability" in the Gulf forced the acrimonious debate over the sale of 5 Airborne Warning and Control System (AWACS) radar aircraft to the kingdom in 1982, over the objections of Israel and its supporters in the US, and those Congressmen who feared that the Al Sa'ud state would collapse just as the Pahlavi régime had. The Saudi government, while anxious to maintain its close relations with Washington, including in the military realm, was notably and understandably reluctant to give carte blanche to a direct US military presence in the kingdom. The tug-of-war between the Pentagon's desire for facilities in Saudi Arabia and the Saudis' wish to keep American military units (as opposed to American military advisors to the Saudi armed forces) out continued through the tanker war of 1984.

DOMESTIC DETERMINANTS IN SAUDI POLICY-MAKING

Saudi Arabia is neither a traditional state nor an absolute monarchy. In fact, it is a very new creation. A process of unification early in the twentieth century joined together the areas of Najd (the central Arabian homeland of the royal family), Shammar in the north, al-Hasa along the Gulf coast, the cosmopolitan region of Hijaz in the northeast, and fertile 'Asir, along the Red Sea coast south of the Hijaz. The country assumed its present territory and structure only in the 1930s. While ultimate political authority rests with the king, considerable restraints exist on his decisions and actions, as outlined below. The last two decades have been particularly important in developing an entirely new governmental apparatus and complex set of domestic and external concerns in Saudi policy-making.

The Structure of the Saudi Political System

Saudi Arabia is a new state built on traditional foundations. In the last several decades, the country has experienced a rapidly expanding state structure and the rooting of many of the solid, capable institutions necessary for the operation of a modern nation-state. In short, the skeleton of basic foundations has been put into place; it now remains to flesh it out.

Traditional Elements of Saudi Politics.

A number traditional elements still remain strongly entrenched in Saudi politics and are likely to retain at least part of their importance for some time to come.

Tribalism. Despite all the changes in recent years, Saudi Arabian society retains many aspects of its tribal roots. The Al Sa'ud were originally tribal shaykhs and their traditional ability to wield power was based on tribal forces. The National Guard continues to serve as a reminder of this traditional relationship between the ruling family and the tribes. Beyond their tribal base in the Najd, the position of the Al Sa'ud over the kingdom was consolidated in this century through the forging of new tribal alliances, principally by intermarriage between the Al Sa'ud and other shaykhly clans. To some extent, the position of the ruling family today is maintained through continued reference to the myth of the legitimacy of the Al Sa'ud as pre-eminent tribal shaykhs.

Personal Leadership. Personal leadership is another traditional element that has carried over into the modern state. A leader, whether of the tribe or the state, is expected to be *shadid*, capable, forceful, and strong; and respect is earned or lost according to an individual's performance as much as his rank. At the same time, according to traditional expectations, a leader must be accessible to his people and accommodate their desires and grievances. This right has been preserved in the *majlis* (an open audience where any citizen can come and speak directly to the king, the crown prince, provincial governors, and other figures of authority). As a consequence, the traditional precept of *shura* (consultation) has been retained. Similarly, the principle of *ijma'* (consensus) has evolved from a means of tribal democracy into an emphasis on acquiring the unanimous assent of the Al Sa'ud family on important decisions.

Islam. The central role of Islam is more pronounced in Saudi politics than in many Islamic countries. In part, this derives from the traditional origins and emphasis of the kingdom. The *shari'ah* (corpus of Islamic law) is proclaimed to be the constitution of the country, and Saudi Arabia claims a special role within the Islamic community because of its guardianship of the holy cities of Mecca and Medina. On a more historical level, the roots of the Saudi state derive from the 18th century alliance between the secular and tribal power of the Al Sa'ud and the austere, fundamentalist, teachings of a Najdi religious figure, Muhammad 'Abd al-Wahhab. As a consequence, the majority of Saudis are today Wahhabis (or as they prefer to be known, Muwahhidun or "Unitarians"), a movement following a strict interpretation of the Hanbali school of law within the Sunni sect of Islam.

Another element in the legitimacy of the present regime rests upon its claim to be defenders of the faith, based on the Saudi role in advancing the reformist tenets of Wahhabism throughout the Arabian Peninsula. The *'ulama'* (religious scholars) play a prominent role in Saudi Arabia, upholding the *shari'ah*, opposing the disintegration of traditional society, and even issuing *fatwas* (legal opinions) regarding government policy. The descendants of Muhammad 'Abd al-Wahhab, known as the Al al-Shaykh, hold influential positions within the *'ulama'* and government.

Even the late King 'Abd al-'Aziz, who was responsible for unifying the country, had difficulty in reconciling the traditional, religious nature of his subjects with the requirements of a modern state. The swords of the *Ikhwan*, sedentarized Bedouin organized into settlements and fighting units in order to advance the Wahhabi version of Islam, turned against 'Abd al-'Aziz in the late 1920s when he prevented them from raiding British-controlled Iraq and Transjordan. While the schisms between traditionalism and modernization are no longer as sharp as they were, they still present a problem for Saudi rulers.

The Role of the Al Sa'ud

It is unquestionable that the ruling family constitutes the unchallenged source of authority in Saudi Arabia. At the same time, however, it bears emphasizing that Saudi Arabia is not an absolute monarchy, dependent on the unrestricted actions of a single individual or even a single family.

The King. The king is at the apex of this unchallengeable authority, but he must rule in accordance with the *shari'ah*, family consensus, and on the basis of an uncertain balance between traditional precepts and modern expectations of a ruler. As John Shaw and David Long have written, "Saudi decision making in general is based on two traditional concepts: *shura*, or consultation, and *ijma'*, or consensus. The role of the king, in this context, is to guide the consultation to a favorable consensus on which to base decisions."⁹

The successful evolution of the institution of Al Sa'ud shaykh or *imam* (the quasi-religious title by which Saudi leaders were traditionally known) into monarch undoubtedly has benefitted from the role played by two strong and capable kings. 'Abd al-'Aziz (r. 1902-1953) unified Saudi Arabia and laid the foundations of the modern state. He presided over the integration of the heterogeneous Najd, Eastern Province, Shammar, Hijaz, and 'Asir into a single state, over the discovery and production of oil, over the opening to the outside world, and over the beginning of the relationship with the US.

His son Faysal (r. 1964-1975) provided the authoritative presence behind the throne during his brother Sa'ud's troubled reign (r. 1953-1964) and then succeeded to the throne when Sa'ud was deposed by the family. Faysal was responsible for bringing Saudi Arabia into the mainstream of Arab politics following the demise of the Arab cold war and providing leadership on Arab-Israeli matters; for fully implementing the choice to forego traditional isolation and interact fully with the outside world; for laying the groundwork for a thorough development process; for seeking to create a community of interests among the Islamic countries; for deepening the US/Saudi relationship, particularly in military matters; and for transforming relations with the smaller Arab Gulf states from their traditional enmity to a close working atmosphere.

These two kings were basically men of the desert, deeply pious and respected by the '*ulama*' for their piety and religious learning. They were also well-skilled in traditional tribal politics, yet men of vision beyond tribal limits. The state apparatus they provided over was small and uncomplicated. They depended on a few trusted advisors, often of non-Saudi origin, and rarely delegated authority on even the most unimportant details.

The last two kings lived most of their lives in the oil era, during a period embracing rapid socioeconomic change, the impact of modernization and the emergence of a complex foreign-policy environment. Leadership has become more collegial, and less conservative or traditional. King Khalid (r. 1975-1983) was in frail health upon his succession and generally left routine matters to be handled by his brother Fahd. Fahd (r. 1983-present) has a playboy reputation to live down and exerts less charisma than Faysal, which may mean some less respect or control within the family and among the citizenry in general. Nevertheless, he has proved to be a competent, decisive ruler.

⁹John A. Shaw and David E. Long, *Saudi Arabian Modernization: The Impact of Change on Stability* (New York: Praeger, for the Georgetown University Center for Strategic and International Studies, 1982; The Washington Papers, No. 89, p. 60.

The outlooks and requirements of Saudi Arabia's kings are undergoing evolution, just as the state and society are. It is likely that future monarchs will be less attuned to a traditional/religious/conservative constituency (with perhaps the exception of the current crown prince), and will be required to demonstrate sensitivity to changing and increasingly complex circumstances.

It is possible that future strains will appear in the process of determining succession to the throne. There is no formal rule of primogeniture, and succession has not strictly followed family lines of seniority. Through 1984, succession has proceeded through sons of 'Abd al-'Aziz. Another son, 'Abdullah, serves as crown prince and heir apparent (as well as Deputy Prime Minister and Commander of the National Guard). 'Abdullah is regarded as the spokesman for conservatives in the country and appears somewhat more skeptical of the value of the US/Saudi "special relationship." He is also a rival of the so-called "Sudayri Seven" – sons of King 'Abd al-'Aziz from the same mother (their ranks include King Fahd, Minister of National Defense and Aviation Sultan, and Minister of the Interior Nayif).

Upon Khalid's death, a *modus vivendi* was reached between the Al Sa'ud conservatives and the Sudayris. In return for recognition of 'Abdullah as crown prince, Sultan received the title of Second Deputy Prime Minister and the understanding that he would follow 'Abdullah as crown prince. Sultan is considered more "modernist" and relatively more congenial to the continuation of close ties to the US. The balance between different factions among the sons of 'Abd al-'Aziz thereby was preserved. Nevertheless, it does not formally resolve the succession problem, especially in terms of the transition of power from the sons of 'Abd al-'Aziz to the next generation of grandsons.

Other Members of the Al Sa'ud. While consideration of the kings of present and future may figure most importantly in the overall political picture, the role of the Al Sa'ud in the system is not limited to the kings. With more than 5000 male members, the family comprises a key interest group and sociopolitical elite by itself. As a family unit, it presently exercises more say in the decision-making process than at any time since the reign and deposition of King Sa'ud. Consequently, the decision-making process in Riyadh appears to have become more impenetrable, increasingly protracted, and fuzzier in its overall direction.

Rivalries and differences of opinion exist, although tightly shielded against exposure outside the family. A significant number of princes (allegedly including 'Abdullah) question the strengthening of ties to the US, and their views received some weight by the embarrassing and insulting American domestic debate over the AWACS sale. Some senior princes in family protocol, such as 'Abd al-'Aziz's oldest living son Muhammad, do not hold government positions but nevertheless are influential in family councils. In addition, there are various collateral branches of the family, some of which hold seniority to the descendants of 'Abd al-'Aziz.

Generational differences are another potential source of strain within the Al Sa'ud. An emerging generation of younger princes – "modernized," often college educated, ambitious, and frequently serving as dedicated public servants – can be found among the descendants of 'Abd al-'Aziz (as well as in the collateral branches). Their ranks include Sa'ud al-Faysal (son of the late King Faysal, with a B.A. from Princeton and presently holding the position of Foreign Minister), Turki al-Faysal (Sa'ud's brother, holder of an M.A. from the University of London and now head of Saudi intelligence), and Bandar bin Sultan (son of the Minister of Defense, with an M.A. from Johns Hopkins SAIS and now the Saudi ambassador to the US). Despite their obvious qualifications and

dedication, so far they stand outside the inner circle of real power and their turns at the throne are many years down the road, if ever.

Other Elites

There is no other group, or combination of groups, that can seriously challenge the role of the Al Sa'ud within the political system. Nevertheless, there are a number of elites that do wield significant power and whose views and opinions must be taken into account by the government. Broadly speaking, these can be divided into traditional and newly emerging categories.

Traditional Elites. The '*ulama*' form perhaps the most obvious traditional elite, their position perhaps most obvious in Saudi Arabia due to the kingdom's reliance on the *shari'ah* and the continuing strong social and ideological, as well as religious, impact of Islam on this country. Prominent among this group is the Al al-Shaykh family, who have intermarried with the Al Sa'ud and who hold key positions within the government. In some ways, the influence of the '*ulama*' may be weakening through the effects of modernization. On the other hand, they may be the recipients of increased attention because of the less overtly pious background of recent kings and the growing challenge of Islamic political activism. In this connection, it is worth noting that the government took care to receive a favorable *fatwa* before sending in the troops to recapture the Mecca mosque in 1979.

The old merchant families, as in other Gulf states, traditionally played an important role, partly because they tended to hold the government's purse-strings in an era of scarcity and also because of their education and widespread connections. In Saudi Arabia, this applied particularly aptly to the merchants of the Hijaz. The established families were well placed to take advantage of the oil boom to expand their operations and increase their dominance of local commerce. But the ranks of Saudi businessmen have been swelled by nontraditional entrepreneurs (of which 'Adnan Khashoggi and Ghaith Pharaon have received the most attention abroad) and by "part-time" government officials who run their own businesses on the side. There are many among the Al Sa'ud, as well as non-members of the royal family, who have become wealthy through collecting distribution rights for imported goods or in joint ventures with foreign contractors.

But the almost unlimited opportunities of oil wealth terminated the traditional leverage of merchants over ruling families. In fact, the wheel has turned and the merchants have become dependent on the regime: Saudi businessmen have fared exceedingly well under the Al Sa'ud government and their proclivity to plow their investments back into Saudi Arabia, especially in real estate, has kept their assets captive to the fortunes of the regime.

A third traditional elite that definitely has seen its relative position in the political system decline is the tribal establishment. Once a central factor in the building of a supratribal state through tribal alliances and the armed might of thousands of loyal tribesmen, the shaykhs and their followers have very little of a political role left to play. This trend is inevitable as the kingdom becomes less and less of a tribal state, despite its recent origins and nostalgically conservative intentions. Even the National Guard, built on the principle of loyal tribal backing for the royal family (not necessarily "the state"), is modernizing and gradually shedding its old aura of part-time tribal levies.

New Elites. Among the new elites, two deserve special consideration: military officers and technocrats. The armed forces have grown impressively since the first major military modernization programs in the 1960s and now boast a strength of about 55,000 men (excluding the National Guard). To assure the loyalty of the armed forces and because of national manpower shortages, the government has treated both officers and ranks extremely well, providing numerous material advantages and acquiring advanced arms systems and other equipment for their use. Because of the prominent US role in Saudi Arabia's military modernization, many of the officers have been trained by Americans, often in the United States, and tend to get along well with their US counterparts.

But it bears noting that the military remains undertrained and basically untested. While loyalty to the regime seems secure at present, external factors (such as perceived government inaction in another prolonged Arab-Israeli war) may change that. The regime has been careful to put members of the Al Sa'ud and other "trustworthy" individuals in key positions, but middle-grade officers conceivably may become frustrated over obstacles to career advancement and the lack of attention paid by the government not to radical ideologies (as contributed to military coups in various Arab states in the past) but to traditional values and goals.

An even more potent influence on the Saudi scene has been the burgeoning of technocrats and perhaps the creation of a Saudi "middle class." Saudi Arabia, again like other Gulf states, possessed no traditional bureaucracy and so one had to be created entirely from scratch. As a consequence, a "founding generation" of modestly educated, often non-Saudi, officials appeared in the 1940s and 1950s. But this generation has long since been replaced, initially by a "first generation" of "modern," formally educated Saudis which moved into position in the 1960s. Prominent among these men are Ahmad Zaki Yamani (Minister of Petroleum and Natural Resources; M.A., Harvard) and Hisham Nazir (Minister of Planning; M.A., University of California).

Just behind them came another generation (or perhaps more accurately, only a half-generation later) who took charge in the early 1970s. These included Muhammad Abu al-Khail (Minister of Finance; B.A., Cairo University); 'Abd al-'Aziz al-Qurayshi (Governor of the Saudi Arabian Monetary Agency; M.B.A., University of Southern California); Ghazi al-Gosaibi (former Minister of both Industry and Health; Ph.D., University of London).

Shortly after, in the mid-1970s, as technocrats occupied many of the cabinet positions and the country's administration was strengthened, the roles of deputy ministers became increasingly important and an even younger generation of qualified individuals emerged: Faysal al-Bashir (Deputy Minister of Planning; Ph.D., University of Arizona); Fouad al-Farsi (Deputy Minister of Industry; Ph.D., Duke University); Farouk Akhdar (Director General of the Royal Commission for Jubayl and Yanbu'; Ph.D., University of California). While all of those mentioned above are commoners – demonstrating the willingness and need of the royal family to bring as many Saudis into responsible positions as possible – many among the Al Sa'ud fit into these categories as well, including Sa'ud and Turki al-Faysal and Bandar bin Sultan.

One result of this advancement of modernists into high positions, when combined with the extremely rapid expansion of government institutions and administrative functions, has been the emergence of an exceptionally capable high-level cadre of officials. As early as the Carter administration, it could be observed that there were more American-trained Ph.D.s in the Saudi council of ministers than there were in the US cabinet.

It is possible that the "filling-up" of top-level positions, and the consequent inability of younger technocrats to provide a direct input into policy-making, may result in frustration and restlessness. At present, however, two factors work in the other direction. The rapid expansion in the government and public sector of the economy, and the increased complexity of business to be done, requires greater delegation of authority and heavier responsibility at lower levels than in the past. In addition, for the present, the emergence of discontent of even a semi-political nature still seems to be deflected by the multitudinous opportunities to amass personal fortunes.

The Saudi political structure seems solidly situated for the near future. There is very little indication at present that real discontent with the Al Sa'ud-dominated regime exists among Saudi elites, whether civilian or military. Certainly, tensions continue within the royal family but the continued emphasis on policy-making by consensus defuses potential splits (as in the compromise in determining the present and next crown princes). Dissatisfaction among commoners is not strong enough to challenge the system, even where it does exist. In some ways, the absence of a real threat mirrors the situation throughout the Arab world: the strengthening of political institutions has made nearly every Arab regime secure in tenure to a degree unthinkable only a decade ago.

Even where grievances exist, they are resolved within the system. When Ghazi al-Gosaibi, as Minister of Health in early 1984, clashed with powerful vested interests in his drive against corruption within the Health Ministry, he pleaded his case to the king through a poem in a Riyadh newspaper. It did not appear to be enough, as Gosaibi was removed from his cabinet position and sent off to Bahrain as ambassador.¹⁰

The Impact of Modernization and Development

Development Obstacles

The kingdom's development goals have been among the most ambitious in the world. Yet the attainment of "developed" status is made difficult by a number of inherent constraints. The lack of adequate manpower, both in terms of size and quality, constitutes one severe problem. The indigenous population of Saudi Arabia is only 4-5m. The severe restrictions on the participation of women in the work force leaves a total Saudi work force of about 1.1m. At the same time, the expansion of manpower requirements over the past decade has resulted in a non-Saudi work force of 2.1m, whose long-term presence in the kingdom promises serious social and economic problems.¹¹ Beyond sheer numbers, the country also faces a shortage of adequately trained Saudis in technical and other demanding positions.

The lack of water and agricultural resources also poses a severe constraint on development efforts. Despite being one-quarter of the size of the US, Saudi Arabia contains no permanent bodies

¹⁰ *Washington Post*, 27 November 1984.

¹¹ Shaw and Long, *Saudi Arabian Modernization*, pp. 46-47.

of water (instead, it boasts the world's largest sand desert in the Rub' al-Khali, or Empty Quarter). Only 1% of its land is used for agricultural purposes (compared to the 19% of US total land in cultivation, with another 27% used for grazing and 32% forested). The kingdom has begun the world's largest desalinization program but it still may not be able to achieve self-sufficiency in food.

There are few natural resources, apart from oil and gas, to be exploited, making any prospect of industrialization outside the petroleum sector virtually impossible. It is touch-and-go whether Saudi Arabia can achieve economic self-sufficiency after the oil runs out. Not surprisingly, oil remains the key to the country's development. Even with recent economic expansion, oil continues to rank overwhelmingly first in export earnings (approximately 98% of the total) and total government revenue (90%), while the oil industry alone accounts for 65% of total GDP.¹²

Before the oil glut, Saudi Arabia produced over 10 mbd, and production at that level could be sustained for well over 50 years.¹³ Furthermore, unlike most other producers (before the oil glut forced production levels down), the kingdom possessed considerable spare production capacity – making it theoretically possible to produce at a maximum level of at least 15 mbd (about double present US capacity). Given the severity of the constraints mentioned above, and the abundance of oil and gas reserves, it is clear that the best hope for Saudi Arabia's "life after oil" and economic diversification away from crude oil production seems to lie in the ambitious plans for the petrochemical industry.

Development Planning

Economic development in the kingdom began in earnest in the 1960s and accelerated dramatically with the rise in oil income in 1974. The principal value of the First Development Plan (1970-1975) was as a learning process: it provided the government with a central direction for development purposes and involved decisions lasting beyond a single year. Necessarily, heavy emphasis was placed on infrastructural development and economic growth in all areas of the economy. The Second Plan (1975-1980) continued the emphasis on physical infrastructure but also embraced the goal of diversification to reduce near-total dependence on a single exhaustible resource. For the first time, development planning was not constrained by lack of finance, although it did face the major problem of finding adequate domestic avenues for absorbing surplus funds.

The Third Plan (1980-1985) was far more ambitious, originally entailing the expenditure of \$239b (not including defense and foreign aid), compared to its predecessor's \$149b. At the same time, it was also more selective in approach than the Second Plan, emphasizing economic diversification into capital-intensive hydrocarbon industries where the country seemed to possess a long-term comparative advantage. While the Third Plan began under more favorable conditions (since considerable infrastructure was already in place and inflation had been reduced drastically),

¹²T.R. McHale, "A Prospect of Saudi Arabia," *International Affairs* (London), Vol. 56, No. 4 (1980), pp. 630.

¹³The full extent of Saudi reserves has never been determined precisely, but even conservative estimates put them at one-quarter of the world's total reserves.

it still faced serious obstacles. One of these was the dilemma between the continuing need for manpower growth to meet the expectations of the plan and the difficulty of "Saudiization," or incorporating Saudis into all sectors of the labor force.¹⁴ Another problem was of course the shortfall in income as a result of the halving of Saudi Arabia's oil production.

Of special interest in these plans is the Jubayl/Yanbu' project, one of the most ambitious development schemes ever conceived. It involves the creation of two major cities, with over 100,000 inhabitants each, out of villages on the Gulf (Jubayl) and the Red Sea (Yanbu'). The industrial complexes served by these cities are to include a full-range of refining, petrochemical and steel-manufacturing industries, linked by the trans-Saudi Arabian pipeline and fueled by the kingdom's extensive gas reserves.

By the end of 1984, basic socioeconomic infrastructural prerequisites had been or were close to being put in place across the country. These included massive investments in health care, transport, sewage, housing, education, and communications. Potentially at least, the Saudi government was able to provide the physical necessities and amenities of life for its citizens to a degree equal to the most developed countries in the world.

Traditionalism and Modernization

Despite the extent of change, it is undeniable that serious problems remain. Any economic development necessarily involves social change, no matter how carefully considered or opposed. In Saudi Arabia, development has produced, *inter alia*, near-total sedentarization of the formerly large proportion of Bedouin; changes in the occupations and lifestyles of the majority of the people; a rising dominance of Western or Western-style education; and significant alterations to family structure (as demonstrated in the change from housing based on the extended family to homes designed for use by only the nuclear family).

As in most developing countries, socioeconomic development involves a tug-of-war between the resisting forces of traditionalism and the impatient proponents of modernization. Saudi Arabia's traditionalists—as strongly entrenched in the kingdom as anywhere in the Middle East—have fought social change in the past and will continue to do so in the future. They can call on widespread support by charging that many of these changes are antithetical to Islam.

From another point of view, even though Saudi Arabia's development effort has been comprehensive in both its scope and neutral orientation toward "who gets what," some groups have benefitted more than others. Those who have done particularly well over the past decade include the royal family, both old and new merchants, and the urban population in general. On the other hand, relatively less prosperity has come to the Bedouin (who have been less well-placed to take advantage of progress) and especially the Shi'ah of the Eastern Province. The Shi'i population of 300,000-400,000 comprises the largest indigenous minority in the country and accounts for approximately one-third of ARAMCO's work force. One effect of the Iranian Revolution has been to reduce the reluctance of some Shi'ah to complain openly about discrimination.

¹⁴Ragaei El Mallakh, *Saudi Arabia: Rush to Development* (London: Croom Helm, 1982).

An additional problem with which the regime must grapple is the necessity of coming to grips with a changing role for women. There has been a breakdown of the traditional family structure, in which women ruled an active and busy household. Many Saudi wives find themselves restricted to homes where servants and governesses do the work and take care of the children, leaving them with little to do or occupy their time. Just as there has been an explosion in education for male Saudis, there is a burgeoning pool of well-educated, sophisticated and ambitious female Saudis, who largely have been denied the rights and opportunities accorded the other sex. Government policy generally has been to take the middle path, supporting the basic rights of women but avoiding offence to the traditionalists. Thus, the education of women has been a high priority but in segregated institutions.

The Impact of the Oil Glut

From a production high of over 10 mbd before the oil glut took hold, Saudi production has dropped to 4 or 4.5 mbd. Naturally, a drop of 50% in government revenues in a country where nearly all economic activity derives from oil income is cause for grave concern. One analyst concluded at the beginning of 1984 that continued production below 6.5 mbd would force basic reductions in the pace of development, and that continued production below 4.7 mbd would not generate enough gas to provide for local industry needs.¹⁵ A year later, it had become clear that production was not going to rise substantially at in time in the near future.

At the end of 1984, an average production level of 4.5 mbd was reportedly forcing the government to make up a budget deficit in excess of \$1b per month out of the estimated \$100b of realizable assets abroad – this in spite of the severe slashes in government spending over the course of the year. Further reductions in production in order to prevent the collapse of OPEC stood to enlarge the budget shortfall an additional 20%, putting even more pressure on official savings.¹⁶ Only defense expenditures have been considered sacrosanct in the belt-tightening process. Contractors have been hardest hit, as government agencies routinely delay payments: several liquidations were recorded during the year and some foreign firms have pulled out.¹⁷

The adverse affects resulting from this decline in economic fortunes have been kept to a minimum for several reasons. Most of the massive construction projects and contracts of the 1970s are well on their way to completion now. As a consequence, the spending slowdown and budget cutbacks are relatively manageable – and even desirable – at present. Second, if necessary, the scope and size of projected industrialization schemes can be scaled back and the expatriate labor force reduced. Third, the kingdom has healthy reserves of liquid investments abroad that can be drawn down for some time to come. Fourth, many Saudis have done well by the "years of plenty," and while the tremendous personal financial opportunities of the last decade may no longer exist, the

¹⁵Ramon Knauerhase, "Saudi Arabian Oil Policies," *Current History*, Vol. 83, No. 489 (January 1984), pp. 29-32, 36-37.

¹⁶*The Economist*, 15 December 1984.

¹⁷*Middle East Economic Digest*, 14 December 1984.

average citizen is not likely to find his or her lifestyle terribly cramped. Fifth, the petrochemical complexes under construction in the last few years are just beginning to come onstream and will be able to provide income independent of crude oil production (provided the Saudis are able to crack tariff barriers in industrialized countries).

Political Opposition

Given the amount of ferment and political upheaval in the Third World over the past quarter-century, to which the Arab world contributed a sizeable share, it is astounding that Saudi Arabia has experienced only the merest hint of dissident political activity while undergoing such a plethora of changes. In the last 25 years, the only clear threats to the internal security of the regime have been clashes along the southwestern border with Egypt (1962-1967), an incident within the air force that collapsed far before it achieved attempted coup status (1969), the assassination of King Faysal by a relative (1975), and the capture of the Great Mosque at Mecca by Islamic extremists (1979). Few countries in the world can match the kingdom's record of stability.

The Secular Left. The heyday of opposition from this quarter would seem to be the 1960s, with the widespread appeal of pan-Arab socialist ideologies – Nasserism, Ba‘thism and even Marxism – and the active support of such Arab regimes as Egypt and nearby Iraq in promoting them. Since then, there seems to be little significant Saudi support for opposition along these lines. Several small leftist groups do exist, including a Communist Party, but they are based outside Saudi Arabia and do not appear to have any following inside the country.

The Islamic Right. In November 1979, in the immediate aftermath of the Iranian Revolution, a small group of extremists – mostly Saudis but also including Yemenis, Kuwaitis and Egyptians – seized the Great Mosque of Mecca in the name of their *mahdi* (an Islamic messiah). It was not until several weeks later that Saudi security forces were able to regain control of the mosque in intense fighting. Those extremists who survived were captured and tried, and most were executed. The enduring lesson of this episode is not that Islamic extremists were able to carry out such acts, but that they were unable to generate any sympathy, let alone support, from the general population. In fact, reaction was quite the opposite: revulsion at the invasion of the sacred precincts of the mosque and the shedding of blood there.

But the emerging strength of populist Islam, evident even before the Iranian Revolution but given particular impetus by that cataclysmic event, has led the Saudi government to tighten up, to adopt a more conservative stance, and to enforce the *shari‘ah* more closely – and to push its smaller neighboring states toward similar policies.¹⁸ The kingdom's inherent conservatism and reliance on Islam constituted its defense against the earlier radical challenge. But the new surge of populism has

¹⁸The term "populist Islam" (*al-Islam al-sha‘bi*) is James Bill's, who defines it as "a general social and political movement generated from below rather than a movement sponsored by governments and their supporting bureaucratic apparatus" (which he labels "establishment Islam" (*al-Islam al-rasmi*)). James A. Bill, "Resurgent Islam in the Persian Gulf," *Foreign Affairs*, Vol. 63, No. 1 (Fall 1984), pp. 109n1.

raised the possibility of outflanking, especially as development and modernization (with its strong overtones of Westernization) proceeds and materialism and even ostentatiousness becomes obvious.

Populist Islamic sentiments are especially strong among Saudi Arabia's Shi'ah minority, and in particular among the Shi'i youth who regard themselves as less "middle-class" and less beholden to ARAMCO than their elders. They were responsible for the demonstrations in al-Qatif and al-Hasa in 1979 and 1980 which caused the government considerable apprehension and resulted in highly visible efforts by senior officials to provide promises of better living and working conditions. Shi'i opponents of the regime have formed the Islamic Revolutionary Organization in the Arabian Peninsula, presumably with support from Tehran. There is no evidence that this group has been able to gain effective support among the general population and Iran seemingly has had second thoughts about underwriting it.

The Consultative Assembly. The events of recent years spurred tentative moves toward a consultative assembly (*majlis al-shura*). Such a step would serve to remold the traditional institution of *shura* into a formal political body. Mention an assembly was first raised a number of years ago and then promised again in the aftermath of the Mecca mosque takeover. No concrete action was taken at that time, however. The idea was brought up again by King Fahd in a December 1984 interview with the *Sunday Times* (London), who promised to set up the assembly within "three or four months" and also to provide the country with a written constitution.

The assembly would consist initially of appointed members – presumably drawn from among the 'ulama', technocrats, and merchants – followed by indirect election of half the membership through provincial assemblies in several years and then, at a later date, direct elections. The regime's intention to follow through with the assembly was given weight by the late 1984 letting of a \$1.2b contract for the construction of the King's Office, Council of Ministers and Majlis al-Shura complex in Riyadh.¹⁹

EXTERNAL DETERMINANTS IN SAUDI POLICY-MAKING

The other half of Saudi decision-making involves the constraints and pressures placed upon the kingdom by its increasing involvement in regional and international affairs. The foci of Saudi concern and interaction can be viewed as a series of concentric circles, comprising the Arabian Peninsula, the Gulf region, the Arab world, the Islamic community, OPEC and oil matters, and relations with the superpowers. As David Long has written,

isolation in the vast desert reaches of Najd ... has over the centuries produced an insular attitude of encirclement by enemies. This 'encirclement syndrome' historically focussed on rival tribes, expanded during the 19th and 20th centuries to include outside powers and currently includes Zionist Israel, Marxist Ethiopia, South Yemen and Afghanistan, revolutionary Islamic Iran and also Libya. Radical Syria and Iraq cannot be ruled out as future

¹⁹*Middle East Economic Digest*, 14 December 1984

threats. This sense of encirclement has helped to instill among the Saudi leadership a continuing search for security, which is reflected in every aspect of U.S.-Saudi relations.²⁰

The Saudi Role in the Arabian Peninsula

If it were not for the British, nearly all of the Arabian Peninsula might now be part of Saudi Arabia. Consequently, it should not be surprising that the Saudis often tend to act as though they hold proprietary rights to the rest of the peninsula. They dominate the newly formed Gulf Cooperation Council (GCC), both in policy formulation and in military contributions. To the south, Riyadh has long pursued active interference in North Yemeni affairs. The Saudis have been suspicious of South Yemen ever since Aden gained its independence in 1967 and long supported the subversive efforts of South Yemeni exiles against that government. Only recently have they been willing, albeit cautiously, to participate in a Riyadh/Aden rapprochement.²¹

The formation of the GCC in 1981 formalized the already strong ties between each of its six members (Saudi Arabia, Kuwait, Bahrain, Qatar, the United Arab Emirates, and Oman) that developed in the 1970s and intensified with the emergence of the Iranian Revolution. There is no question that Saudi Arabia provides the central direction to the GCC, whether politically, economically, or militarily. Saudi predominance will be strengthened by the intended creation of a joint air defense system, which will rely on Saudi Arabia's AWACS.

The Saudi Role in the Gulf

While Saudi Arabia clearly is the preeminent power within the peninsula, it ranks third in capabilities among the Gulf littoral states. Both Iran and Iraq are far larger in population (42m and 14m respectively to Saudi Arabia's 7m) and possess far bigger armed forces (nearly 2m and 517,000 men to 55,000), as well as predominate in most other measurements of power.

Saudi Arabia and its smaller neighbors have faced active Iraqi attempts at subversion in the past (beginning shortly after the 1958 revolution in Baghdad) and conceivably could face renewed efforts after the Iran-Iraq war. GCC-ally Kuwait is especially vulnerable to Iraqi pressure and remains a target of Iraqi on claims to part of its territory, despite its wartime assistance to Baghdad.

From the other side of the Gulf, Iran always has appeared somewhat menacing to the Arab Gulf states. Long before the revolution, the ambitions and rapid militarization of the Shah raised suspicions of his ultimate intentions, particularly in light of long memories of Iranian incursions across the Gulf. The fall of the Pahlavi regime only served to intensify these fears. The new revolutionary government was not reluctant in conveying its disapproval of existing regimes in the

²⁰David E. Long, *Saudi Arabia* (Beverly Hills, CA: Sage Publications, for the Georgetown University Center for Strategic and International Studies, 1976; Washington Papers, No. 39), p. 17.

²¹An earlier, even more tentative, rapprochement in 1978 was scuttled when the South Yemeni president was tried and executed by his Adeni rivals.

Islamic world and Saudi Arabia was singled out as the second enemy after Iraq. Active efforts were evident in Tehran during the first few months of the new order to destabilize and overthrow Arab regimes, the best known example being the abortive coup attempt in Bahrain during December 1981.

The outbreak of the Iran-Iraq War in September 1980 seemed to remove temporarily threats from these two states, but the question remains of future intentions once (if?) the war ends. In the meantime, Saudi Arabia and its GCC allies face the very real threat of an expansion of the war to involve them directly. The tanker war of 1984 appeared to come perilously close to engulfing the entire region. The crisis began in late 1983 when Iraq announced its purchase of French-built Super Etendard fighters – which Argentina employed so successfully in the Falklands war to launch Exocet missiles against British naval vessels.²²

Baghdad's apparent intention was to pressure Tehran toward negotiations by threatening to attack the main Iranian oil terminal at Kharg Island. When this ploy failed to achieve desired results, Iraq began to attack oil tankers making their way to and from the Kharg terminal.²³ Iran escalated the crisis with attacks on shipping along the Arab shore, particularly vessels bound for Kuwaiti and Saudi ports. Finally in June, after Riyadh had given Iran public warning, Saudi F-15s shot down an Iranian fighter that had intruded into Saudi territorial waters. Both countries chose to play down the incident and, although the tanker war continued at a less intense level into early 1985, the risk of direct Iranian-GCC confrontation abated.

But these threats in the Gulf have led to Saudi Arabia's continuing concern for self-defense and consequent emphasis on military modernization. Defense spending was increased by 6% in the 1984-1985 budget, despite the financial crunch, and accounted for nearly one-third of total budgeted expenditures. The biggest elements in defense during 1984 were a \$4b French contract for the Shahine ground-to-air missile system, and \$3-4b for the Peace Shield project, an integrated command, control, and communications system based on the AWACS.

The Arab Stage and the Arab-Israeli Imbrolio

The reversal from Saudi Arabia's traditional isolation to its prominent role in various international arenas has been nothing short of dramatic. A major feature of regional politics in the last two decades has been the increased importance of the kingdom in Arab councils. But the Saudis have been given a difficult task to do, and few tools with which to do it. Essentially, there are only two weapons in the Saudi arsenal: moral suasion, involving the Saudi emphasis – and patience – on achieving consensus around a "moderate" center; and a sweetener based on financial subsidies. But a strategy based on these tools is severely limiting, and Saudi Arabia's position in the Arab world seems far more tenuous than that of Egypt, Syria, and Iraq.

²²Iraq already possessed Exocets, but affixing them to Super Etendards instead of helicopters meant that the missiles could be fired from a considerably longer – and thus safer – distance.

²³Given Iraq's reluctance to risk its planes and the unsuitability of the anti-ship Exocets for attacking a ground installation, Kharg was virtually untouched.

One aspect of Saudi Arabia's emergence as an Arab power has been assumption of its share of responsibility for Arab-Israeli concerns, formalized by the Khartoum Conference of 1967, and support for the rights of the Palestinians and their representative, the PLO, as decided at the Rabat Conference of 1975. As one Saudi official has explained Saudi obligations to pan-Arab and Palestinian concerns, "Saudi Arabia is a state within a nation of states."²⁴ Its Arab obligations – overriding purely Saudi self-interest – have forced Riyadh to take the reluctant step of oil embargoes against Western friends during several Arab-Israeli wars. To these obligations may be added the late King Faysal's concern over the status of Jerusalem due to its importance in Islam.

The Saudi view of a solution to the imbroglio was made public in the "Fahd Peace Plan" of August 1981, adopted with minor changes at the Arab summit in Fez, which affirmed the right of all states in the region to peaceful existence. The Saudi plan essentially differs from the subsequent Reagan Plan (September 1982) in its conception of the future status of the Palestinians. The Saudis insist on the establishment of an independent Palestinian state in the West Bank and Gaza, recognition of East Jerusalem as its capital, and the removal of all Israeli settlements from the West Bank. The Reagan Plan, however, only called for limited Palestinian autonomy in political association with Jordan, determination of the status of Jerusalem through negotiations, and a freeze on Israel's existing West Bank settlements.

Saudi Arabia's strategy in implementing its plan is twin-fold. First, Riyadh sees its proper role in the region as building Arab consensus around a peaceful solution to the conflict, based on the West Bank/Gaza state. Second, Riyadh wishes to convince Washington to use its influence with Israel to accept this solution. This appears to have been a key objective in King Khalid's official visit to Washington in February 1985, the first by a Saudi monarch in 14 years. Failure to reach a settlement along these lines is, in the Saudi point of view, dangerous for all parties concerned. Saudi Arabia argues that Israel's intransigence in providing justice for the Palestinians and its aggressive military actions against neighboring Arab states destroys the ground under moderates within the Arab world and encourages extremists among Palestinians, Lebanese, and other Arab groups, and also provides a basis for Soviet inroads in the region.

Serious limitations confront this approach, however. First, Saudi Arabia cannot force its views on all the Arab states but can only plead for their consideration. Egypt's defection from Arab ranks in the late 1970s and Syria's obstinacy in the early 1980s clearly illustrated the inherent weakness of the Saudi position: subsidies, once employed, are difficult to cut off, yet they do not guarantee compliance with the donor's wishes.

Second, the United States, which theoretically has the ability to force Israeli compliance with its policies, has been unwilling to expend the political capital necessary, both in terms of domestic American politics and in head-to-head confrontation with Israel. Given that US reluctance has been evident in situations where the administration has clearly taken issue with Israeli actions, such as the 1981 attack on the Iraqi nuclear reactor and the 1982 siege of Beirut, the chances of Riyadh's success in getting Washington to apply pressure on Israel to negotiate on an independent Palestinian state would appear very grim.

²⁴Ibrahim Mohamed Al-Awaji, "U.S.-Saudi Economic and Political Relations," *American-Arab Affairs*, No. 7 (Winter 1983-1984), p. 58.

Third, all of the maneuvering by Saudi Arabia and the US on this question is for naught as long as the two immediate parties continue their intransigence and/or vacillation. Rather than providing a clear mandate for either Likud or Labor, the 1984 Israeli elections gave birth to an unwieldy coalition government that is unlikely to take any bold steps on the matter of territory and status of the Palestinians. The PLO, as an organization and as personified in its leader Yasir 'Arafat, has been buffeted severely by the forced exile from Beirut and the Syrian-instigated mutiny. Consequently, it has found itself trapped in muddled indecision over the next step and fearful of alienating its more extreme constituent groups. Favorable circumstances for a positive step forward toward peace are dim.

Saudi Arabia and the Islamic Community

If the kingdom has real difficulties in pursuing its goals within just the Arab world, it stands to reason that its problems should be even greater in dealing with a much larger and contentious community of states whose common bond of Islam masks deep ethnic, cultural, historical, geographical, economic, and political heterogeneity.

In this arena, Saudi Arabia has tended to concentrate its attention on two concerns. One of these involves religious aspects of Islam and the building of mosques, distribution of Korans, subsidization of *hajj* pilgrims, and provision of foreign aid as a kind of international *zakat* (Islamic alms tax). At the same time, the kingdom has orchestrated politically achievable but pragmatically meaningless consensus on a few issues on which all or most Islamic states can agree, such as Third World economic grievances, the status of Jerusalem, and the Soviet invasion of Afghanistan.

Practical successes have tended to be on a bilateral level, where the primary motives have had little to do with Islam. One of these has been a tacit Saudi-Pakistani alliance, which has served to enhance regional perceptions of Gulf security and provided civilian and manpower for Saudi Arabia in exchange for remittances and foreign aid for Pakistan. There are said to be 2000-10,000 Pakistani troops stationed along Saudi Arabia's southwestern frontier.²⁵ Saudi activity on the fighting in Eritrea and Afghanistan, and Riyadh's attempts to bring its neighbors and fellow Islamic countries in line behind it, derives from the kingdom's strong anti-communist stance and fears of a Soviet pincer move on the Gulf itself.

The Saudi Role in OPEC

There is a rough parallel between OPEC and the Islamic community. Both consist of highly heterogeneous states uncertainly clinging together because of a single common factor: oil and Islam respectively. The varieties of countries within OPEC is perhaps even more pronounced. OPEC's inherent unwieldiness did not matter as long as there was a worldwide scarcity of oil and every

²⁵Some Pakistanis apparently were captured by Yemeni forces in a 1984 border incident. *Washington Post*, 25 November 1984.

member, with the important exception of Saudi Arabia, could produce at full capacity and easily sell all it produced.

As the swing producer, Saudi Arabia could counteract the pressure of some OPEC members to raise prices too quickly by adjusting its production accordingly. By the late 1970s, however, world demand for oil had grown so much that Saudi Arabia's production permanently was close to its current capacity, thus eliminating its traditional role and rendering it helpless to act as a brake on upward prices. As a result, the revolution in Iran acted as the catalyst for an explosion of prices in 1979-1980 from around \$13 a barrel to more than \$28.

A continuing scarcity of supplies allowed the official OPEC marker price to rise to \$34 a barrel in 1981. But shortly after this, the expansion of worldwide oil production, made profitable by the inflated prices for crude oil, combined with slackening demand to create the oil glut. Declining demand for its members' oil forced total OPEC production to drop from about 31 mbd to 14 mbd in the early 1980s (or from two-thirds of non-communist world production down to less than half). As a consequence, OPEC has been absorbed in bitter disputes over how much reduced production each country should absorb.

As the largest producer, Saudi Arabia bore the brunt of the biggest cutback, more than halving its output. Nevertheless, this sacrifice, the March 1983 adoption of OPEC's first official price cut (from \$34 to \$29 a barrel for marker crude), and the establishment of an organization-wide production ceiling of 17.5 mbd, were not enough to balance supply and demand. Nearly all OPEC members have continued to discount their oil in order to keep their own production up. The problem of maintaining internal discipline within OPEC ranks has been made more difficult by the actions of non-OPEC producers, such as Britain, Norway, Mexico and Egypt, who have no reason to be bound by OPEC agreements on market-sharing.

The continuing strength of the glut was illustrated by the absence of any significant rise in prices – or concern – during the Gulf tanker war in mid-1984. Instead, a forecasted increase in demand failed to materialize and the annual OPEC meeting in December 1984 revealed that the cracks in the organization had grown even deeper. A reduced production ceiling of 16 mbd, adopted in October, had proved meaningless, and plans were drawn up for OPEC inspectors to keep the members from cheating on their production quotas. As the year ended, the \$29 marker price still remained in jeopardy, and was saved for the moment only by a "realignment of differentials" between the various types of crude oil – effectively lowering the price of most OPEC crudes.

The once powerful Saudi role within OPEC had been reduced to Ahmad Zaki Yamani's skills at persuading other members not to recklessly destroy OPEC. Most projections for the remainder of the 1980s point to only a modest rise in demand for OPEC oil at best. As a consequence, the diminished power of Saudi Arabia in OPEC councils is likely to hold true for the foreseeable future.

Saudi Views of the Superpowers

Riyadh maintains diplomatic relations with only one of the two superpowers, clearly demonstrating the kingdom's heavy tilt toward the West and jaundiced view of the Soviet Union. The mostly positive feelings Saudis hold about the US derive from a number of causes. These include: the American role as a partner in Saudi Arabia's economic development; its role as a partner

in the kingdom's military modernization; a common anti-communist view of the world; the perception that only Washington has leverage over Israel; and a heartfelt basic compatibility or camaraderie between the two peoples (the Saudis are sometimes referred to as the Texans of the Middle East).

On the other hand, the Soviet Union has never been able to capitalize on the early ties between the two countries (a commercial treaty was signed in 1926). Moscow's position suffers from a prevailing Saudi ideology that is the antithesis of communism and fears of Soviet expansionism and designs on the Middle East and especially the Gulf.

But the picture is not entirely black and white. Saudis do have reservations regarding the US over: ① the US role *vis-à-vis* Israeli policies and the Palestinians, ② American conceptions of non-Soviet threats to Gulf security and the insistence on an official US military presence in Saudi Arabia (the kingdom understandably is skittish about any foreign military presence on its soil, especially one of the superpowers); and ③ occasionally raised differences over oil matters (and a lingering suspicion that the US might decide after all to invade the kingdom to secure its oil supplies).

At the same time, the Saudi government displays some vacillation over the value of diplomatic relations with Moscow. Such official ties might prove useful in reducing the chances of a direct Soviet threat to the kingdom. Riyadh could gain input into Soviet policy regarding its anti-Saudi clients in the region. There might be a possibility of some leverage over the US in Arab-Israeli matters.

Expectations of closer ties were raised by Foreign Minister Sa'ud al-Faysal's visit to Moscow in December 1982 as part of a pan-Arab delegation, the first prominent Saudi to travel to the Soviet Union since Sa'ud's father Faysal went in 1932.²⁶ Despite the cautiously raised possibility of Saudi-Soviet ties, no further movement in this direction was in evidence by the end of 1984.

THE FUTURE OF US/SAUDI RELATIONS

It seems extremely unlikely that the fundamental nature of the relationship between the two countries will be altered in the near future, although minor differences and even adjustments toward a lesser degree of intimacy may be forthcoming. There are several logical reasons for this optimistic conclusion.

The present regime and social/economic/political structure of Saudi Arabia most probably will remain intact – at least in the short-run. Furthermore, the assumption that this situation will hold true for a longer term can be justified by pointing to a long succession of favorable, and accurate, short-run prognostications. Despite the massive changes that the country has undergone in the recent past and will continue to experience in the future, most indications point to a remarkable political stability. It is in the interests of both regimes – the US and the Saudi Arabian – to work together closely.

Despite the possibility of increased friction in several arenas, notably regarding Israel, Saudi Arabia really has nowhere else to turn. While Riyadh will not burn its bridges to Washington, it is

²⁶Rumors have been rife as well of impending relations between the UAE and the Soviet Union, for which the UAE would almost certainly need Riyadh's approval.

possible that it may make public its exasperation over aspects of US policy in the region, as in the US relationship with Israel or a skewed US role in Lebanon. It may also grow more resentful of its perceived negative treatment in the US, as occurred during the AWACS debate or in the sudden postponement ("pending a comprehensive review") of expected arms sales on the eve of King Fahd's February 1985 visit to the US. This could lead to an ascendancy of those in Saudi Arabia who favor more distance from the US and greater reliance on Western Europe.

But it should also be remembered that if Saudi Arabia is dependent on the US, so is this country on Saudi Arabia. No matter how long the oil glut lasts, the largest concentration of oil reserves will remain in Saudi Arabia and that country will continue to exercise the most prominent role in OPEC and perhaps exert considerable influence on non-OPEC producers as well.

Furthermore, Saudi Arabia is the most important US ally in matters of Gulf security. Iran is definitely out, US/Iraqi ties constitute a marriage of convenience, Pakistan is too far away and perhaps too instable, and the smaller Gulf states are not as strategically advantageous and are less willing to cooperate (with perhaps the exception of Oman). But a Gulf-security partnership must be just that – a real partnership. Saudi Arabia and the GCC must handle full responsibility for internal and regional issues of security importance, with the US providing essentially "backup" in case of a Soviet thrust and serving as only a junior partner in extending assistance in other contingencies.

Finally, the US needs Saudi Arabia to play a central role in Arab, Islamic and perhaps even Third World (or anti-communist) circles. If it is true that Riyadh must depend on the US to talk tough to Israel, it also can be said that Washington must rely on Saudi Arabia to do the same with Syria. There are not many Third World countries with which the US enjoys such close cooperation, and, while Saudi Arabia's power and influence may be limited, it is not necessarily ephemeral. The advantages in maintaining the "special relationship" far outweigh any potential disadvantages or temporary upsets.