

**OIL SECURITY IN INTERNATIONAL POLITICS: THE UNITED
STATES POLICY TOWARDS SAUDI ARABIA**

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Declaration and Certificate

29, July 2008.


DECLARATION


I declare that the dissertation entitled "Oil Security in International Politics: The United States Policy Towards Saudi Arabia" submitted by me for the award of the degree of **Master of Philosophy** of Jawaharlal Nehru University is my own work. The dissertation has not been submitted for any degree of this University or any other university.


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List of Abbreviations

ANWR – Arctic National Wildlife Refuge
Armco – Arabian American Oil Company
ASEAN – Association of South East Asian Nations
BP- British Petroleum
BTC – Baku-Trans-Ceyhan
Btu – British terminal units
Casco – California Arabia Standard Oil Company
CENTCOM – Central Command (U.S. Armed Force)
DOE – Department of Energy (U.S. Department)
EIA – Energy Information Agency/Administration (U.S. Department)
EU – European Union
IAEA – International Atomic Energy Agency
GCC – Gulf Cooperation's Council
IEA – International Energy Agency
IEO – International Energy Outlook
LPG – Liquefied Petroleum Gas
IPE – International Political Economy
Mbpd – Million barrels per day
NEPDG – National Energy Policy Development Group
NEP – National Energy Policy
OECD – Organisation for Economic Co-operation Development
OPEC – Organisation of Petroleum Exporting Countries
PDVSA – Petroleos De Venezuela Industry
PEMEX – Petroleos Mexicanos
RDF – Rapid Development Force
SCO – Shanghai Cooperation Organisation
Socal – Standard Oil of California
SPR – Strategic Petroleum Reserve
Texaco – Standard Oil Co. of Texas
UAE – United Arab Emirates

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Preface

Oil is one of the most controversial and widely used of commodities in present political economy. Infact, oil is just like a commodity which can sell and buy in the market but in practice, the influence of oil is unprecedented both in domestic and international politics. No highly industrialised society can survive at present without substantial supplies of oil. Global dependence on oil at reasonable prices makes all states, both wealthy but especially poor, potentially vulnerable to intended or unintended disruptions in oil supplies, disruptions that could hinder global economic growth and, in turn harm human welfare by producing a cascade of negative effects carried along the myriad connections of the interdependent global economy (Yetiv 2004:1). In the past decades, several oil crises have occurred which consequently affected the global economy. The most classic example of oil crises occurred in contemporary societies was the 1973 oil embargo by Arab OPEC member in response to United States backing Israel in 1973 Arab-Israeli war.

The distributions of oil proven reserve are scarcely located in different region for which the Middle East holds the largest proven reserve. However, since the distribution of oil is located unequally, securing oil with affordable price and continuance supply without disruption remains headache for the consumer countries. Today, oil producing countries face several obstacles such as, political instability, ethnic clashes, rise of terrorism, border conflicts of inter-state and all these conflicts only add concern from energy security point of view. Michael T. Klare suggest, if the bipolar conflict of the cold war defined 20th century world affairs, the geo-politics of energy may do the same on the first half of the 20th century (Yetiv 2004:6). The demand of energy will increase with growth of economic development, the faster the growth of economy, the greater the demand for energy. Therefore to satisfy the consumer demand of energy, every state should formulate energy security strategy, else the state would face severs consequence due to scarcity of energy. Since the production of oil started in the middle of the 19th century, the price of oil in the market swung highly or lowly due to several political and economic events in international system.

The political salience of energy is obvious, where in its most fundamental sense energy security is assurance of the ability to access the energy resources required for the continued development of national power (Kalicki and Goldwyn 2005:9). If any scarcity of energy supply goes, then the 'structural power' in which the four primary source of power – *security, production, financial and knowledge*, discussed by Susan Strange (1988), significantly affect by energy.

The U.S.-Saudi Relations: American influence on Saudi Arabia started only in the early period of the 20th century, unlike the British and the French who had already ventured in the Middle East since the time of Ottoman Empire. The modern Kingdom of Saudi Arabia founded in 1932 by Abd al-Aziz Saud, signed a concession agreement with American oil company, Standard Oil of California – Casoc, (now, Chevron) in 1933, the right to explore of oil inside the Kingdom. The discovery of oil, indeed finds shocked and delighted the King Abdel Aziz and the royal financial slowly topped around \$1.5 million. Impressed with American oil workers of Casoc, King Abdel Aziz in 1939 asked to Tom Barger "Do you know what they will find when they reach Mars?" He then proceeded to answer his own question, "They will find Americans out there in the desert hunting for oil" (McConnell 1985: 42).

In initial period, the relations were revolved around only between the American Oil Company and the Saudi royal family. But with the commencement of Second World War, the relation between the U.S. and Saudi became closer. The meeting between the President Franklin D. Roosevelt and the King Abd Aziz on 14th February, 1945 on the military ship craft USS *Quincy*, infact set the foundation of first formal U.S.-Saudi relation. Thereby then, the relations between the U.S. and Saudi Arabia's in international system have been tested by different set of events.

American strategy of oil security is complex which varies from region to region. To achieve these ends, various means are employed. Starting, from the President Roosevelt, the American interest in Saudi Arabia was to maintain free flow of oil to maintain price stability. But in the process of the evolution in relation with Saudi Arabia, several events took place in the Middle East as well as globally which has significantly affected the relation between the U.S. and Saudi Arabia's.

The hypothesis of my research in the dissertation is “Securing oil from Saudi Arabia is one of the basic determinants of the United States’ Policy’ Thus, the dissertation is focuses on American strategy for oil security. It examines how American relations with Saudi Arabia have evolved in the international system. Hence, in the dissertation my research problems/questions are – What are the basic determinants of the U.S.-Saudi relation. Is oil the only main factor that plays a role in the U.S.-Saudi relations? What is the implication in the U.S-Saudi relation in the wake of the rise of extremisms and September 11, 2001 incident? In researching the trace of the U.S. policy towards Saudi Arabia, both primary and secondary sources have employed. Since the nature of the topic is contemporary, help has also been taken from newspapers repots, website. The historical method has also been employed along with the deductive method.

The Organisation of the Dissertation:

The first chapter deals how the concept of energy security is defined in the political economy and what are the limits finds by researchers in defining through mainly by economic and political perspectives. In the chapter, it also brings the different pattern of energy demand, supply, production, geo-politics of oil and proven reserve in different region of the world.

The second chapter discusses the significant role play by Saudi Arabia in international oil market. In this chapter, it explore the history of how oil industry came into existed and analyst how it has evolved in political economy. The central argument of this chapter is OPEC which is formed to be a price administrator has decline and thus the decline of the OPEC role for maintaining oil stability in the market has been substituted by Saudi Arabia.

The third and fourth chapter of the dissertation is straightforward about the U.S.-Saudi relations. The third chapter explores the history of American genesis influence in Middle East and Saudi Arabia covering till the end of cold war period. In discussing the U.S.-Saudi relation, I therefore test the ‘balance of threat’ theory put forwarded by Stephan Walt which is contrary to ‘balance of power’ theory of Kenneth Waltz. The fourth chapter explores the U.S.-Saudi relation, from the period of Gulf war of 1990s till the September 11, 2001. Importantly, this chapter focuses on how U.S.-Saudi relation has

changed since the terrorist attack on September 11, 2001 and explores the implications of U.S. and Saudi Arabia's policy in the wake of 9/11.

The final chapter of the fifth concludes the dissertation of the finding of the research.

Chapter One

Oil Security in International Politics

Energy has become an important feature of national security of every state. In scientific term, energy is ‘the capacity to do work’ and today any industrial countries in order to survive in such competitive economy-world needs abundance supply of energy from different source. Throughout the human history, the foundation of civilizations is based on different forms of energy supplies where example like Ancient Egypt under Pharaohs, Athenian Greece under democracy and the American South before the Civil war were depended on ‘human slaves’ as primary energy resources (Willrich 1975:1). The 19th century of Europe and America was based on coal energy where the means of transportation was based mainly on coal energy supply. However as rivalry intensified among the Imperial powers where every state competed with each other to gain territory outside Europe, it turned to other sources of energy supply such as oil which provided more powerful source of energy. For instance, in the first decade of the 20th century, when Wilhelmian Empire of Germany was on the course of becoming militarily powerful by building bigger ship of war and claimed to surpass British naval strength, the British government in 1912 under John Arbuthnot Fisher, the first sea Lord of the Admiralty, in order to challenge the German naval power, set to move from coal to oil for energy supply for British Navy (Pelletiere 2001:22). This is because of the mobility of oil over coal i.e. oil stored in abroad ship took up far less room than coal and at the same time an oil-powered ship could be refueled at sea, whereas a coal-driven one was constantly having to put into port to refuel and also an oil ship required less personals (Pelletiere 2001:22). The significant of oil from coal energy will be discussed in later section of this chapter. But our contemporary societies are mainly based on petroleum as Daniel Yergin (1991) has aptly described as the ‘Age of Hydrocarbon man’.

For every states energy is vital as it is one of the backbone of industrial development in today’s competitive economy. Energy abundance is essential to the health and profitability of many leading industries including automobiles, airlines,

constructions, electricity and agriculture. No modern economy can function without energy since all mentioned sectors are heavily dependent on the supply of energy. In addition to this, petroleum is absolutely essential for military development, in that it powers the vast array of tanks, planes, helicopters and ships that constitute the backbone of national defence sector. Hence, any interruptions or breakdown in the supply of energy to homes or factories, the modern industrial society comes to a standstill as what we witness the classic example of the 1973 oil shock where the Arab states imposed oil embargo to those countries that supported Israel during Yom Kippur war.

Unlike other form of non-traditional security, energy security has been closely linked with military security. Very often, vulnerability to energy supply interruptions poses serious threats to powerful state and therefore use military force to preserve an uninterrupted supply. For example during the long eight years war of Iraq-Iran war in December 1986, Kuwait requested the United States to protect Kuwaiti oil tankers in which the United States agreed to reflag the oil tanker to preserve uninterrupted supply of oil to in market. In contemporary societies, energy is from different source which include – coal, natural liquefied gas, crude oil, nuclear energy, solar energy, wind energy and hydro power. However the consumption and demand and supply of these sources of energy vary in percentage due to varied reason which we will see in following section of this chapter.

In this chapter I will try to explain how the study of oil politics through ‘Political Economy’ provides clear insight than by purely economic and political perspectives. In the second section, the dynamic definition of energy security in international politics will be analysed. Since the distribution of natural resources of oil are located unequally in different parts of the region, therefore to understand this distribution of resource I will analyse in the third section and also I will bring the different pattern of energy consumptions, its demand and supply in different region of the world which thereby throws significant implication for energy security. Apart from the usages of oil for industrial purpose which is considered as one of the backbones for economic developmental activities for nation progress, in the fourth section the significant of oil, other than the economic activities will try to explore which provides significant implications for energy security point of view and in the final part I will briefly highlights

the evaluation of the chapter of what necessary steps should be taken in the wake of energy security for the benefit for all human well-being.

Study of Oil Politics in Political Economy:

Robert Gilpin (2001) asserts that economy is primarily concerned with efficiency and the mutual benefits of economic exchange and thereby regards markets as self regulating mechanism isolated from political affairs, whereas International Political Economy (IPE) are interested in the fact that the world economy has considerable impact on the power, value and political autonomy of national societies. Hence, the state have a strong incentives to take action that safeguard there own values and interests, especially those of power and freedom of action and they also attempt to manipulate market force to increase their power and influence over rival states or to favour friendly states. It is therefore impossible to study political economy without giving close attention to the role of 'power' in economic life which determines the relationship between 'authority' and 'market' (Strange 1988:23). Thus in the study of political economy, it is necessary to ask not only – who has power? – But importantly necessary to asked what is the source of power (Strange 1988:23).

In her classic work, *State and Market*, Susan Strange (1988) bring two type of power in political economy i.e. Structural and Relational powers but regard the former type of power more important over the latter. Relational power, as conventionally described by realist writers is the power of *A* to get *B* to do something they would not otherwise do (Strange 1988:24). For instance, the U.S. relational power over Panama dictated the terms for the Panama Canal (Strange 1988:24). The structural power, according to Susan Strange, "is the power to shape and determine the structure of the global political economy within which other states, their political institutions, their economic enterprises and their scientists and other professional people have to operate." Strange asserts "this structural power means rather more than the power to set the agenda of discussion or to design the international regimes of rules and customs that are supposed to govern international economic relations." Strange adds that the structural power discussed is indeed "not all of it" which should consider as "one aspect of

structural power.” For example, the United States structural power over the way in which wheat or corn is traded allows buyers and sellers to hedge by dealing in futures.

Thus, according to Susan Strange “structural power confers the power to decide how things shall be done, the power to shape framework within which states relate to each other, relate to people, or relate to corporate enterprises. Thus to Strange, in competitive games in the world system between states and economic enterprises, the structural power counts more than the relational power. The relative power of each party in a relationship is more, or less, if one party is also determining the surrounding structure of the relationship.

It is therefore important to understand the role of power in the working of political economy than making distinction between economic and political powers. For instance, an individual or state may have economic power if they have lots of capital to purchase what it wants or may have something to sell of what people want badly. But such economic power will function significantly only if an individual or state is the only ones able to sell it, if they have monopoly or oligopoly power. Similarly, we can assert that a group of people have political power if they control the machinery of the state or any other institutions. But in the study of IPE, it difficult to draw distinction between political and economic power, as it is difficult to have political power without the power to purchase, command, to command production, to mobilize capital and reversely, it is impossible to have economic power without political authority, without legal and physical security that can only be supplied by political authority (Strange 1988:25).

In analysing the type of power in IPE, Strange assert that structural power is to be found not in a single structure but in four separate distinguishable but related structures. However, Strange’s description of the structural power is different from Marxist and neo-Marxist of structural power which stress only on the production structure. Moreover, it also differs from Robert Cox interpretation of structural power which also attaches prime importance to the structure of production. But Strange interpretations of structural power is four faceted triangular framed or tetrahedron which touches the other three and is held in place by them, each one is supported, joined to and held up by the other (Strange 1988:26). The four sources, corresponding to the four sides of the transparent pyramid are – Control over security; Control over production; Control over credit and Control

over knowledge, belief and ideas. Thus structural power lies with those in a position to exercise control over people security; it also lies with those able to decide and control the manner or mode of production of goods and services for survival; it also lies with those able to control the supply and distribution of credit and lastly structural power can also be exercised by those who possess knowledge that can wholly and partially limit or decide the term of access to it.¹ But this structural power in particular does not easily fit into the layer-cake, club sandwich model because it may very easily lie in part beyond the range and scope of the state or any other 'political' authority (Strange 1988:28). Yet its importance in political economy though not easy to define or describe, is not to be underrated.

Besides the four primary sources of structural power, Strange also highlights four different power sources which are considered as secondary sources of structural powers i.e. the transport system, energy supply system, trade system and welfare. Although they are frameworks within which choices are made on the basis of value preferences, they are also secondary to the four primary structures of security, production, finance and knowledge, which play a large part in shaping the secondary structures (Strange 1988:135). Moreover of all these four secondary structures, the authorities of the state again play an extra-territorial role. For instance, in the transport system since the time of ancient each empire maintained or constructed road for carrying trading as well as movement of armies for the security of the state. Moreover, due to invention of modern technology, the market changes rapidly and thereby increased the production of goods. The internationalization of production with the use of different energy supply has greatly increased the demand for ships and for airline services. However this could not be possible with investment in financial sector which provide credit for building heavy and basic industries. Again in this process the power of knowledge also play vital role as technology nor states or markets has often been source of most revolutionary changes. Thus the other three secondary sources are all interrelated to each other of primary sources.

¹ For detail discussion of the four primary sources of 'structural power' i.e. the Security structure, the Production structure, the Financial structure and the Financial structure, see Strange, Susan (1988), *State and Market*, London: Pinter Publisher Limited, pp:45-134.

Now my focus is on energy therefore I briefly analysis how energy system interact with the structural power and thereby shows how the study of oil politics should take into consideration both political and economic factors.

Generally speaking oil is just like one of the commodity which one can sell and buy in the market but in practice the influence of oil is unprecedented both in domestic and international politics. No country remains unaffected by the rise and decline of oil price. Many in general tend to view 'oil' in term of economic and neglect the political concepts of 'power'. In discussing the structural power, Susan Strange placed energy as one of the secondary sources of power. There is no doubt the vital role of energy in the economic development of the states as what I have briefly discussed in the introduction of this chapter. However if one looks seriously, the interaction with the primary sources of structural power throws significant features to consider the dynamic of energy as sources of power in IPE. Perhaps the embargo of oil in 1973 by Arab OPEC members was turning points for major changes in the security structure. One important change was the redefinition of the necessary condition of security of the state. Of course the Arab oil embargo in 1973 didn't invade the sovereignty of the state, rather it was threatened in a new way for which energy insecurity could undermine both its defence policies and its foreign policies. Thus, in order to overcome these new challenges for insecurity of oil both defence and foreign policies had to mobilize.

Also the 1973 oil embargo has also altered a new perception of state economic policies which in order to secure supplies of energy for the industrial development, the state intervention in the market became necessary. In wake of 1973 oil embargo, an alliance was formed naming International Energy Agency (IEA) in order to meet the shortage of oil supplies to meet the domestic demand. Moreover the state policies also focused on diversification of energy from different sources such as nuclear energy and other renewable sources of energy to meet the domestic demands.

The production structure has also been changed due to rapid growth of market demand of oil and hence the opportunity for OPEC to exploit oil rapidly increased in response to economic growth. The impact of the financial structure on the energy system are also significant in which the volatility of oil price and of national currencies particularly the U.S. dollar have acted and reacted upon each other, adding to the

uncertainties both of the financial structure and of energy supply and price prospects (Strange 1988:204). Finally the knowledge structure has also a significant link with energy as it is the knowledge of geological formations that lead to search and find new site of reserve oil in geographical locations with which for a long states did not involve themselves (Strange 1988:204). For instance almost all the oil fields discovered in Middle East and Latin America states could not be possible if the oil corporation like Standard Oil Company, British Petroleum or Royal Dutch/Shell did not have the necessary knowledge and technology power.

From the above brief discussion, we can assert that although energy is the *sines qua non* (its Latin word, which means 'without which not possible') for the exercise of power in the international political economy, neither security nor wealth can be achieved without a secure supply of energy and yet the changes in the world's energy system has taken place within, and under the influence of the four primary structures (Strange 1988:206). For example during the Iran-Iraq war of 1980s, in order to secure the supply of oil from the region, the United States provided security by reflagging the Kuwaiti oil tankers to passed through the risky chokepoint of the Strait of Hormuz. Moreover in the wake of oil embargo in 1973, the industrial countries began to search alternative sources to compensate the shortage of oil supply in which the knowledge structure played a role. Also due to rapid economic growth, the demand of oil also increased. Thus the working of energy system is inter-linked with the four primary structures to each other.

Thus in assessing oil which is the focus of the study, it is essential that one need to integrate both political and economic dimensions of analysis else it will be considered as an 'ideal type' (Lieber 1992:157). Looking oil from an exclusively economic perspective relies only on the demand and supply of the world. Like for instance, if the shortage of oil develops price will rise and higher prices will result in reduced demand as buyers seek to economise by conserving or by switching to others forms of energy. However, from the economic perspectives, policies aimed at protecting energy security or incorporating externalities are seen as largely irrelevant, and the risk of energy crises is seen as minimal. It tends to minimize the importance of the OPEC in shaping the world oil system and overlook the implications where the largest proven reserve are located in most politically unstable region on earth (Lieber 1992:158).

On the other hand, analysing oil essentially (exclusively) by political perspective also provide only one-dimensional perspective where these approaches tend to minimize the role of market phenomena (Lieber 1992:159). The political approaches focuses or overstated threat of oil embargo, exaggerated the relationship between world oil supply and the Arab-Israeli conflicts. Thus, oil can be understood most effectively through integrating insights from both economic and politics and without this synthesis, problem identified by Robert Gilpin (1975) would persist, in which political scientist tend to overlook the role of markets, while economist often neglect the importance of power and political context of events.

Energy Security in International Politics:

In contemporary societies, numerous conflicts on different issues continuously rise in international politics sometimes leading into large scale war. The territorial conflict between China and Taiwan and Tibet, Palestine-Israeli problem, border conflict between China, Pakistan and India, insurgency problems in Colombia, Narco-terrorism of Golden Triangle in South East Asia states and also in Latin America state of Colombia, growing nuclearisation in East Asia and Gulf regions, rise of Islamic fundamentalism and terrorism, ethnic conflict in Sri Lanka, Kosovo and in several states of African like Congo, Rwanda, Nigeria, Sudan and Angola or conflict of North-South on developmental issues are some of the o present day conflicts in contemporary societies. However the conflict over the natural resources has added another dimension in international politics.

The availability of natural resources like agriculture products, water, fossil fuel like oil, coal and non-fuel minerals like gold or diamond perhaps, if located and distributed equally among the nations, the terminology of 'scarcity' perhaps would not occur in the market. Infact, there is much disagreement on the notion about the definition of scarcity which is an extremely complex and multifaceted concepts. But in the context of my study, I used the term defined by Robert Mandel (1988) where he writes, "the scarcity of a given resources for a given a nation at a given point in time is defined as the ratio of the human demand for the resources to the environment's ability to supply it". Indeed, scarcity is not only confined to an individual, as when an individual faces scarcity of any material things, he begs or take loan from other members through various

channels. Also scarcity itself impacts the nation's well-being significantly in several manners often leading into conflicts with other states. Some nations are blessed with abundant natural resources and some are with less or zero and therefore when any natural resources goes scarce it may lead to conflicts between haves and have not. In our contemporary societies, 'resources are limited but human wants are unlimited' and thus the ever increasing growing of human activities for material comfort, the natural resources which are limited i.e. non-renewable resources like fuel minerals coal, forest products, petroleum go scarce.

In modern industrial world, conflicts over natural resources have become dominant issues both at the domestic and international levels. For instance, in India sharing of Cauvery water between Karnataka and Tamil Nadu becomes major issue leading into political tensions in both states. In the relations between the states, when some natural resources go scarce, it significantly alters the foreign policy among the nations. Ophuls (1985) claims scarcity aggravates the competitive struggle within nations among groups attempting to gain economic benefits. In early 1980s India and Bangladesh entered into conflict over the natural resource of Ganga water sharing. The conflict between the two states arose when India started the construction of Farakka Barrage for economic reasons as it needed water for Kolkata Sea Port. With this development, the flow of water went scarce in Bangladesh consequently affecting its agriculture sector, since it need abundant supply of water. As a result, diplomatic tension significantly impacted India relations with Bangladesh on the issue of Ganga water sharing. On the other hand, Wallensteen (1983) indicates that scarcity is the primary conditions for turning resources into conflicts-creating political weapons. In other words, when scarcity-related conditions of supply concentrate in the hands of a few producers/sellers and demand dispersions among many consumers/buyers, it led into conflicts. Since petroleum is a non-renewable natural resource and is located in particular regions, in 1973 when an Arab OPEC members imposed embargo against the states that support Israel during Yom Kippur war, it significantly impacted the economy of the industrial world as the supply of oil went scarce in the international market, which is one of the backbone of industrial development. Some natural resources which are vital for economic development and for strategic military purpose, when goes scarce are included in the national security agenda.



And thus, Kemp (1981) finds that resources scarcity generally amplifies concerns for the national security and willingness to escalate military expenditure. For example, U.S. President Jimmy Carter in the State of the Union address on 23rd January 1980, stated that “an attempt by an outside forces to gain control of the Persian Gulf region will be regarded as an assault on the vital interest of the United States and such an assault will be repelled by any means necessary including military forces” (Long 1985:62). Also Dahlberg and other argues that war over natural resources continue to be real possibility today, with nations ready to intervene if access to vital resources is jeopardized, and that the whole concept of national security has broadened to include these resources. For instance, due to long eight years of Iran-Iraq war in 1980s, the supply of oil went scarce as it reduced the production level in both states of Iraq and Iran. But in order to secure the supply of oil from the region, the U.S. provided security by reflagging the Kuwaiti oil tanker to pass out safely through the Strait of Hormuz. Thus, scarcity of natural resources indicates that scarcity increase confrontations and turbulence rather than cooperation or tranquility. Thus whatever conflicts arises on natural resources the logical starting point of examinations is scarcity itself.

Scarcity of oil arises when the demand and supply are at inappropriate level in the market. In other words, when demand of oil increase the supply should also be increase in order to meet the consumer demands. Thus a major energy crisis (or say conflict) arises when there is an inappropriate fit between production level and demand level (Kash and Rycroft 1984:5). Therefore any state to survive, it is essential to formulate its strategy in order to secure its need.

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Definition of Energy Security: So far, from the discussion we have come across the paramount working system of energy in international political economy where, when any disruption of energy supply occurs, it significantly impact the four primary sources of structural power – production, finance, security and knowledge. Therefore any state in order to survive in industrial competitive economy, an adequate supply of energy becomes an essential. Indeed, energy security is driven in part by an exceeding tight oil market and by high oil prices when there is scarcity of supply. But it is also fueled by the threat of terrorism, instability of political environment in producing state as well as geo-

political rivalry and countries fundamental need for energy to power their economic growth (Yergin 2006:69). On several occasion, political instability in oil producing states have occurred leading to disruption in the supply of oil to the market. For instance, during the Gulf war in 1990s oil production were removed from both states of Kuwait and Iraq leading to rapid increase of oil price in international market. Also in 2003, due to strike by oil employers in Venezuela nearly 2mbd of oil production were removed from the market affecting the oil market price.

The definition of energy security is varied as different authors on energy security have defined the term according to their perspectives. Deese (1979) defines energy security “as a condition in which a nation perceives a high probability that it will have adequate energy supplies at affordable prices”. On the other hand, Belgrave and others (1987) define energy security as “a state in which consumers and their governments believe, and have reason to believe, that there are adequate reserve and production and distribution facilities available to meet their requirement in the foreseeable future, from sources at home and abroad, at costs which do not put them at a competitive disadvantage or otherwise threaten their well- being”. Kalicki and Goldwyn (2005) define energy security “as assurance of the ability to access the energy resources required for the continued development of national power. In more specific terms, it is the provision of affordable, reliable, diverse and ample supplies of oil and gas and adequate infrastructure to deliver these supplies to market.” An ‘affordable energy’ means ‘the ability to buy supply at relatively stable as well as reasonable prices’. Daniel Yergin (2006) asserts that although in the developed world the usual definitions of energy security is simply the availability of sufficient supplies at affordable, different countries interpret what the concepts mean for them differently. For energy-exporting countries focus on maintaining the ‘security of demand’ for their export, which would generate revenue; for Russia, the aim is to reassert state control over ‘strategic resources’ and gain primacy over the main pipelines and market channels through which it ships its hydrocarbon to international markets; for China and India energy security lies in their ability to rapidly adjust to their new dependence on global markets, which represents a major shift away from their commitments to self-sufficiency; for Japan, it means offsetting its stark scarcity of domestic resources through diversifications, trade and investment and for the United

States the phrase 'energy independence' has become a mantra, since it was first articulated by Richard Nixon, is increasingly at odds with reality.

Thus, energy security is an important agenda as the impact of energy on both foreign policy and global economy is starkly clear. Whenever an energy crisis arises due to scarcity, in order to overcome such challenges every states should defined its energy security strategy. The most familiar strategy to improve energy security is *diversification* which means that in case of unstable supply from particular region arises the sourcing should focus to another region in order to meet the demand. Moreover, diversification also meant the policy to use diverse source of energy like coal, nuclear energy and so on.

Energy security can also be improved by constructing *Stockpiles* for emergency. The existence of an adequate stockpile may serve as a deterrent to an emergency and may also strengthen the bargaining position of the importing country in diplomatic efforts to lift it. Among the fossil fuel, oil stocking has received the most attention because of oil importance in total energy consumption and the heavy reliance in many industrial countries in import from the political unstable region of Middle East. In the wake of oil embargo in 1973, under the initiative of United States, the International Energy Agency (IEA) was formed on 15th November, 1974 to deter against future embargo of oil.² According to IEA report of 2008, the 26 member countries hold a combined oil stockpile of around 4 billion barrels, for which 1.4 billion barrels can be use for emergency

² The IEA is an autonomous body established within the framework of Organisation for Economic Co-Operation and Development (OECD) to implement an international energy programme. Presently, IEA has 26 member countries – Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Ireland, Japan, Italy, Japan, Republic of Korea, Luxemburg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. The Slovak Republic and Poland are likely to become the members in the years 2008. The European Commission also participates in the work of IEA. The basic aims of the IEA are: 1: To maintain and improve systems for coping with oil supply disruptions. 2: To promote rational energy policies in a global context through co-operative relations with non-members countries, industry and international organisation. 3: To operate a permanent information system on the international oil market. 4: To improve the world energy supply and demand structure by developing alternative energy source and increasing the efficiency of energy use. 5: To promote international collaboration on energy technology. 6: To assist in the integration of environmental and energy policies.

The OECD consists of 30 democratic government works together to address the economic, social and environmental challenges of globalisation. The present member of OECD are : Australia, Austria, Belgium, Canada, Czech Republic, Denmark, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Japan, Italy, Japan, Republic of Korea, Luxemburg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, The Slovak Republic, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States.

whenever oil crises arises in the market. Much of the oil is held in the form of petroleum products, which can be released quickly and effectively as and when required.

The third principle of energy security strategy is *rationing* government rationing devices to allocate available supplies and limit consumption. In general, reductions in consumption will diminish the magnitude of many energy supply problems and extend the time for solving them. Thus reduction in energy demand reduces the needs for imports and reduces domestic environmental effects of energy consumptions and production. Indeed, the effectiveness of rationing depends on people knowing in advance what are supposed to do during an emergency. Each person may then take precautions and will be more likely to cooperate with the government in an emergency. Raising thermostats in summer or lowering them in winter and reductions speed limits may immediately are some of the activities of enhancing energy security through rationing strategy.

Broadly speaking in such interdependence world, the concept of energy security should not be view from one dimensional perspective i.e. from the oil importing countries perspective, where an importing country is primarily concerned with access to resources and supply security. Daniel Yergin (2006) asserts that “energy security does not stand by itself but is lodged in the larger relations among nations and how they interact with one another.” Although oil producing countries have large reserve of oil production for generating revenue, their security concern is also pre-occupied with access to market and security of demand. Since energy is inter-linked with the growth of world economy, therefore the higher and faster the industrial society develop, the greater the demand of energy will rise in the market. For instance, during Asian financial crises in 1997, the oil price collapse in 1st December, 1997 from 18\$ down to 9\$ in 18th September, 1998 and as a result of this crises, the oil producing countries came under pressure because of low price since there government budget is based on oil revenue. We can therefore assert that in an interdependent world, the concept of energy security is important to both oil exporting and importing countries. Producing countries are ready to supply but they too need to operate in a climate of stability and predictability. They need to have security of demand so that they may invest in the infrastructure needed to carry out costly explorations, drilling, extraction and transportation activities. Therefore we can conclude

that in short, energy security is aimed at “securing adequate energy supply to sustain economic performance and growth at reasonable and stable prices”.

Energy economist, Fatih Birol (2007) writes that unfortunately the energy economics community has given less attention to overcome the challenge of energy poverty amongst the world poorest people. Today 1.6 billion people in developing countries particularly the Sub-Saharan African and South Asia do not have access to electricity (Birol 2007: 24). Another hallmark of energy poverty, according to Birol (2007) is the uses of traditional biomass energy source which is unsafe for health. According to the World Health Organisation (W.H.O) report of 2006, it is estimated that each year 1.3 million people in developing countries die as result of burning of indoor biomass such wood, agricultural residues and dung to meet all their cooking energy needs. Despite the prospect of continuing economic expansion and technology progress in developing world on current trends 1.4 billion will still lack electricity in 2030 (Birol 2007:34). Overcoming these challenges a strong political commitment on the part of the government of the developing countries will obviously be crucial to breaking the vicious circle of energy poverty and human development.

Demographic of Energy production, consumption, demand and supply, and proven crude oil reserves:

From the scientific perspective, as said earlier, energy is ‘the capacity to do work’ and hence abundance supply of energy is essential for the political economy of contemporary societies. If the supply of energy remains standstill, consequently it affects all the structures, discussed by Susan Strange, often leads into chaos in the economy of the states. To understand the pattern of world energy consumptions of present and future, I therefore examine the different sources of energy that dominate in the industrial world. In the *table 1.1*, different sources of energy consumption projection, drawn from the U.S. Department of energy, EIA 2008 are given.

Table 1.1: Total energy consumption (Quadrillion Btu per year)

<i>Source of energy</i>	<i>2006</i>	<i>2010</i>	<i>2015</i>	<i>2020</i>	<i>2025</i>	<i>2030</i>	<i>2006-2030*</i>
Petroleum	40.39	40.82	42.46	44.41	46.38	48.23	0.7%
LPG	22.42	23.90	24.72	24.83	24.40	24.07	6.3%
Coal	22.52	22.94	24.24	26.23	28.89	31.71	1.4%
Nuclear	8.21	8.31	8.41	9.15	9.68	9.89	0.8%
Hydro	2.89	2.92	3.00	3.00	3.00	3.00	0.4%
Biomass	2.52	3.08	3.39	3.83	4.04	4.17	2.1%
Others renewable energy	0.88	1.50	1.73	1.99	2.28	2.49	4.5%
Others	0.19	0.18	0.17	0.18	0.18	0.20	0.2%
Total	100.0	103.64	108.12	113.61	118.85	123.76	0.9%

*Average annual percent projections of 2006 to 2030.

Source: Energy Information Administration (EIA), U.S. Department of Energy: *Annual Energy Outlook, June 2008*.

The available information of Energy Information Administration (EIA), 2008 suggests that world wide demand for petroleum will rise at a steady rate at approximately 1.4 %. Using the EIA projections, oil consumption will grow from 40 (British terminal unit) Btu in 2006 to 40.82 Btu in 2010, 44.41 Btu in 2020 and 48.23 Btu in 2030 with an average annual of 0.7 percent. No doubt, the consumption of other source of energy will also increase, yet the demand of oil will remain unchallenged. Coal energy consumption will grow at the rate of 1.4 percent, which is projected to rise from 22.52 Btu in 2006 to 31.71 Btu. However due to environmental regulations, the use of coal are expected to fall behind by 10 %. Moreover, the share of nuclear energy, taking the EIA report of 2008, will be peak over the projected period in 2020. Although according to EIA, the demand of nuclear energy will be peak in 2020, the growth rate compare to oil is less. The reason for the slow rate growth lies on current technology, as the demand for nuclear energy would be possible only with the new developments such as pebble-bed nuclear generation

may improve situation (Kenderdine and Ernest 2005:448-457). The other renewable sources which include, geothermal, solar, wind and tidal, the projection suggest will grow faster than any other energy source at rate of 4.2 %. But compared to other sources of energy, they still could make small contribution to global energy consumptions. Thus from the EIA projections of different pattern of energy consumption, it can be asserted that petroleum would still be largest source of energy among the different source of energy. Indeed, the other source of energy still hold vital in supplying energy to industrial world but due to several reasons, it is still lagging behind to petroleum. For example, although the use of coal still hold importance as a source of energy supply in developing countries like in India and China, it is not a friendly environment sources of energy as it produce more Co₂, contributing to global warming.

Also because oil is superior sources of energy, the demand of oil will remain the largest among all other sources. Oil is so prized because it has the best physical characteristic of any energy resource. The reason for superior of oil among all the other sources of energy can be explained through 'energy effect'. Since energy 'the capacity to do work' and this 'energy effect' is measured in its units called 'joules' (megajoules).³ Using this measure of energy we can relate a particular fuel energy value of there physical character i.e. weight, volume and its natural state i.e. liquid, solid, gas or field and this give us three 'energy grades' for each fuel. For example, a kilogram of coal of average quality contains 24 megajoules (MJ) of energy (the weight grade); a cubic metre of coal contains 27,500 mj (the volume grade) and in its natural form coal is a solid (the state grade).

Thus given the grading system, if we apply to all available energy sources, oil is consistently superior to all others. For instance, the weight grade of oil is 43 mj compared to 25.5 mj for ethanol, 24 mj for average coal, 18 mj for wood and 4.4 mj for oil shale. Again if we consider the volume grade, a cubic meter of oil contain 35,000 mj, a cubic meter of average coal around 27,500 mj, ethanol about 20,000 mj and a cubic metre of natural gas is only 35 mj. Moreover, even where gas is compressed to 20mpa, a cubic metre of gas still has only 6,000 mj. With respect to the state grade we distinguish four

³ This paragraph is heavily drawn from Rutledge, Ian (2006), *Addicted to Oil: American's Relentless Drive for Energy Security*, New York, I.B. Tauris. pp:1-3

states i.e. liquid, gas, solid and 'field'. Here again, oil is the most convenient and adaptable since it is liquid. By contrast, renewable energy resources like solar and wind powers as well as nuclear power from processed uranium ore, are all in 'field' category for which they are all some type of pressure, energy or radioactive field. Since the field state is the lowest state grade therefore it is difficult to store energy and it cannot be used inside an engine such as an internal combustion engine. Therefore, all energy sources with field state must be first converted into electricity, whereas energy source in the liquid state are easy to handle and use. Although crude oil must first refine into gasoline and other petroleum product, yet it is relatively simple industrial process and much cheaper than converting uranium ore into electricity.

The production structure, one of the sources of structural power is either affected or interlinked with flow of energy. A production structure can be defined as the sum of all the arrangements determining what is produced, by whom and for whom, by what method and on what terms (Strange 1988:62). A product of particular commodity is produce by people, by working in which in the process of its working it may be help by animals or by machines. It is the production structure that creates the wealth of the political economy (Strange 1988:42). According to Strange (1988), all organised societies therefore are built on the foundation of a production structure, on the wealth produced by people at work. Indeed the contemporary societies, unlike the pre-industrial world, is characterised by Multinational and Transnational companies. Such growth of state wealth power, enhance one of the structural power as discussed by Susan Strange. But in relation to energy security, the structural power of production is interlinked to each other. In other words, energy demand and economic growth are closely related and therefore the higher the rate of global economic growth and the more developing nation develop, the higher the demand for oil and more oil imports. In the *table 1.2*, the International Energy Outlook of 2007 (IEO) analyses the world marketed energy consumption by country grouping.

The IEO 2007 projects strong growth for worldwide energy demand from 2004 to 2030. Total world consumption of marketed energy is projected to increase from 447 quadrillion Btu in 2004 to 559 quadrillion Btu in 2015 and then 702 quadrillion Btu in 2030. In other words, the IEO 2007 claims a 57% increase over the projected period.

The largest projected increase in energy demand is for non-OECD region. Generally, this is because countries outside the OECD have higher projected economic growth rates and more rapid population growth than the OECD nations. In the IEO 2007, energy consumption in the non-OECD regions is projected to grow at an annual rate of 2.6% from 2004 through 2030. In the OECD region, where national economies are more mature and population's growth is expected to be relatively slower, energy use is projected to grow at the much slower average rate of 0.8% per year over the projection period. Energy use in the non-OECD region is projected to surpass that in the OECD region by 2010, which in other word 35% greater than the non-OECD total in 2030.

Table 1.2: World marketed energy consumption by country grouping, 2004-2030.

(Quadrillion Btu)

Region	2004	2010	2015	2020	2025	2030	2004-2030*
OECD	239.8	254.4	265.2	275.1	285.1	298.0	0.8
North America	120.9	254.4	265.2	145.1	153.0	161.6	1.1
Europe	81.1	84.1	85.8	86.1	87.5	89.2	0.4
Asia	37.8	39.9	42.1	43.9	45.4	47.2	0.9
Non-OECD	206.9	256.6	294.2	331.9	367.8	403.5	2.6
Europe and Eurasia	49.7	54.7	59.4	64.4	68.7	71.5	1.4
Asia	99.9	131.0	154.7	178.8	202.5	227.6	3.2
Middle East	21.1	26.3	29.5	32.6	35.5	38.2	2.3
Africa	13.7	16.9	19.2	21.2	23.1	24.9	2.3
Central and South America	22.5	27.7	31.2	34.8	38.0	41.4	2.4
Total World	446.7	511.1	559	607.0	653	701	1.8

*Average Annual percent change.

Sources: Energy Information Administration (EIA), U.S. Department of Energy: *International Energy Outlook*, May 2007: pp-5.

Much of the growth in energy demand among the non-OCED economies occur in non-OCED Asia, which includes China and India. Energy demand in the non-OCED Asia region is projected to grow at an average rate of 3.2% per year more than doubling over

the 2004 to 2030 period and accounting for more than 65% of the increase in energy demand use for the non-OCED region a whole.

Strong growth in energy demand is also projected for the non-OCED regions where according to IEO 2007 energy consumption increases at an average annual rate of 2.4 % in Central and South America, 2.3 % in the Middle East and in Africa and 1.4 % in non-OCED Europe and Eurasia.

Table 1.3: World Largest Oil Proven Reserves Holders

Countries	Billion barrel of reserves	% of total reserves
Saudi Arabia	264.3	19.3
Canada*	180.6	13.2
Iran	137.5	10.0
Iraq	115.0	8.4
Kuwait	101.5	7.4
U.A.E	97.8	7.1
Venezuela	80.0	5.8
Russia	79.5	5.8

*including the Canadian oil sands 152.2 billion barrel.

Sources: British Petroleum Statistical Review of World Energy, (BP) 2008: Petroleum Economist (2008), 75(3): pp-13.

Oil is a non-renewable resource and so by definitions, it will run dry some day as argued by 'depletionists' that we have already reach the global peak of oil production. But their view imagine the global resources base in oil as fixed and technology as static (Vaitheeswaran 2007:24). Neither assumption is true as innovative firms are investing in better technologies for oil exploration and production, pushing back the oil peak further and further. Therefore, today due to advances in technology, the world has more proven reserves of oil than it did three decades ago. According to BP 2007, by the end of 1987 the total world proven oil reserve stood at around 910.2 thousand million barrels, by the end of 1997 it stood at around 1069 thousand million barrels and by the end of 2007 it stood around 1237.9 thousand million barrels. Thus from the report of BP 2007, it can be

asserted that inspite of countless doomsday predictions, the world is simply not running out of oil rather, it is running into it (Vaitheeswaran 2007:24).

Also looking at the country wise of proven oil reserves put forwarded in *table 1.3*, according to BP 2008, Saudi Arabia still remain unchallenged from the rest of the countries, having 264.3 billion barrels accounting for 19.3 % of total world proven reserves. The next is Canada with 180.6 billion barrel of 13.2 % of total world proven reserves which is followed by Iran, Iraq and Kuwait.

Looking the total proven reserves of oil regions wise the BP 2007 put forward that the Middle East again still remain undisputed leading with 755.3 thousands million barrels, accounting 61.0% of total world oil proven reserves, followed by combine of Europe and Eurasia with 143.7 thousands million barrels which is 11.6%, then Africa with 117.5 thousands million barrels of 9.5%, combine of Central and South America with 111.2 thousands million barrels of 9.0%, North America of 5.6% and Asia pacific with 3.3% of total world reserves.⁴

In the *table 1.4*, the world oil production by different respective countries are analysed where it shows with two different groups i.e. the OPEC countries and other selected non-OPEC countries. According to the report of *Energy Information Agency (EIA)* of the U.S. Department of Energy 2008, among the OPEC countries of oil productions, Saudi Arabia is the largest with a daily production of more than 9000 thousands barrels a day which is followed by Iran, Kuwait, U.A.E, Iraq and Venezuela. But if one looks the overall total oil production of respective countries including the non-OPEC countries, then Russia is the largest oil producing countries starting from the year 2004 where it produces 9050 thousands barrels per day against the giant OPEC state Saudi Arabia of 9,040 thousands barrels per day in 2004. Till the year 2003, Saudi Arabia was the largest producer of oil production in the world. The report of IEA 2008 put forward that Russia oil production in 2006 was 9,697 thousand barrels a day, in December 2007 it was 10,040 thousands barrels a day and in March 2008 it was 9,970 thousands barrels a day. Indeed, Russia produces more oil more than 10,000 mbd against

⁴ For detail figure and data of respective regions wise distribution of proven reserves see, *BP Statistical Review of World Energy, June 2007*, pp:7

the giant Saudi Arabia but it simply cannot challenge the Saudi for dominations of the world oil market because

Table 1.4: World oil productions (thousand barrels a day).

OPEC countries

	<i>Mar 08</i>	<i>Dec 07</i>	<i>2006</i>	<i>2004</i>	<i>2003</i>
Saudi Arabia	9,100	9,100	9,232	9,040	8,780
Iran	4,020	3,940	3,891	3,930	3,780
Kuwait	2,600	2,550	2,501	2,350	2,170
Iraq	2,430	2,350	1,900	2,000	1,330
U.A.E.	2,520	2,540	2,625	2,360	2,280
Qatar	830	820	823	780	740
Libya	1,760	1,750	1,708	1,550	1,430
Algeria	1,380	1,400	1,346	1,210	1,110
Nigeria	1,950	2,100	2,225	2,340	2,150
Venezuela	2,320	2,430	2,562	2,200	2,010
Indonesia	870	840	893	970	1,010
Angola	1,820	1,690	na	na	na
Ecuador	500	500	na	na	na
Total	32,080	32,000	29,670	28,710	26,780
<i>% of world total</i>	<i>37.6</i>	<i>38.0</i>	<i>35.7</i>	<i>35.4</i>	<i>34.6</i>

Selected other countries

Brazil	2,320	2,200	2,093	1,740	1,770
Canada	2,648	2,636	2,523	2,490	2,490
China	3,860	3,800	3,676	3,450	3,410
Mexico	3,350	3,330	3,685	3,850	3,790
Norway	2,440	2,540	2,775	3,290	3,240
Russia	9,970	10,040	9,697	9,050	8,490
U.S.	6,890	6,895	6,869	7,370	7,530

Sources: IEA, Royal Bank of Scotland, Petroleum Economist 2008, 75(5): pp-39.

if we look the *table 1.4*, the Russia's proven oil reserves is much lower which is 79.5 billion barrels accounting for only 5.8 % of the total world proven reserves against the giant OPEC members of Saudi Arabia where the proven reserve is more than 250 billion barrels accounting for 21 % of the total world proven oil reserve. According to petro-economist Vijay V. Vaitheeswaran (2007), the manner Russia produce oil is consider as 'free-rider', pumping without restraint in order to take the advantage of the high price made possible by global demand which in return builds its economy from oil revenue.

Geo-Politics of Oil Distribution:

Michael T. Klare suggest, if the bipolar conflict of the cold war defined 20th century world affairs, the geopolitics of the energy may do the same in the first half of the 21st century (Yetiv 2004:6). The possibility of conflict over oil resources is directly related to geography of oil distributions and the political environment in the key oil producing and transit region. From oil security point of view, the most significant fact about petroleum is that since much of its resource are concentrated in a few major producing areas, conflict is highly inevitable. The *table 1.3*, shows the total oil proven reserves located in different countries according to there percentage of proven oil reserves. According to *British Petroleum Statistical Review of 2008* (BP), Saudi Arabia holds the largest proven oil reserves with total of 264.3 billion barrel, accounting 21 % of the total world oil reserves which followed by Canada with 180 billion barrel, Iran with 137.5 billion barrel, Iraq 115.0 billion barrel, Kuwait with 101.5, U.A.E with 97.8 billion barrel, Venezuela with 80.0 billion barrel and Russia with 79.5 billion barrel of total proven oil reserves.

No doubt, the Middle East will remain unchallenged in the oil production as well as in proven reserves of crude oil where according to *British Petroleum Statistical Review of 2008*, (BP)⁵ the region holds a total of over 755.3 billion barrel of proven oil reserves, accounting a total of 61% of world proven oil reserves. According to BP figure, among the oil producing states in the Middle East, Saudi Arabia remains the undisputable

⁵ In my work I have selected only the leading countries in total proven oil reserves, therefore for detailed analysis of every countries, see *BP Statistical Review of World Energy, June 2008*. Also at www.bp.com/statistaicalreview and to analysis the pervious year report of 2007 for total proven oil reserves of respective countries, see *International Energy Outlook, May 2007*, EIA, U.S. Department of Energy. Also at www.eia.doe.gov/oiaf/index.html

number one with a total of 264.2 billion barrel of proven oil reserve, accounting for 21.3 % of total world proven oil reserves which is followed by Iran with 138.4 billion barrel of 11.2 %, Iraq with 115.0 billion barrel of 9.3 %, Kuwait with 101.0 billion barrel of 8.9 % and U.A.E with 97.8 billion barrel of 7.9 % of total world proven oil reserves. Although many of the world's leading oil producers are located in the Middle East but the political environment of this region remain critical due to several reasons like border conflicts, rise of internal dissents and ethnic conflicts. In several past years, regional tensions or conflicts have often led to large scale war or could lead to future conflicts. Violent religion extremism is an ongoing problem in many countries of this region. The history of this region shows that several wars has been fought like the Arab-Israeli war in 1948, 1956, 1967, 1973, the long eight years war between Iran and Iraq in 1980s and the Gulf War of 1990. Many Middle Eastern states remains dispute of border conflict with one of its neighbours. For example, Iran-U.A.E disputes over the sovereignty right of Abu Island where in 1992, Iranian troops invaded the island; Bahrain-Qatar disputes over the sovereignty of the Hawar Islands and the Dibal and Saudi Arabia-Qatar and Yemen have border issue on the Khawan al Udayd. Also, the Iraqi claim over the territory of Kuwait was one of the reasons which led to Gulf war in 1990. Moreover, most of Middle East countries have serious religions or ethnic division that leads causes internal instability. The religious violence between Shiite and Sunni are the day of conflicts in present Iraq state and also in the past in countries like Bahrain, Yemen, Kuwait, Saudi Arabia and Qatar. The ethnic conflict on Kurds issue in Turkey, Iraq and Iran are the present day conflict since the Barzani Revolution in 1972 that had occurred in Iraq during Saddam regime. The largest oil producers, Saudi Arabia has growing problems with Al-Qaeda and Islamic extremists which we will discuss more in details in the fourth chapter.

Moreover, the growing militarisation in the Middle East region adds another dimension for energy security point of views. According to Anthony Cordesman (2004), although there has been a decline in Middle East as well as in North Africa regions in military expenditure and arms imports since the end of cold war where the military expenditures has been dropped from \$93.0 billion in 1985 to \$ 38.4 billion during 1997-2000 nevertheless, the region still spends nearly 6.8 % of its gross national product

(GNP) on military expenditures.⁶ As a result of militarisation, it significantly impacts the balance of power in the region.

The second important region offering lucrative oil production is *the Mediterranean region of North Africa*, consisting of Algerian, Libya, Egypt and Tunisia which according to BP consists of 4.6 % of total world proven oil reserves with Libya having around with 41.1 billion barrel proven oil reserves, followed by Algeria with 12.3 billion barrel, Egypt with 4.1 billion barrel and Tunisia with 0.4 billion barrel of world oil proven reserves. But the political environment in the region is risk due to rise of Islamic fundamentalist and failure of democratic institution in Libya, Algeria and Egypt which become risk for Oil Companies to ventured oil business. Algeria is involved in bitter civil war between its ruling government and Islamic extremism. Tensions have grown between Libya's leader, Muammar Qadhafi and Libya's Islamist and on the other had the Egypt government are fighting low level war against Islamic terrorist. Another elements causing difficulties in the energy relationship between these countries is the role of the individual states in their domestic energy market in which the oil and gas producing sectors of Algeria and Libya have long been characterised by the domination of their state-owned oil companies i.e. Sonatrach and the Libya National Oil Company (Shearer 2005: 224) Although the United Nations has lifted the sanctions on Libya in 2003, the United States has not yet formally ended the sanctions.

Another significant oil producing region is *Caspian Sea basin* which consists of Azerbaijan, Kazakhstan, Turkmenistan and Uzbekistan along with adjacent areas of Iran and Russia. According to the U.S. energy department report of 2001, the Caspian Sea has proven reserves of 17.5 billion to 34 billion barrels of oil (bbl) and also possibly of 235 bbl, which would make it the 2nd largest site of untapped reserves after the Persian Gulf. But the bone of contention that affects the geopolitics of the region concerns the right of exploration and ownership of resources in the Caspian Sea. Russia and Iran claimed that the legal status of the Caspian Sea goes back to the 1921 Treaty of Moscow and therefore assert Caspian as joint property of Russia and Iran where both countries viewed the Caspian as lake and taken the position that the resources of the lake should be jointly

⁶ For detail analysis of military demographic of the Middle East and North African states, see Cordesman, Anthony H. (2004), *Energy Developments in the Middle East*, Westport: Praeger Publishers. pp. 60-84.

exploited by the littoral states (Kunihom 2000:550-551). Azerbaijan and Kazakhstan, on the other hand, have argued that the Caspian Sea comes under the Article 122 of the 1982 U.N. Convention on the Law of the Sea, and have taken the position that each littoral states has the right to exploit resources in its own section defined by demarcation lines equidistant between states (Kunihom 2000:551). Though proposal was made in November 1996 on the issue for explorations but subsequently respective states changed their position where Turkmenistan signed an agreement with Kazakhstan supporting Soviet-era divisions until the issue is resolved. Also Iran withdrew from its agreement. Moreover unlike other major oil producing countries, the three states around the Caspian Sea basin i.e. Kazakhstan, Azerbaijan and Turkmenistan remain landlocked and can therefore only export their oil by means of transit through neighbouring countries. Also, the flow of oil from the geo-politics of Caspian Sea remains critical due to failure of democratic institution in the region. For instance, the recent Azerbaijan presidential election was indeed a dynastic, as power was handed from father to son where the new Azerbaijan president, Ilham Aliyev was formerly second in command at the state-owned company Socar and will keep his hand in the oil sector (Nanay 2005: 130). Also, the Kazakhstan's presidential elections of 2006 were also interesting as the President Nursultan Nazarbayev and his family is closely involved with the oil sector and the state company KazMunaiGaz. All elections in this region are indeed, manipulated by power brokers, who want to make sure that the levers of control over key economic sectors like oil are kept in few hands (Nanay 2005:130).

Another significant oil producing region is *West African* which includes Nigeria, Angola, Gabon, Equatorial Guinea, Congo-Brazzaville and Cameroon. According to the U.S. geological survey estimates, Sub-Sahara African could hold 72 billion barrels of undiscovered oil resources and if calculated on a barrel-of-oil-equivalent basis, the subcontinent's total mean undiscovered hydrocarbon endowment, including natural gas and all liquids, is about 121 billion barrels (Hueper 2005:241-242). This is roughly a fifth of the Middle East's undiscovered potential and it surpasses that of North America, Europe, the Asia-Pacific and South Asia. According to U.S. EIA estimates, West Africa accounts for 6% of global supplies in 2003 and most of this production capacity is located in the Niger Delta and the offshore of the Angolan enclave of Cabinda. Again,

according to U.S. Department of Energy report that the exploration of oil in deeper waters offshore from Nigeria, Angola and Equatorial Guinea is unmatched elsewhere in the world because unlike other of oil producing region, African oil tends to be high quality and low sulphur which makes attractive to oil refiners. But the key question for energy security will be whether African nations will use their oil wealth to fosters democratization and sustainable development, or whether corruption and rent seeking will create even greater instability with an adverse consequences for regional security, terrorism, the spread of HIV/AIDS, and ultimately hamper the ability to produce oil and gas (Hueper 2005:242). Even with the support of international financial institutions, blatant economic mismanagement and the squandering of oil resources wealth seem to be the norm in West Africa. In West Africa, numerous cases of corruption, bribery, thefts, embezzlement and kickbacks have occurred since oil productions began a half century ago. For instance, in Nigeria, an estimated \$10 billion of oil revenues were siphoned off by the country's former leader, General Sani Abacha, in the 1990s (Hueper 2005:250)

Indeed, political and economic stability are the critical issues to be considered when assessing Sub-Saharan Africa's energy resources. Since the African countries attained independence from colonial European power, many have racked by civil war and conflict. Some government have used oil export revenues to strengthen their military, paramilitary and law enforcement capabilities, which in turn have been used to fight civil wars, repress local opposition and gross human rights violations. Such actions have broad implications for regional stability and security of energy export. The subcontinent has experienced some of the most brutal example of civil war and strife in the history of the world i.e. the civil war in Congo (Autesserre 2008:94-110), genocide in Sudan and Rwanda (Natsios 2008:77-93), tribal and ethnic rivalry in Nigeria and Angola. Regime instability, dictatorial rule, rampant bribery, corruption and opaque handling of oil revenue are common place. In order to overcome such obstacles, better governance will require creative diplomacy in the region and if such initiatives succeed, there could be substantial economic, security and political benefits for both African and the rest of the world.

Among the oil producing regions of the world, *Latin American* regions also hold a significant positions amounting to more than 111.2 billion barrels of proven reserves

and it could increase its oil production capacity from 10.6 million barrels per day (mbpd) in 2001 to 17 mbpd by 2025, according to U.S. EIA estimate. In Latin American region, Venezuela holds the largest reserve with 87 billion proven oil reserve followed by Brazil 12.6 billion, Ecuador 4.3 billion, Argentina 2.6 billion and Colombia 1.5 billion. But at present, the countries of Latin America do not fully exploit their resources for their benefit of their people. Also the political climate of this region remains unstable due to insurgency problems and authoritarian regimes in several countries where the institutions of democracy have failed several times and become an obstacle for doing oil explorations in the region. For example, both Mexico and Venezuela view natural resources as 'political expression of their sovereignty' and such concept has been used over time by different political factions to provide political and social movements with specific identity (Kuenzler 2005:387). The most classic example is the Mexican nationalisation of the oil industry in 1938 with La Revolución – the Civil War of 1910 – in search of political and social legitimacy. The new hydrocarbons law submitted to the Bolivian Congress on July 2004 contemplates giving the state greater control by strengthening the state-owned oil company. Also the reappearance of 'Bolivarian Revolution' in Venezuela under Hugo Chavez placed critical concern for energy security matter as the new constitution adopted in 1999 bans foreign investment in the oil sector. In rich oil producing states like in Colombia insurgency activities i.e. two leftist guerrilla groups, FARC and the Ejército de Liberación Nacional (National Liberation Army – ELN) and one rightist paramilitary alliance, the Autodefensas Unidas de Colombia (United Self-Defence Forces of Colombia – AUC) are in the activities of cocaine production which is supposed to be the largest in the world (Nieto 2007:117). Such insurgency activities hamper the process of energy development in the state of Colombia. The frequent attacks on oil installations and pipelines mounted by anti-government guerrilla groups and kidnapping foreign oil workers are the days of order in Colombia. Also the social unrest in several Latin American states put an obstacle for doing oil explorations in the region. Indeed, in recent years, public-sector privatization and the structural adjustment programs have generated some of the region's largest and most intense social conflicts (Almeida 2007:123). Such social unrest has been occurred in almost all the Latin American states i.e. Argentina in 1996, Costa Rica in March 2000, Peru in June 2002, between 2004 and

2007, mass demonstrations and nation wide protest erupted in Colombia and Ecuador. In 2004 the oil workers strike in Venezuela greatly impacted the international oil market which consequently loss major oil supply around 3mbd of crude oil production.

Last but not the least among the significant oil producing region is *South China Sea*. The South China Sea estimated hold oil about from 6 billion barrels to more than 105 billion barrels of oil. Also the South China Sea is believed to hold 65 trillion cubic feet of natural gas, with the potential for 25 to 50 trillion more. But the energy related matter in East Asia according to Daniel Yergin (1998) involves traditional areas of diplomacy. One of the reasons for this is due to rapid growth of economic development of South East Asian countries and the Far East states – China, Japan, South Korea and Taiwan, abundance supply of energy without interruptions becomes crucial for every states. The maritime dispute in the South China Sea ranks as high priority issue. On several occasions competing claims have occurred between China against Vietnam, the Philippines, Malaysia, Thailand, Brunei and Taiwan. For instance, in early 1997, when China oil rig, the *Kantan III*, entered the waters between Hainan Island and the Vietnamese coast to explore for oil and natural gas in what Beijing considered a part of its Ledong exploration area, Vietnam protested vigorously claiming the same area as part of its Block 113 and later the Chinese oil rig withdrew (Chang 2001:211). Several disputes have taken place in 1974, 1988 and 1998 over the Parcel and Spratly islands located in South China Sea, between China and ASEAN states. Although the Chinese vessels withdraw without incident yet, it grew an eyebrow of China hegemony over South China Sea. China has several other maritime disputes with South Koreans and Japanese in the Yellow and East China Seas with Japan over the Senkaku Islands in the East China Sea and with Vietnam in the Gulf of Tonkin (Yergin 1998:46). All these disputes indeed, impact the balance of power in the region. The sea-lanes are also important for the strategic passageways for the U.S. Navy from the Pacific to the Indian Ocean. Moreover, the U.S. strategic relationship with Japan South Korea is in no small part invested in the U.S. role as guarantor of energy security to these key Asian allies (Yergin 1998:47). Kent Calder (1997) warned that “expansionist conformational strategies, not to mention the acquisition of nuclear weapons, offer some attractive prospects of gain to regional powers, such as preferential access to energy resources and

sea-lanes in the South China Sea”. Calder noted that this strategies rivalry, if unchecked, represents “a recipe for disaster” and will increase the likelihood of conflict in South China Sea.

Transportation of Oil: Energy interdependence and the growing scale of energy trade require continuing collaboration among both the producers and the consumers to ensure the security of the entire supply chain. But from the energy security point of view, another serious concern is transportation which possesses large supplies of petroleum either by tankers or pipelines. According to U.S. EIA, about 2/3rd of world oil transportations are carried out by tankers where the tankers have to encounter several geographical ‘Chokepoints’. Thus, passing through the chokepoints located in several geographical locations is a major concern for energy security. The U.S. Department of Energy has listed six world transit chokepoints which carry around 30 million barrels of oil per day i.e.

The Strait of Hormuz lies at the entrance of the Persian Gulf which is the most important chokepoints to the world and it is the only shipping channel in and out of the Persian Gulf which is considered as a life line for oil producing states of Gulf Cooperation’s Council (GCC) and Iran. According to U.S. EIA, over 14 million barrel per day (mbd) of oil flow through this strait to Japan, the United States, Western Europe and other countries of the region. The strategic importance of the Strait of Hormuz was displayed in 1988 during Iran-Iraq war, where U.S. came forward by reflagging the Kuwaiti oil tankers to pass off safely. Moreover, around this chokepoint there is border conflict between Iran and United Arab Emirates (U.A.E) over the sovereignty of several small islands located around the strait. These islands include Abu Musa, Greater Tunb and Lesser Tunb. In 1992 Iranian troops occupied the island of Abu Musa and declared it as inseparable part of Iran in 1995 (Cordesman 2004:93). Although, the GCC issued a statement on 31st December, 2001 reiterating its support for the U.A.E sovereignty over Abu Musa and the Tunbs, Iran rejected the proposal and install military equipment. The growing militarization around the Strait of Hormuz, particularly Iran projection of nuclear power and long-range naval strike aircraft gave serious concern and thereby affecting the balance of power in the region.

The Suez Canal in Egypt which connects the Red Sea and the Mediterranean Sea is another important area for oil tankers as it is the only short-cut way to reach oil supply to Europe as well as North American regions from the Persian Gulf countries. The EIA reports that over 3 million barrel per day of Gulf oil export transits the Suez Canal. Any closure of the Suez Canal would divert tankers around the southern tip of Africa (Cape of Good Hope) which will sharply increase the transit time for oil tankers. In every Arab-Israeli war, the Suez Canal become a major concern of which the most classic example was occurred during 1967 Arab-Israeli war when France, Britain and Israel fought war against the Egypt.

The Bab el-Mandeb Strait located around Djibouti, Eritrea and Yemen in Gulf of Eden is also another important chokepoint as it provides entrance to the Suez Canal. Although major conflicts have not been occurred in this area, Yemen fought a brief battle with Eritrea over Greater Hanish Island, located just north of the Bab al-Mandab in December 1995 (Cordesman 2004:94).

The Bosphorus or Turkish Straits located around Turkey is a major export channel for Russian and Caspian oil.

The Straits of Malacca is the most important chokepoints for East Asian oil transportations, located around Malaysia, Indonesia and Singapore through which 80% of Japan, South Korea and half of the China oil passes every day. This chokepoint is the only transit where oil shipping towards East Asia and South East Asia can pass. Far East states like Japan, Taiwan and South Korea dependence on international economic ties for its survival is well recognised where nation's vulnerability of such ties was brought at home by the 1973 and 1979 oil shock. Tsuneo Akaha (1985) assert that for Japan maritime transport is seen as an integral part of Japan's search for "comprehensive security" where if any major shipping disruption arises in the Strait Hormuz and the Malacca Straits, it directly affect the internal economic life.

The Panama Canal located in Panama connects the flow of oil between Pacific regions and the Atlantic Ocean.

Moreover, major oil producing states which are landlocked enter into an agreement with neighbouring states and laid several important pipelines facilities for transportation of oil. From the energy security point of view, these pipelines for oil

transportation cannot be ignored as on several occasions it become a bone of contentions. For instance, the Levant states in the Middle East – Israel, Egypt, Jordan, Lebanon and Syria – despite the facts that they don't have the meaningful oil resources of its own, yet these states are strategically importance, since oil rich state like Iraq and Saudi Arabia to export oil in order to cut the distance of route for oil tankers, several oil pipelines are constructed in the Levant states, since its location are beside the Mediterranean coast. The Syrian Company for Oil Transport (SCOT) operate a major oil pipelines in the Middle East where the main terminal are located at Baines and Tartous on the Mediterranean with a storage capacity of up to 21,000 DWT. During the Gulf war 1990s these pipelines were shut down as a result of which the supply line from Iraq was seriously affected. According to U.S. Department of Energy, Jordan might also become a major centers for oil export because of geographic location between the Arabian Peninsula and the Mediterranean coastal states of Israel and Lebanon offers a potential alternative route for export of Gulf oil to West (Cordesman 2004:228). Presently these oil export travel either by ship through the Suez Canal or by pipeline from Iraq and Turkey. The Caspian Sea Basin of oil producing state i.e. Azerbaijan, Kazakhstan and Turkmenistan remain landlocked to each other, in which the supply of oil is transported through pipelines that cross Russia. But the Russian have put quotas and tariffs on existing pipelines and have exercised their monopoly control to cut, slow or otherwise alter the flow of export of transporting oil and gas from these states (Kuniholm 2000:553). Moreover, the transportations of oil pipelines also under the scanner of sabotage from terrorist activities. The classic example of safe guarding the pipeline is Baku-Tbilisi-Ceyhan pipelines (BTC) where the United States spends millions of dollars in defence for safe guarding the flow of oil from Caspian Sea from terrorist attack.

Significant of Petroleum:

Oil, infact is just like one of the commodity which can sell and buy in the market but in practice the influence of oil is unprecedented both in domestic and international politics. However in board perspective if one looks the significant, oil itself plays a vital role for achieving national interest as well as also led conflict to large extent which we shall see in the following discussions.

Oil as Political Weapons: In the discussion, we have learned the importance role of energy in the economic development of a nation. Of the four primary sources of structural power – security, production, finance and Knowledge – the security and production structures impact significantly, when there are disruptions in the supply of energy. Other than the oil embargo in 1973, the role of oil affecting the security structure can also be evident from other political events. The role of oil during the First and the Second World Wars is well known as the United States supplied oil to the Allied power when it was running out of oil supply (Spero 1973:124). In earlier days in Europe, the Standard Oil Co. was the only satisfactory supplier of oil where during the course of First World War, it was estimated that this American oil companies fulfilled 80% of Allied fuel requirement (Pelletiere 2001:30). But once the commencement of the U-boat war started, the Standard companies pulled back due to fear of shipping destruction. In 1917, the Allied leaders requested the American President with a plea for tankers of oil. Once the American policy started supplying of oil, it proved effective for Allied power. In Balkans, the successful campaign of the French led to cut the German oil lines from Russia and Romania in 1916, where Germany had to pay the prizes for it (Pelletiere 2001:31).

The oil embargo by Arab OPEC member in 1973 against United States and its allies for supporting Israel provides a classic example about the uses of oil as political weapon. In international politics, particularly the United States impose sanction on various occasions in order to secure its national interest, i.e. on Libya, Iraq, Pakistan, Iran, Haiti, The former Yugoslavia, China and Cuba. Richard N. Haass (1998) writes that sanctions which are predominantly economic but also political and military penalties are employed by state or to alter political or military behaviour of another state. The widespread use of economic sanctions constitutes one of the great paradoxes of contemporary American foreign policy. Sanctions are now used by the United States to discourage the proliferation of weapons of mass destructions and ballistic missiles, promote human rights, end support for terrorism, thwart drug trafficking, discourage armed aggression, protect the environment of political stability by replacing dictatorial regimes. The United States economic sanction against Iraq in 1990 and the Iran-Libya Sanctions Act of 1996

are well known which has crippled the oil production badly in those countries.⁷ More recently, the diplomatic conflict between the United States' and Venezuela, where president of Venezuela Hugo Chaves declared an embargo on oil export to the U.S. shows placed how oil can threaten the other structural power of the another states.

The present contemporary society's lives in interdependence world are the result of human activities like multinationals and transnational companies which have dramatically change since the post-world war (Keohane and Nye 1977: 8-9). Thus, the character of 'interdependence' in world politics, according to Keohane and Nye, is refers to situations characterized by reciprocal effects among countries or among actors in different countries. This feature of increasing interdependence does not limit the mutual benefit but on the effects of transactions on the interdependence "depend on the constraints, or costs, associated with them" (Keohane and Nye 1977:9). In other words, "where there are reciprocal costly effects of transactions, there is interdependence (Keohane and Nye 1977:9). Indeed the 'power' has always been elusive concept in the analysis of international politics which was mainly dominate by traditionally view, which state with, military power will dominate. However in the context of interdependence, the concepts power is slippery which has two dimensions put forward by Keohane and Nye i.e. sensitivity and vulnerability. These two dimensions of interdependence have its own character which significantly affects the state power.⁸

In such interdependence world, it is irrational for Hugo Chaves to imposed oil embargo against the United States. As the United States is the largest market for oil, therefore supplying, instead of embargo will generate revenues for developmental activities rather blame the U.S. in various international conferences for economic failure in the Latin America. On the other hand, when the oil price grow by leap and bound which thereby affect the oil market, it unnecessary to imposed sanction on oil producing

⁷ Libyan sanctions have come in three broad phases where the first phase ran from the 1970 to late 1990 during which time the U.S. waged a relatively lonely campaign to isolate Qaddafi, cutting off bilateral economic ties and trying to persuade other countries to do the same. The second phase ran from late 1991 to mid-1996 which was imposed in response to the bombings of Pan Am Flight 103 and UTA Flight 772 and the third phase begun in mid-1996 with the passage of Iran-Libya Sanctions Act (ILSA). For Iraq the period of sanction is divided into two phases where the first phase was between August 1990 to March 1991 and the second phase was imposed after the Desert Storm cease-fire from April 1991.

⁸ More about the two dimensions of interdependence – sensitivity and vulnerability discussion, see Keohane, Robert O. and Joseph S. Nye (1977), *Power and Interdependence: World Politics in Transition*, Boston: Little, Brown Company Limited; pp. 11-18.

countries like Libya where countries like Italy, Germany and Spain were heavily depended on oil supplies from Libya (Rose 1998:137).

The vital role of natural resource of oil, in so far what we have discussed is well known where oil plays a significant role for economic development of nation, without which the economy of the world would remain standstill. Thus, Daniel Yergin (1999) writes, "oil is the world greatest prizes and most pervasive business that had ever been found". However, if oil is considered the world's greatest prize and if one looks at the oil producing countries particularly the Africa, Latin America and Middle East states, unfortunately the showers of blessing of the greatest prizes have been shared only by few ruling elites, instead of sharing with common people for well-being.

In earlier part of my discussion we have come across about the distribution of oil reserve in different geographic location of the world where most are located in Middle East, Africa, Latin America and South East states like Indonesia, Myanmar and Vietnam. In general, the vital role of oil resource is that, it generates significant revenue where the oil producing could well prosper for economic development through revenue. Many political scientist believe that when income rises government tends to become more democratic, but this has not been the case for almost all oil producing countries (Ross 2001:325). Oil producing countries like African states Algeria, Libya, Nigeria, Sudan, Angola, Congo, Latin America states Venezuela and Colombia, South East Asian states like Indonesia and Myanmar and Middle East state like Saudi Arabia, Iraq and Iran have poor records featuring with civil war, insurgency problems, ethnic conflict, corruption, human rights violations and failure of democratic institutions. With such problems facing in major oil producing countries it become serious concern for energy security point of view.

In one of the most recent violent conflicts over the control of oil rents have occurred in the Republic of Congo (Congo-Brazzaville) which results into bloody civil war in 1997-1999. The Congo-Brazzaville possesses significant reserves of petroleum, which according to U.S. DOE, as much 1.5 billion barrels and the mainstay of national economy was from oil revenues. For long period, this income was controlled by General Denis Sassou-Nguesso, the head of the Congolese Labor Party. But in the election in 1993, Sassou-Nguesso lost the nation first multiparty elections to Pascal Lissouba of the

rival Pan-African Union for Social Development. Instead of accepting the mandate, Sassou-Nguesso organised armed militia and revolt against the rival and civil war broke out. Ultimately, Sassou-Nguesso regained control of the government and made himself the president.

Such authoritarian ruling elite can also be witness in African oil producing state, Somalia. Range Resources, an Australia firm listed on the London Stock of Exchange's (LSE) discover a potential up to 0.5 billion barrels of oil in Puntland, a semi-autonomous region on the Horn of Africa, Somalia. When *Petroleum Economist* visited Somalia, as guest of Range, it concludes that if oil is found in the quantities Range hopes, the discovery could transform Puntland, an impoverished corner of a war-ravaged country that is on the verge, again, of more famine and political implosion. Indeed, getting an oil rig onto its prospects in the Nogal and Darin Basins would face difficult enough in initial period. But the real problems could start when Range start its oil production in the site. This is because, when *Petroleum Economist* asked Puntland's president, Adde Muse Hersi, what he would do with income from oil production, his answer was blunt, saying "spend it on security". Somaliland which had declared independence from Mogadishu already lays claims to portions of Puntland and had invaded in 2007 and occupies a region near its capital Garowe. According to Muhamed, an editor of Garowe Online put forward that indeed for a time being the close relations of clans in the two regions may prevent a full-blown, but it would change if oil is found.

Several internal political instability in major oil producing of Latin America, Africa and Middle East states prevail in the name of oil politics and this only add a serious concern for energy security point of view. In December 2002, due to oil employer strike in Venezuela result a loss of almost 3 million barrels per day of oil production adding a major crisis in international oil market. Also in 2003 due to ethnic conflicts in Nigeria cut nearly 3 million barrels per day of oil production affecting the oil price in international oil market. Curtailing rebellions in oil producing states will be harder since the world's thirst for oil increases rapidly due to economic growth. The rich oil producing countries readily buy friends of powerful state and have little fear of sanctions from the United Nation Security Council (Ross 2008:5). To avoid such constraint measure from the West, some oil-producing government have turned to others states like China that do

not concern with their hosts' human rights practice. Such was the case where the government of the President Omar al-Bashir has used Sudan's oil sales to China to deflect diplomatic pressure from Western states on the issue of genocide in Darfur (Natsios 2008:77-93) and the similar strategy is following by the present Myanmar's military Junta in an exchange of selling its natural gas to China (Ross 2008:8).

In order to overcome such obstacles, better governance will require creative diplomacy in the region and if such initiatives succeed, there could be substantial economic, security and political benefits for both rentier states of oil producing countries and the rest of the world. The oil producing states should take advantage of soaring high oil price in the market for human resource development than on concerning for individual purpose, spending on military security.

From the whole discussion of this chapter, in general we therefore can strongly assert that supply of energy without interruption are essential for sustaining nation's developmental activities. In her classic work, *State and Market*, Susan Strange puts structural power at upper hand, than relational power in which the four primary sources of structural power – Security, Production, Finance and Knowledge – are interlinked to each other. Also along with structural power of primary sources, Strange brought forward energy as secondary sources. However, role of energy in international political economy is vital as what we have learned in this chapter, therefore any disruptions in the supply will result only reduced degree of the structural power where state would unable to compete in political economy. Conversely, whenever there is disruption in the supply of energy, it is the security structure that comes forward in order to flow uninterruptedly. Such incidents happen during Iran-Iraq war, where in 1988 the U.S. came to provide security by reflagging the oil tankers to pass out the Strait of Hormuz. Also, during the Gulf war in 1990s, the security provided by the U.S. and her allies help to secure Kuwait from Iraq invasion. Moreover the four primary sources of the structural will come to standstill, when there is any disruption in the supply of energy in which the best example, where all these four sources impacted was occurred in 1973 oil shock when Arab OPEC members embargo oil to Western countries.

Naturally, energy crises or conflict would arise when there is inappropriate level of demand and supply and therefore to overcome this challenge, every state has to

formulate its own strategy in order to secure the supply of energy. The distribution of oil reserve are located unequally in different regions of the world were most of them are in Middle East, Latin America and Africa states. Unfortunately, most of these states face political instability featuring with ethnic clashes, geo-political rivalry, corruptions, and failure of economic developmental and democratic institutions. Indeed, 'oil' which is considered as the greatest prize on earth by the oil writers but for oil producing state, instead of generating revenue by this greatest prize as rentier to industrial world, it rather become curse in several states of oil producing countries. The oil barrel, instead traveling in oil tankers and pipelines, many rentier state of oil producing countries consequently shed blood in the name of oil politics as we have discuss learn like in Sudan, Congo, Nigeria, Iraq Kuwait, Angola and Somalia. Because of these development it give serious concern from energy security point of view, where due to internal conflict in oil producing states like in Iraq, Iraq, Venezuela, Nigeria, it impacted the international oil market.

As Daniel Yergin (2006) put forward that "energy security does not stand by itself but is lodged in the larger relations among nations and how they interact with one another." Therefore, the problem of energy security should be share by both importing and exporting countries of energy. Whereas for importing states there main security is adequate supply with affordable price, on the other hand, for exporting oil producing state is for access in the market and demand. Therefore in the interest of human development well-being, both the export and imports states should work mutually benefiting each other.

Of course, in our discussion we have come across that the demand of energy will grow rapidly in response with the growth of economic development in respective nation. And this is evident particularly, in China and India where it shows in the above discussed tables and figures that the demand and consumptions would grown rapidly in response to the growth rate of economic development. Several writers on energy security and even myself, here also now focuses much only about strategic challenges of the growing risk of disruptions to energy supply of which it has attracted a lot of attention from energy economic community.

Energy economist Fatih Birol (2007) assert that unfortunately, the energy economics community has given less attention to the challenge of 'energy poverty' amongst the world's poorest people. Birol writes that over the past five decades less than 20% of the articles that have appeared in major international journal have focused on developing countries and only a tiny fraction of these have addressed energy poverty. Today 1.6 billion people in developing countries do not have access to electricity in their home, which most of the electricity-deprived are in Sub-Saharan African and South Asian. For these people, the day finishes much earlier than the richer countries for lack of lighting, where it struggle to read in candle light, lack of refrigerator for keeping food and medicine fresh. Another hallmark of energy poverty, to Birol, is the use of traditional biomass which is unsafe and inefficient ways in which currently 2.5 billion people of 40% of the world population rely on traditional biomass such wood, dung, wood and agricultural residues to meet al their cooking energy needs. All these practice are has a number of harmful consequences for health, environment and economic development.

Despite the prospect of continuing economic development and technologies progress in developing world on current trends, according to Fatih Birol, 1.4 billion people will still lack electricity in 2030 which is barely 200 million less than today. Identifying the sizes of the challenge is one thing and an overcoming is another task. Therefore to over such situation, political will and commitment on the part of the government of the world's poorest countries will obviously be crucial to break the vicious circle of energy poverty. To overcome such challenges it is likely to involve huge investment in energy infrastructure for which the poor countries will fell the pain in eradicating energy poverty. Therefore, rich industrialized countries have an important role to play in this process. In today international politics, when developing state like in South Asia wants to sign an agreement with developed countries to overcome energy poverty, the political parties based on ideological view only put hurdles in the agreement and this only create energy poverty than energy security.

Daniel Yergin (2008) put forwards that diversification will remain the fundamental starting principle of energy security for both oil and gas. However today's political economy it will likely to require developing a new generations of nuclear power and clean technologies and encouraging a growing role for variety of renewable energy

sources as they became more competitive. Therefore here again the knowledge structure of what we discussed will play a prominent role in it. Yet, according to Daniel Yergin, in a world of increasing interdependence, energy security will depend much on how countries manage their relations with one another whether bilaterally and or within multilateral. In short, the problem of energy security should be shared by both importing and exporting states mutually.

Chapter Two

Saudi Arabia's role as oil stabiliser

Since 1973 oil shocks oil consumer countries have become concerned with oil security in international markets. Indeed a hallmark of oil security is precisely the ability to deal with oil crises once they arise due to mismatch between supply and demand in the market. To consumers, security has chiefly to do with supply where it could obtain sufficient oil resources in a timely manner at reasonable price. On the other hand, oil producer security often refers to the demand of oil which it wants to be assured of selling their product at prices that they consider as reasonable. However differences exist among oil producers about reasonable output and prices. The political economy of the world oil involves an integrated world system where all countries that import and export petroleum are linked to it. For instance, the 1973 oil shock had badly crippled the western countries economy. Any rise of oil price by OPEC results into a major policy challenge to consumer governments and threaten developmental process in several ways (Morse and Myers 2005:66). Oil price volatility can inhibit investments, economic growth and spur inflation (Huntington and Dermot 2002:107-132). On the other hand, relatively low oil prices through the late 1980s and the 1997 Asian financial crises has led to the collapse of oil price resulting into crises in oil producing countries as their main sources of revenue is based on oil export. Thus, any changes in oil prices work inter-connect with producers and consumers countries in the international political economy. Development occurring anywhere in the system that has a bearing on the demand and supply of oil, arising due to political or economic instability in nature affects the overall balance of the system. Hence, where as serious disequilibrium occurs, the effects are felt globally.

Since the 1973 oil embargo by Arab OPEC members, several oil crises have occurred destabilising the international oil markets. According to Lieber (1992), the most dramatic pattern in international oil system is 'oil shocks' which is defined as profound disruptions of the existing supply and price system. Lieber asserts two major phenomena must be present for such an event of oil shocks to take place i.e. firstly, the existence of tight balance between supply and demand in which available world oil supplies only just

manage to satisfy world oil demand and there is little or no additional un-used production capacity; secondly, some major events war or revolution which triggers a disturbance in existing supply pattern. Thus, according to Lieber when these two circumstances intersect only then the result will be an oil shock.

The oil politics which we are witnessing in today's international politics, be the fluctuation of oil price, rivalry among the states for obtaining concessions or geo-political tensions among the oil producing states has been featured since the time of discovery of oil in the middle of the 19th century. In order to understand the evolution of oil politics in first section of this chapter I briefly highlight the history of oil industry. In the second section, I will discuss the formation of OPEC, by focusing on factors that led to form the OPEC as price administrator or cartel. It will also look at the role of OPEC as true cartel and assess its success and limitations. In the final section I will discuss the importance role of Saudi Arabia among the OPEC and also in the international oil stability.

History of Oil Industry and Birth of Oil System:

Before the discovery of oil in the middle of the 19th century, the usages of oil for economic or even say, political purpose in which our contemporary societies thirst for it were unknown for centuries. Great civilisation which rose and fall in the land neighbouring of Gulf used the oil leaked to the surface where it turned into bitumen has been used for some ritual and traditional purpose where the Sumerians of Ur set as decorative Stone Square in it, the Babylonian used it to strengthen their walls and the Alexander the Great used the oil to burned the slave (Rutledge 2006:22).

The history of first oil production goes back to the year 1859 in the United States where Col. Edwin Drake in 1859 successfully drilled oil in Pennsylvania. Until then, the Seneca Oil, as it was known to the natives around Titusville, was mainly used as a medicine.⁹ Since Drake sank his successful well, the production of oil rose rapidly from 450,000 barrels in 1860 to 3 million barrel in 1862 and the oil was sold in January 1861 for \$10 a barrel in the United States (Pelletiere 2001:2). In earlier days, one disadvantage for oil industry was that it tended towards glut because of the way the law operated. During that period, the 'law of capture' operated in the United States provides that the

⁹ The name Seneca is an associate product name of native the Indian tribe, Titusville.

owner of a piece of property may claim not only what is on the surface but underneath as well (Pelletiere 2001:2). Moreover the law of capture also provides that one may claim whatever strays onto one's property from neighbor's land, including oil. As a result, the oil underground has been tapped for extraction until the field was exhausted and in the process, oil from neighbours claims will be captured as the law allowed for this to do and thereby affects the price of oil in the markets since the oil were thrown on daily basis.¹⁰ Therefore in order to overcome such obstacles, in 1865 John D. Rockefeller first set up refinery in Cleveland, named Standard Oil Co. (now ChevronTexaco) and subsequently a number of private company came up to compete with each other.¹¹ Since then, the concept of oil system came into being. Pelletiere (2001) writes, the word 'system' in oil mean to achieve control of something (the oil) in which the basis of the system was to keep down the output of refined, so the prices could be manipulated at will. In order to achieve the system, one has to push down the competitor (the producers) and once they whipped out, the winner in the competition could manipulate the oil productions and price according to his desire. Thus in earlier day in the United States the guiding force of maintaining oil price was Rockefeller.

Since the setting of oil industry, Rockefeller dominated it where by 1875, it was estimated that 95% of the refining capacity was controlled by him. This domination in oil industry didn't came in one go, rather he faced resistance from different corners especially by his rival independent producers. Rockefeller operated on simple principle i.e. to control price and to keep the industry profitable, one has to keep the output of refined oil down. Since the crude oil during this period was to be transported by railroad, there were other refiners who used to compete against Rockefeller. By rewarding rebate to those who regularly shipped large consignments, Rockefellers won the heart of railroaders. He urged to other refiners who were competing against him to join the South Improvement Association and if the rival refused, Rockefeller proceeded to crush them by signaling the railroaders to raise rates for his rivals, so that they could not make profit. Gradually competition arose in the means of transportation of crude oil through pipelines

¹⁰ In January 1861 oil stood at 10\$ a barrel, by June it was down to 50 cents and by the end of 1861 it was down to 10 cents. Refer, Pelletiere (2001:2).

¹¹ The oil refineries had storage capacity and thus could hold onto the oil until the price is recovered in the market.

rather than railroads. Here also Rockefeller emerged as winner against his rival. Thus displaying all his skill, Rockefeller moved to buy 20 of the 26 refiners in Cleveland and moved towards Pittsburgh and Philadelphia.¹² By 1875, it was estimated that Standard Oil Co. controlled 95% of the United States' refining capacity (Pelletiere 2001:6). Once the Standard Oil Co. gained monopoly, it could manipulate the oil prices. As a result, the price of oil depends on the Standard Oil Co. where the Standard in order to earn more profit controlled the output of oil production to raise the oil prices. Against this backdrop, public hostility towards Standard rose and investigation process began in state of New York and Ohio. Though the Standard won in New York investigation, the Ohio was a turning point in the history of Standard Oil Co. where it could not escape the verdict of the Federal Investigation in 1911 where it was declared as an illegal monopoly.¹³ As a result the Standard Oil Co. was split into 34 different companies including Esso (renamed Exxon in 1972), Mobil, Chevron, Atlantic Richfield (later named ARCO) and Amoco. Though the reputation of Standard Oil Co. went down as a result of the Ohio investigation but in Europe, the oil business by Standard Oil Co. went smoothly. However the Standard behaved in same manner with other oil companies as what did in the United States i.e. tight control over the prices by controlling production.

The discovery of oil in different locations of the world followed in different period of time. In the Middle East, the first oil field was discovered by a British entrepreneur, William Knox D'Arcy on 26th May, 1908 in Masjid-e-Suleiman on a remote plateau of Iran's Zagros Mountains.¹⁴ In Mexico, oil was discovered early of the 20th century by British and American oilman, where Shell Oil Company became main producer of oil from Mexico and in Venezuela, oil exploration and production started in 1917. In East Indies (Indonesia), the Royal Dutch Oil Company of the Netherlands had already ventured in early part of the 20th century and monopolised the oil exploration.

¹² During that time Cleveland was the centre of oil industry in United States'.

¹³ Most of the state during this period had law which forbade control of local corporations by individuals residing out of the state and it was against this aspect, the investigation was focused on. Though in the New York Investigation, the Standard could escape but in the Ohio it was different and the result was rather seen as scandalous. Refer from Pelletiere (2001:7-8).

¹⁴ Before Arcy made the strike, he ran out of fund therefore he approached Earl Strathcona, the owner of the Trans-Canada Railway. As a result Strathcona formed a financial syndicate which included the Burmah Oil Co. of Glasgow. Thus with the combination of these two companies, the Anglo- Persian Oil Co. emerged (now named as British Petroleum).

Thus the discovery of oil in different parts of the region was done mostly by private oil companies like, The Standard Oil Co., Shell, Royal Dutch and British Petroleum which earned huge profit. From the very beginning, oil in Venezuela was completely monopolised by major oil companies. In 1929, the Standard Oil of California and the Gulf together accounted for 54% of the production and the remaining 45% for Shell (Vegard 1979:58).¹⁵

Generally speaking, in early period of 1920s, international oil markets was characterized by an 'oligopoly' which means in an oligopolistic market, only few number of sellers compete at the production level and thus justifies as the competition of few. Due to oligopolistic nature in international oil market where only few major oil companies competed to gain profit, the international oil market in late 1920s, the oil price fell down much below affecting the company earning profit. By 1927, world oil production had risen to 1,260, 000 barrels which was an increase of about 17% over output of the preceding year and the storage stocks reached a total of some 600,000 barrels in the United States at the end of 1927 (Pelletiere 2001:47). With this development, average price of a barrel of crude in the United States fell from \$1.88 in 1926 to \$1.30 in 1927 and further it slipped to 65 cent in 1931 (Pelletiere 2001:48). This price decline signaled the return of the old bad days of Rockefellers where since Drake sunk his first oil well, the oil dealer offered at \$20 per barrels but due to discover of many new fields, competitions drove the price down to \$2 a barrel by 1860 (Ghanem 1986:12). But once Rockefeller dominated the industry, he was able to put an end to price fluctuation. Therefore, in order to end such pricing system in international oil market, (I will discuss the pricing system of oil, in later section of this chapter, which led to form OPEC) which thereby affected the company profit. A significant agreement was made in 1928 in Achnacarry, Scotland known as "Achnacarry Agreement". In this agreement, the three leading major oil company's leaders i.e. Standard Oil Jersey, Royal Dutch/Shell and

¹⁵ In Iran, the concession owned by the Anglo-Iranian Oil Company (now, British Petroleum) was inherited by an international consortium which composed of British Petroleum of 40%, Royal Dutch Shell 14%, Compagnie Francaise des Petroles 6%, Standard Oil of California 7%, Exxon 7%, Texaco 7% and Gulf Oil Corporation 7%, and Iricon 5% ; In Iraq the group was consist of British Petroleum 23.7% shell 23.75% and Near Eastern Development Corporation 23.75% and 5% with other small independent oil groups; Kuwait was share by British Petroleum 50% and Gulf Corporation 50%.

Anglo-Persian laid the basis for the future functioning of international oil system. The agreement was based on seven principles (Ghanem 1988:13-14)¹⁶:

- 1: The acceptance by the companies of their present volume of business and production and their proportion of any future increase in consumption.
- 2: Existing facilities should be made available to producers for an account which shall be less than what it would have cost them if they had created such facilities for their exclusives use.
- 3: Duplication of facilities which are neither necessary to supply consumption nor create an increase in the demand should be eliminated.
- 4: Production shall retain the advantage of its geographical situation.
- 5: Supplies shall be drawn from the nearest producing area.
- 6: Excess of production over consumption to be curbed or shut by oil producers in each producing areas.
- 7: Elimination of any measure which might lead to increasing cost.

The agreement also had the provision for the quotas in the market, joint production agreement, pooling of transportation and other facilities and exchange of supplies between the companies. Later Socony-Vacuum, the Gulf, Standard Oil of California (Socal) and Standard Oil of Texas Co. (Texaco) joined the original members and came to be known as 'Seven Sisters'¹⁷. These major oil multinational companies for the first time established an oligopolistic commercial control on oil production and pricing system. These corporations invested massively in infrastructures particularly in the Middle East and Latin America. These seven companies effectively controlled the world oil supply and demand with a set of strategies such as fixing quotas, price and production. Infact, Owais Rikkabi Succari (1969) assert, at Achnacarry the cartel was born to govern world's oil market.

¹⁶ Though the agreement was signed in September 1928, but it was kept secret until a report was released in 1952 by the Federal Trade Commission of the United States Congress under the title of "The International Petroleum Cartel." In its preamble the agreement stated that 'excessive competition has resulted in the tremendous over production of today and thus effective measure should be taken to eliminate such waste production.' More about on Achnacarry Agreement see *Federal Trade Commission Report (1952)*.

¹⁷ For detail in understanding the role of multinational oil companies, see Sampson, Anthony (1975), *The Seven Sisters: The Great Oil Companies and the World They Shaped*, New York: The Viking Press, Inc. and also, Pelletiere, Stephen (2001), *Iraq and the International Oil System: Why America Went to War in the Gulf*, Westport: Praeger Publishers. pp: 1-144.

Generally speaking till 1970s, world oil was governed by loose international regime in the manner of “guided laissez-faire” (Nye 1981:7). During this period, oil companies made their own production and investment decisions based on their interest. At the same time, the major power like the Britain and the United States occasionally intervened diplomatically and militarily in order to protect their own company to access oil from the Middle East and Latin America (Nye 1981; Bahgat 2003:10, 6-7). Due to this character of oil system, the United States and other major consumers state never articulated a long term energy strategy. However, by the end of 1970s the monopoly of oil companies began to decline. This is because the oil producing countries in Latin America and Middle East were in the process of decolonisation. As a result, the oil production came under the control of respective producer governments. Mexico, which was predominated by the U.S. oil companies, was the first country in the world to nationalised its oil industry in 1938 in which the *Petroleos Mexicanos (PEMEX)*, Mexico state oil company, became the national oil company.¹⁸ On the other hand, Venezuela under the Betancourt Government established Government Oil Company- *PDVSA (Petroleos De Venezuela Industry)* to gain foothold in the entire industry. With the passing of Reversion Law in 1971, the gradual phasing out of all foreign investment began and finally in 1976, oil sector was completely nationalised. In the Middle East, nationalisation of oil was complicated where Iran nationalised in 1951 and named Anglo-Iranian Oil Co. to Iran national Oil Co.¹⁹

As the process of nationalisation of oil began, the old international system (the multinational oil companies) began to decline and new regimes emerged in late 1960, where under the initiative of Juan Alfonzo, the Organisation of Petroleum Exporting Countries (OPEC) was formed in the year 1960, with five countries i.e. Iran, Iraq, Saudi Arabia, Kuwait and Venezuela to regulate the world market price by national government and not by oil companies.²⁰

¹⁸ Infact, Soviet Union was the first nation to nationalised the oil industries after the Bolshevik Revolution in 1918.

¹⁹ For discussion of nationalisation of oil companies in Iran and Iraq, see Pelletier, Stephen (2001), *Iraq and The International Oil System: Why America Went to War in the Gulf*, Westport: Praeger Publishers. pp- 84-116.

²⁰ Presently, there are 13 OPEC members i.e. Algeria, Angola, Ecuador, Indonesia, Iran, Iraq, Kuwait, Libya, Nigeria, Qatar, Saudi Arabia, U.A.E. and Venezuela. Till 2006, there were eleven OPEC members but in the 3rd OPEC Summit, Riyadh, Angola became a new member of the OPEC in January, 2007.

Formation and Role of OPEC:

In earlier discussion of this chapter I have mentioned, how the concept of 'oil systems' has worked among the different oil companies since the discovery of oil and the same structure of oil systems perhaps has also been inherited by the majors oil producer countries through the formation of OPEC. The working of the oil system among the major oil companies according to Joseph Nye (1981) has been characteristic in the manner by "guided Laissez-faire" where in earlier period, oil companies make their own productions and investments decisions based on their interest. However, this character was changed with the formations of OPEC in late 1960s. OPEC has been one of the most remarkable success stories and also one of the most extraordinary anomalies in the global economy for 40 years. It is a success story because it has not simply managed to survive but can be credited with succeeding its basic objective i.e. defending and supporting the income and revenue aim of its members and forcing any burden of adjustments to higher oil prices on other countries (Morse and Myers Jaffe 2005:68). Indeed, the emergences of OPEC as price administrator in 1970s were one of the OPEC's most remarkable achievements. However if one studies and analyses carefully the role and functions of the OPEC in international oil market, it throws question to consider OPEC as true cartel. In order to understand whether the OPEC is true price administrator in international oil market or not, let me first begin with the origin of OPEC of how it came into being.

The idea of forming the OPEC all began in the mind of the Venezuela leader, Juan Pablo Perez Alfonzo (Terzian 1985:6). Though the idea of creating an organisation for Arab oil exporting countries has also been present in the mind of the founders of the Arab League since 1945, yet the official realised that excluding Venezuela and Iran which are both major oil producers and exporter would be ineffective for any grouping and thus remain silent (Al-Otaiba 1975:47). This was because during that period, the significant of Venezuela oil industry in world chess board in late 1930s was that it was the third largest oil producers after U.S. and Soviet Union and was producing an output of more than 515,000 barrel a day than the entire Middle East output of 475,000 barrels a day (Terzian 1985:4). But this pattern changed by 1949, when Middle East had displaced

Earlier, Ecuador joined the OPEC in June, 1973 but it was suspended for 15 years and was rejoin the OPEC in the 3rd OPEC Summit.

Venezuela as the third largest oil producers of crude oil and by 1947 for the first time the United States began importing Arab and Iranian oil increasingly (Terzian 1985:4). The Middle East oil that arrived in America was cheap as a result it began to threaten the Venezuela with Middle East crude oil as substitute. During that period the Middle East crude oil stood at 1.75\$ barrel in Gulf and when it reached the U.S., the price was added only at 2.75\$ barrel. Besides, the oil companies paid no taxes in Middle East because the oil concession agreement stipulated payment of royalty on each ton of oil produced regardless of its sale price or the profit realised from it (Al-Otaiba 1975:33).

Thus such development occurring in international oil market particularly in the Middle East was intolerable to Venezuela and therefore in order to prevent the major oil companies from using the Middle East oil to combat Venezuela tax regulation, in September 1949 a high level official of Venezuela visited to Saudi Arabia, Iran, Egypt, Kuwait and Syrian to explain the advantage of formulating co-ordinated oil policies and to clarify the benefits to be gained by adopting the profit-sharing principle (Al-Otaiba 1975:48). Indeed, this was the first occasion on which the unification of efforts was discussed amongst the petroleum-exporting countries to solve the common problem. According to OPEC first Secretary General, Fuad Rouhani (1971:), in describing the Venezuela move to take such steps, "that Venezuela decided to approach the oil-exporting countries of the Middle East in order to make allies instead of competitors in an area whose importance was rapidly increasing." Significantly, after a brief period of stagnation, the Arab League Economic Council approved the resolution calling for petroleum congress in Cairo in 1958 by Arab oil Expert Committee. In the first Arab Petroleum Congress in 1959 in Cairo it adopted an agreement called "Gentleman's Agreement" by the head of the Arab state delegations including Venezuela and Iran. In the agreement it demanded the modification of the 50/50 profit-sharing principle in the interest of the host countries. The resolution also expressed the view that the structure of prices should not be made without the prior consultation with the governments of the oil-producing countries (Al-Otaiba 1975:49). Thus the Cairo deliberations and the principle embodied in the Gentleman's Agreement became the basis for the foundation of OPEC.

Pricing system of oil: Indeed, the impact of the pricing system of oil in international market was the immediate factors that led to the formation of OPEC in 1960. Producer's income became directly affected in the price of oil and the volume of production. The world oil industry was dominated by small clique of major oil companies known as 'Seven Sisters' where free market for crude oil didn't exist as trade in crude oil was carried out on by various an inter-company exchange in accordance with certain rules based on Achnacarry agreement. But the emergence of few independent companies or non-cartel in the United States (non-cartel here, I mean which are not the members of 'Seven Sister' or the Achnacarry Agreement) like Getty, Standard Oil of Indiana, Standard Oil of Ohio, Continental and Atlantic Richfield, led the cartel companies losing its edge (Pelletiere 2001:137). As the independent companies started moving inside the Middle East and Latin America, the original cartel where once they were selling oil at the artificially high tariffs supported price, now began to undercut by cheap oil being brought by Getty and the rest of the companies, primarily from the Gulf region (Pelletiere 2001:137). The cheap oil first appeared along the eastern seaboard of the United States and eventually penetrated as far inland as Western Pennsylvania and consequently the cartel truly began to hurt. Oil companies like Getty and Bunker Hunt when they could not dispose of their oil in the United States, dumped it on the spot market, where it was quickly snatched up by Europeans and Japanese.(Pelletiere 2001:138).

With this development, fringe free market emerged and begun to alter some long-established industry practice. The decisions proved to be fateful steps as the producing countries depended on oil sales for much to meet government budgets and later few years the revenue drop has been dropped in absolute term. The oil companies would post the price of oil crude oil, which referred as 'the posted price' according to their interest which continued for several decades until Venezuela modified its concession agreement with oil companies on 50/50 profit sharing in 1948 (Ghanem 1988:12). The 'posted price' is not necessarily the real price which oil companies receive from their oil sale, known as the 'realised price'. These prices came out at which the transactions of the crude oil take place between major companies and independent buyers and sellers and between the independents (Ghanem 1988:12). Throughout the history of the developments of oil industry, a posted price determination was based on different formulas i.e. The Gulf plus

Formula, The Price at Ras Tanura, The Dual Basing Points Formula and The Price Shed Formula. For example, in the formula of Gulf plus the basing-points was in the Gulf of Mexico. In other words, the applications of this rule meant that crude oil, whatever its origin was considered for pricing purposes as if it originated from the Gulf of Mexico and was priced on the basis of prices prevailing in the gulf regardless of its locations or cost of production (Al-Otaiba 1975:33). For instance, if a purchaser from India wanted to buy oil exported from Arabian Gulf, he would pay the freight cost of shipping that oil from the Arabian Gulf to India plus the 'phantom freight' cost from the Gulf of Mexico to the Arabian Gulf.²¹

The direct cause that led to the founding of OPEC was the large reductions in posted prices that took place in 1959 and 1960. As cheap oil continue to pour in the market, it undermined the development plans of the producing countries in spite of the realisation of planned large increase in production which had been expected to boost budget revenues. On 6th February 1959, Shell announced the reductions of Venezuela oil by 5 to 15 cents a barrel, later BP also reduced a fall in price of 18 cents a barrel for Kuwait, Qatar and Iranian oil (Terzian 1985:23). With these development the oil surplus were flooding in the international market with large size of discount which thereby lead to fierce competition between the oil companies. In response to this, the United States imposed mandatory quotas on oil imports in 1958 to protect its domestic production and pushed out imports. Thus by 1960, U.S. domestic price rose to an average of 2.80\$ per barrel and the international traded oil fell to 1.80\$ (Pelletiere 2001:137).

To challenge such situation against the behaviour of oil companies, the exporting countries responded by founding OPEC on 14th September 1960 in Baghdad by the representatives of five countries – Saudi Arabia, Iraq, Iran, Kuwait and Venezuela.²² These five countries adopted a resolution and laid the aims of the organization (Rouhani 1971:79):

²¹ For detail understanding how posted price based on different formulas worked in international oil system as mention above, refer Ghanem 1988 (11-21).

²² By the end of 1960, six more oil producing countries had joined the original five members – Algeria, Indonesia, Libya, Nigeria, Qatar and the United Arab Emirates (U.A.E). By mid 1970, Ecuador and Gabon had became the members of OPEC but subsequently pulled out of the organization in 1990s. In the 3rd OPEC Summit in Riyadh in 2007, Ecuador was readmitted and Angola was joined as new members.

- 1: Endeavoring by all possible means to restore the price of crude oil to the level existing before the reductions.
- 2: Ensuring that the oil companies maintain their prices at a stable level, avoiding any unnecessary fluctuation.
- 3: Demanding that the companies should consult the countries concerned each time they consider that the position of the market calls for a modification of prices. In such events, they would to furnish full explanations to justify their point of view.
- 4: Elaborating a formula to ensure the stability of prices, and for this purpose resorting, if necessary, to a regime of control of production.
- 5: Conducting the organisation's studies and activities in conformity with the following objectives: guaranteeing stable revenue to the producing countries, an effective economic and regular supply of petroleum to consumers, and an equitable remuneration to investors.
- 6: Organising a system of regular consultation among the members with a view to co-ordinating and unifying their petroleum policies, and determining the best means of safeguarding their common interests, both individually and collectively.

Role of OPEC in late 1960s: Indeed, in the first decade of 1960s since the formation of OPEC, it didn't achieve much success in its bid to prevent more price deterioration or to restore prices to the pre-OPEC levels. To raise the price of any commodity or to hold it at its level in a deteriorating market is not an easy task as it require the producers to take a number of measures including cutting down the production and distribution of quotas among the different producers, so as to eliminate an existing surplus of supplies in the market and carving up the market to avoid competition.

Thus a group of producers organised in a cartel, like OPEC, if aimed to preserve a (desired) certain price of its commodity, it is normally requisite for the members to impose a ceiling on overall output (Malnes 1983:343). In this way they will be able to achieve a favourable balance between supply and demand in the market. The output ceiling, in turn, has to be based on a formal or informal pro-rationing scheme i.e. a system of individual production quotas. If the cartel members are unable to agree on the distribution of market shares, the balance between supply and demand is likely to be

upset and downward pressure will be put on the price in that case all producers would incur losses of revenue (Malnes 1983:344).

But the OPEC, a cartel failed to hold the prices of oil at their desired level or rise them to the level which prevailed before August 1960 was due to inability to match supply with demand at the desired price. In other words, the price should be administered by the producers so as to keep it at a level higher than the marginal costs. Infact, this is cartel behaviour and had OPEC been a cartel it would have been easy to set up an administered price which would regulate the quantity produced. A cartel management as such would have been needed to determine who should produce what and when and regulate production growth and assign a quota for each producer. If they want such system to succeed and maintain the administered price, producers should abide by the decisions of the central management and scrupulously implement it. Indeed this, was the intention of at least the founder fathers of the OPEC, Sheikh Tariki and Perez Alfonzo where both called for an international pro-ration by which they meant that exporting countries should limit their production and export than continue to sell their non-renewable national assets at falling prices (Ghanem 1986:78).

Starting from the very first conference in Baghdad in 1960, the OPEC adopted several resolutions for the benefit of oil producing countries.²³ In the second OPEC conference in January 1961, the members emphasised the objective of the restoration of prices to desired levels of the members and thus recommended the members countries jointly to 'formulate a rational price structure to guide their long term price policy'. But the oil companies refused to discuss the subject of pricing with the OPEC and thus in the market the level of price was same to pre-August 1960s. In the ninth OPEC conference in Tripoli 1965 resolved to adopt as a transitory measure for the stabilizations of prices, a production programme to be submitted to member countries for approval which called for rational increase in production from the OPEC area to meet estimated increase in world demand. The programme, adopted for the years of July 1964 to June 1966 assigned to each country for an increase in its production was not followed by any OPEC members. Again in the eleventh, Vienna OPEC conference in 1966, the Organisation out emphasis

²³ For detail understanding of OPEC- Structure, Objectives, Organs of the organisation, see pp. 193-226, Appendix I and II of Ghanem, Shukri (1988), *OPEC: The Rise and Fall of an Exclusive Club*, London: Kegan Paul International.

on the unsatisfactory projection levels of certain members countries, which were attributed to manipulation on the part of the oil countries. Also in the conference, it adopted a production programme for July 1966 to June 1967. Despite the adoption of production programme, again the OPEC members didn't abide by it. In the fourteenth Vienna OPEC conference in November 1967 was perhaps the indeed the last time the production programme in the OPEC was discussed in the first decade. The organisation discussed the production programme and instructed the Economic Commission of OPEC to undertake the resolution. Though it was adopted yet, again the OPEC members failed to follow the principle lines of productions programme.

Infact, the failure of OPEC to agree to implement a successful production programme could be attributed to the producing countries inability and unwillingness to abide by such a programme, the opposition and non-cooperation of oil companies working on members countries. A production programme would be beneficial for the oil companies and countries if it was implemented, yet it faced very difficult problem, such to determine the distribution of the growth of production among the countries by OPEC (Ghanem 1986:82). Member countries were different in many respects on the issue: size of oil reserve, rate of daily production, population, per capita income, whether its oil potentialities have been explored or not, whether it can develop other sources of its economy without oil, the cost of production, its need for foreign exchange to implement its economic development plans. All these difference were the main the reason for accepting the programme in theory and not implementing it in practical, because it was virtually impossible to take them all into consideration when allocating the countries quotas. For instance, members like Iran pressed oil companies to increase production in which the Shah reached an agreement between the consortiums of oil companies to increase production by 12% in 1967 and by more than 13 to 14% in 1968 (Ghanem 1986:83). Iran's policy continued to be volume orientated and its targets were always calling for a higher rate of production. Thus due to surplus capacity of oil production it affected all member countries but in different manner. Countries like Saudi Arabia and Kuwait with low cost producer with a high potential for increasing there production have not been affected by the deterioration of oil price in the income level per barrel because for an increase in their total production may very well offset the decrease in their price

and raise the total earning. But the situation was different for high cost producers like Venezuela as the danger from the supply surplus is not the deterioration of economic rent as result of price cut, but a possible reduction in volume of production, and consequently its revenue. It was logical for Venezuela to sponsor such a programme, since its potential were already known and its reserve were very small compared with those of Saudi Arabia and Kuwait. Thus Venezuela was the only country that insisted on the implementation of pro-rationing programme during that period (Ghanem 1986:84). Saudi Arabia's policy was against pro-ration where Sheikh Ahmed Zaki Yamani declared that Saudi Arabia 'doesn't believe in OPEC programme is a useful or workable instrument for strengthening prices' (Ghanem 1986:83).

Thus in the first decade of 1960s, since the formation of OPEC, it didn't achieve much in its bid to prevent more prices deterioration or to restore prices to the pre-OPEC levels. Although, OPEC tried to restore the prices to their pre-levels, the result for the decade was negative. In the words of Sejero Matsumura (1972), the fundamental objective of OPEC therefore was to restore pre-1960 price level in the Middle East but no definite results were achieved.

A wind of change blow however, in late 1970s between the oil companies and the producing countries and this wind of changed was blew from Libya. The new role of Libya came as a result of an overthrown of the Libyan monarchy on 1st September 1969 by Colonial Mu'ammarr Qaddafi and this revolutionary government began nationalisation of oil companies. The Occidental Oil Company, a major oil company in Libya during that period was presented by Qaddafi with an ultimatum – either to raise price or cut production (Pelletiere 2001:140). By this ultimatum, the Occidental Oil Company came to an agreement with Libyan government on 1st September 1970, by increasing the posted price by 0.30\$ from 2.33\$ to 2.53\$ for crude of 40 degrees API (Ghanem 1986:121). Thus the development in one of the OPEC members Libya, the other sleeping members of OPEC woke up and work as price administrator in international oil markets, where in December 1970 in Caracas, Venezuela the OPEC countries met to unveil a manifesto calling for minimum acceptable tax on profit, a demand for higher posted price and call to eliminate company discounts (Pelletiere 2001:140). Starting with the Tehran agreement of February 1971, OPEC began to make routine use of its price

monopolization capabilities. In this capacity, the OPEC between 1971 and 1973 continued to set the price of crude oil as a result of negotiations with oil companies. But this character was changed on 16th October, 1973 where in response to Arab-Israeli war, OPEC pulled off a coup by announcing a unilateral price increase of 70% of crude oil and declared that in future the actual market price will determine the level of corresponding posted prices (Ahrari 1985: 264). With this announcement, the OPEC not only established as the sole determiner and administrator of the price of oil but also ended, once and for all, a long standing tradition of consultations and negotiations between oil states and industry prior to an upward move in crude oil prices.

Decline of role in the OPEC: But the role OPEC in maintaining oil price stability in the international markets began to decline. Mohammed E. Ahrari (1985) went on to say that the OPEC as an association of shared power was never meant to be cartel. To understand the power decline of OPEC the terms “hawks” and “doves” are widely used to describe factions within OPEC (Yetiv 2004:151). OPEC doves preferred to achieve revenue targets by producing and selling higher volumes of oil at lower prices and Saudi Arabia fell under this category. By contrast, states with more limited oil reserve and an ability to expand production have sought to achieve revenue targets by lowering production in order to increase price. In this sense, Iran and Venezuela have been relatively more hawkish.

There are several instances when an intra-OPEC conflicts occurred which contributed to the failure of OPEC as true cartel for price administrator in oil markets. For instance, after successful oil embargo in 1973 which brought the posted price of OPEC marker crude to 11.65\$ per barrel, the market witnessed a sluggishness in the demand for OPEC oil in which the OPEC production began to decline in 1974 from 30.988 mbd to 30.729 mbd (Ghanem 1986:149). This was due to several factors as the oil consumers look upon alternative source of energy encouraging, a number of programme for conservations. Such development led to the creation of the International Energy Agency (IEA) aimed at resulting in the cutting of OPEC oil demand. The decrease in demand for OPEC oil created pressure on the price and hence in November 1974 the Gulf countries cut down their price by 0.40\$ (Ghanem 1986:150). Moreover in the 45th

conference in 1975 when the OPEC members decided to hold price by increasing up to 10 % of production, the members countries could not agree upon as Saudi Arabia and United Arab Emirates refused to increased the price and thus the 48th OPEC meeting in Doha resulted into two-tier system price when OPEC members except Saudi Arabia and U.A.E. decided to increase the official price of marker crude by 10 % from 11.51\$ to 12.70\$ and further it was raised by 5 % in July 1977 to 13.30\$ per barrel ²⁴ (Ghanem 1986:150). After a six month long confrontation on increasing price, compromise was made to end the two tier price system in oil market in the 49th OPEC conference in Stockholm. Moreover the world energy consumption decreased for the first time in 1980 and the world consumption of oil declined from 64.1 million in 1979 down to 61.7 million in 1980 mainly due to world recession as well as different energy conservations programmes adopted by consumer countries and the rise of non-OPEC oil in the market and thereby affected the demand for OPEC oil (Ghanem 1986:166). ²⁵ As result, a price-war among the OPEC members ensued.²⁶ However these cutbacks did not suffice to offset the glut in the oil market where demand kept shrinking (Malnes 1983: 347). In response to this development in the oil market, in 1982 the OPEC countries themselves were compelled to bring the pro-rationing production programme on their negotiation table, in order to counterpoise the growing downward pressure on price. To prevent it from sliding, the member countries decided in March, 1982 Vienna Conference for the first time to impose a ceiling on collective output and adopt a formal scheme of individual quotas (Malnes 1983:347). The *table 1.5* shows the quota adopted by OPEC in 1982 Vienna conference for different OPEC members according to there total oil reserves.

²⁴ Saudi Arabia and U.A.E. increased their price by only 5% in January 1977 to make the marker crude official price of 12.090 and refused to accept the further to increase of July 1977.

²⁵ Consequently, OPEC production went down from 30mbd in 1979 to 26mbd in 1980.

²⁶ For detail price cut among the OPEC, see Ghanem 1986:167-171

Table 1.5: Quota system adopted by OPEC in March 1982 and March 1983 (mbd) at Vienna

	Production quota to March 1982 accord.	Production quota to March 1983 accord.
Saudi Arabia	7.0	5.0
Iran	1.2	2.4
Iraq	1.2	1.2
Kuwait	0.8	1.0
U.A.E.	1.0	1.1
Nigeria	1.3	1.3
Algeria	0.7	0.7
Libya	0.8	1.1
Venezuela	1.5	1.7
Indonesia	1.3	1.3
Others	0.7	0.7
Collective ceiling	17.5	17.5

Sources: Malnes (1983): pp 348

The quota system adopted by OPEC in 1982 conference demanded further sacrifice from Saudi Arabia for more oil production with 7.0 million barrels per day in 1982 production quota accord and it required some restraint on the part of Venezuela, the U.A.E. and Libya (Malnes 1983:347). However, the fate of this adopted productions quota sharing agreement which provide the model of cartel behaviour for collective action was again proof stampede in several occasions by cartel members. The *table 1.6*, of the column Dec. 1982 shows the OPEC members leaping out from the adopted quota production in 1982 conference. The most violations were perpetrated by Iran and Libya where according to the adopted quota of 1982, Iran which was to share 1.2 mbd, it pump out extra more of 2.7 mbd and Libya pump by mere 1.8 mbd. On the other hand, other OPEC members pumped considerably less where Saudi Arabia against the adopted quota of 7.0 mbd for 1982, pumped only 5.3 mbd, Iraq pumped out only 0.8 mbd against the share quota of 1.2 mbd.

Table 1.6: OPEC oil production from January 1981 to December 1982 (in mbd)

	Jan. 1981	Dec.1981	Dec. 1982
Saudi Arabia*	10.3	8.7	5.3
Iran	1.2	1.2	2.7
Iraq	0.6	1.2	0.8
Kuwait*	1.7	0.8	0.8
U.A.E	1.6	1.4	1.0
Nigeria	2.1	1.4	1.2
Algeria	0.9	0.7	0.7
Libya	1.6	1.0	1.8
Venezuela	2.2	2.3	2.2
Indonesia	1.6	1.6	1.3
Others+	0.9	0.7	0.7
Total	24.7	21.5	18.5

*including the production from neutral zone.

+Qatar, Gabon and Ecuador.

Sources: Malnes (1983): pp.347.

OPEC which was founded and supposed to display the role as price administrator in fact was not a true cartel in the course of its functions since its formation in 1960. Indeed, it is interesting that the OPEC accommodates within its membership representatives i.e. democratic institutions, military regimes, dictatorial governments and absolutist monarchies. Thus, even the founding father Perez Alfonso of Venezuela, candidly admitted that it as a 'cartel government' dedicated to protect and further the interest of its individual members by concerting pricing/production policies organisation serving an economic purpose, notwithstanding the obviously immense political significance and consequence of its performance (Jabber 1978:388). Hence the OPEC does not constitute a political community. However, Mohammed E. Ahrari (1985) holds that the leadership of OPEC has never been simple phenomenon which was to be solely on the basis of what country owned the largest oil reserves but the ability of an OPEC member to dominate the region, both politically and militarily, was also a crucial variable which contributed to the decline or failure to act as true cartel for price administrator in

the oil market. And since no single country was a dominant in all respect – military and economic, the issue of leadership of OPEC became a dominant in 1970s and 1980s between the major countries i.e. Saudi Arabia and Iran, resulting the OPEC's divide into two camp, where one camp was led by 'doves' Saudi Arabia and another by 'hawkish' Iran.²⁷ The struggle between Iran and Saudi Arabia over the leadership of OPEC continued into the 1980s when OPEC was gearing up to tackle production programming, Iran argued that allocations of quotas should be based on populations and financial need (Ahrari 1985:270-271). Such case was put forward as Saudi Arabia despite being the largest oil proven reserve, had less populations compared to other members like Iran, Nigeria and Indonesia.

Though in the struggle of power among the major countries of OPEC occurred in 1970s, where Iran regain within OPEC the role of challenger for power under the Shah periods, yet since the accession to power in 1979, the Khomeini regime has been a constant source of consternation to the conservative oil monarchies and a serious threat to regional political stability, adding more fuel to the fire in the intra-OPEC struggle for power. The Khomeini regime has consistently been driven by religious zeal and superciliousness which was unprecedented in modern times as the Khomeini regime made an eager not only to pass judgment on all entities within same political environment but also strove to transform the political status quo into its own image. Thus the neighbouring government in the Persian Gulf was not considered 'true adherents' of Islam in the Khomeini tradition, mainly because the others Arabs countries like Saudi Arabia, U.A.E., Kuwait, Bahrain, Qatar and Yemen have sustained a friendly posture towards the United States, which Khomeini regime branded as the 'Great Satan' (Ahrari 1985: 273). According to this logic, the friends of Satan cannot claim to be faithful to Islam and must be replaced by the followers of the Khomeini orthodoxy. Due to the spread of Khomeini wave, Saudi Arabia in November 1980 witnessed the hijack of holy Mosque in Mecca by radical Islam and an attempt was made for assassination of Bahrain

²⁷ The dynamic of intra-OPEC struggle were divided into two camps where the 'Hawkish' camps were led by Iran, Venezuela, Iraq, Libya, Algeria, Nigeria and Indonesia. On the other hand, the 'Doves' camps were led by Saudi Arabia which included all the Gulf Cooperation Countries (GCC) – U.A.E., Kuwait and Qatar.

monarch in 1982.²⁸ Mohammed E. Ahrari (1985) writes that the behaviour of Iran under the Khomeini, if examined it seems there were two Irans i.e. 'economic Iran' operating inside the framework of OPEC and 'political Iran' operating outside OPEC. The economic Iran appeared pragmatic and willing to cooperate with other oil states on matters of economic interest, even with Iraq with whom it fought a war. In contrast, the political Iran appears uncompromising, unyielding, strident, ideological even war-mongering which have threatened the several Gulf monarchies.

Moreover, the intra-OPEC struggle in early 1980s entered into another dimension in the wake of Iraq-Iran war in 1980. Although Iran and Iraq were the only two parties directly involved in the war, other countries of the region have been indirectly involved in order to maximize their own respective strategic gains stemming from the outcome of the war between Iraq and Iran. For instance, Muammar Qadhafi of Libya sided with Iran in order to heir the legacy of late Gamal Abdel Nasser's of Pan-Arabism (Ahrari 1985:272). During that period, Qadhafi treated Egypt more or less as a pariah on the Arab world as result of its peace treaty with Israel and also perceived Iraq and Syria as two sources of threat for their ambitious strategic dominance in the region (Ahrari 1985:272). On the other hands because of the political posture of Iran under Khomeini, the Saudi Arabia and other Persian Gulf Sheikdoms not only sided with Iraq in the Iraq-Iran war but also invested billions of dollars in the Iraq war-chest.

Thus the decline of OPEC as true cartel was largely occasioned by disputes among its members motivated by ideology, territorial ambitions and hegemonial designs which thereby affected in international oil market. The Gulf war in 1990s occurred in the wake of Iraq hegemonial territorial claims over one of the OPEC members Kuwait negatively impacted the oil market. The same stories went in late 1990s where we witness the collapse of oil price in market down to 10\$ in 1997. Of course, due to Asian Financial crisis in 1997, the demand of OPEC oil by Asian countries was reduced down to 1.9 % yet, the OPEC members instead of adjusting to international economic movement, members like Venezuela embarked a campaign to increase oil productive capacity from 2.8 mbd in 1999 to 7 mbd 2010. Besides, Iraq aggressively increased oil

²⁸ More discussion of Khomeini regime threatening the Persian Gulf states, see Ahrari, Mohammed E. (1984), "Implications of the Iranian Political change for the Arab World", *Middle East Review*, 16(3):17-29.

export through the U.N. Oil for Food Programs. Thus the oil price fell further due to over-production and the consequence of surplus available in the market.

Saudi Arabia as oil stabilizer:

On several occasions where OPEC could have gained its momentum in international oil market by maintaining its position as true cartel but failed due to difference in political and economic interest of respective OPEC member state and thus it declined in displaying the role of price administrator in international political economy. Although OPEC failed or declined in its functioning as true cartel, the OPEC member Saudi Arabia on several occasion came forward and play the role of stabiliser in oil market which greatly benefited the world at large, particularly the United States. Saudi Arabia being the largest oil proven reserve and largest producer and exporter of oil, its position in international oil market is vital globally. Saudi Arabia importance stems not only from the fact that it is the single largest suppliers to oil markets but also form its ability to serve as the “swing producers” as the producer of last resort (West 2005:204). In other words, whenever any instability in the oil market arises due to political or economic reason, the Kingdom has willingly come forward and filled the losses of oil production in other oil producing region by increasing or by maintaining roughly to 2mbd of idle capacity above or beyond its daily production need in international oil market.

Except the oil shock of 1973 where Arab OPEC members embargoed oil, the role of Saudi Arabia relies on two related oil norms i.e. Saudi Arabia would oppose serious cuts in oil production within OPEC, unless warranted by depressed oil price and it would put more oil on the market in the event that the oil supply was threatened by crisis or by a deliberate reduction by one or more oil producer (Yetiv 2004:152). No other oil producer countries in the world can perform these two roles to the extent as Saudi Arabia has been doing from the last four decades. These norms followed by the Kingdom of Saudi Arabia is important in the story of oil security to the world at large and particularly for the OPEC, as some of the OPEC members wanted to be more opportunistic in the oil realm where in order to earn more revenue, few OPEC members reduce the oil production which led to go scarce in the oil market and thereby resulting into high price. Again when oil demand rate increase in the market, few OPEC members rise the production against

the limits of adopted quota of OPEC principle, which result into low price and thereby affect the income of revenue of oil producing states to meet government budget. Therefore, in order to maintain the adopted quota of OPEC principle or whoever state of OPEC leap out the limits of quota, Saudi Arabia would punish by increasing its own oil production. The simple reason behind this role lies on the fact that Saudi Arabia has the largest proven oil reserve and also the largest producers than any other oil producing countries of the world. In chapter one, we have learn that Saudi Arabia holds the largest proven oil reserves with 264.3 billion barrel of 21.3 % of total world reserves which is followed by Canada.

Table 1.7: OPEC Proven Oil Reserves (Thousand million Barrels)

<i>Opec states</i>	<i>At the end of 1987</i>	<i>At the of 1997</i>	<i>At the of 2006</i>	<i>At the of 2007</i>	<i>Share of total %</i>
Algeria	8.6	11.2	12.3	12.3	1.0 %
Angola	2.0	3.9	9.0	9.0	0.7 %
Ecuador	1.6	3.7	4.5	4.3	0.3 %
Indonesia	9.0	4.9	4.4	4.4	0.4 %
Iran	92.9	92.6	138.4	138.4	11.2 %
Iraq	100.0	112.5	115.0	115.0	9.3 %
Kuwait	94.5	96.5	101.5	101.5	8.2 %
Libya	22.8	29.5	41.5	41.5	3.3 %
Nigeria	16.0	20.8	36.2	36.2	2.9 %
Qatar	4.5	12.5	27.9	27.9	2.2 %
Saudi Arabia	169.6	261.5	264.3	264.2	21.3 %
U.A.E.	98.1	97.8	97.8	97.8	7.9 %
Venezuela	58.1	74.9	87.0	87.0	7.0 %

Sources: BP Statistical Review of World Energy, June 2008. pp.6

Again, looking the total proven oil reserve of the OPEC member states, in the above *table 1.7*, according to BP 2008, the Saudi Arabia's holds the largest with 264.2 billion barrels of 21.3 % of world total reserves, followed by Iran with 11.2 %, Iraq with 9.3 %, Kuwait with 8.2 %, U.A.E. with 7.9 %, Venezuela with 7.0 %, and is followed by Nigeria, Libya, Algeria, Qatar, Angola, Indonesia and Ecuador. Thus, being the largest proven oil reserves among the OPEC state and also in the world, Saudi Arabia without fear can punish any other oil producing states that cross the limits of the international oil market production. The role of 'swing producer' played by Saudi Arabia is crucial to maintain

stability in international oil markets. Although in the current international oil market, according to BP, discussed in the first chapter in *table 1.4*, Russia is the largest oil production leaving Saudi Arabia in second position, yet according to petro-economist Vijay V. Vaitheeswaran (2007), the manner Russia produce oil is consider as 'free-rider', pumping without restraint in order to take the advantage of the high price made possible by global demand which in return builds its economy from oil revenue. If we look the *table 1.4*, of first chapter, the Russia's proven oil reserves is much lower which is 79.5 billion barrels accounting for only 5.8 % of the total world proven reserves against the giant OPEC members of Saudi Arabia where the proven reserve is more than 250 billion barrels accounting for 21 % of the total world proven oil reserve.

On several occasion whenever oil crises occurs in the markets Saudi Arabia came forward and display its role which I discussed below.

Second oil Shock 1978 (Iranian Revolution and Iraq-Iran War): The second oil shock began on 13th October 1978, when Iranian oil workers went on strike at the Abadan refinery and within a few days, all the oil installations of the neighbouring region were hit by the movement (Terzian 1985:267).Iran oil production before the strike which produced more than 6mbd crude oil period came to a standstill by 18th October. Indeed, this strike by more than 70,000 workers was prelude to the great Iranian revolution which got underway in early 1978 as Pierre Terzian (1985) asserts that 'everyone agrees' that this strike was the curtain raiser for the revolution of 1979.

The consequence of Iranian oil strike impacted the oil market Iran because oil production of 5 mbd did not just disappear off in the market from the day one of the strike but could manage to sell only 2.9 mbd on an average. The real shortage came by the end of January 1979 when Iranian crude oil sale came to a complete standstill (Terzian 1985:260-261). The oil market reacted immediately to the removal of Iran oil production in the market, where by the second week of February 1979, Gulf crude price oscillated between 21\$ and 23\$ and the African Light crude price reached 24\$ a barrel (Ghanem1986:151-152). Thus, in the wake of shortage of oil in the markets, Aramco raised Saudi production to 9 mbd and even to 10 mbd by the day in November and December, as against 7.5 million barrel a day for the period January-August 1978

(Terzian 1985:260). Thus, Saudi Arabia filled the gap in the market left by the Iranian strikes. But in the second half of the 1980s, the market began to react where a substantial excess of supply over demand emerged and thus in Vienna 1980, OPEC took the first step towards a reunification of price. Exactly five days after the end of OPEC Vienna meeting on 22nd September 1980, the Iranian-Iraqi war broke out.

Unlike the previous oil shock where crude oil price increased due to cut or loss of production by oil producer countries, when Iran-Iraq war broke out, the international oil market was experiencing a definite surplus of supply over demand which was mainly due to three reasons: firstly, Saudi Arabia insisted on flooding the market so as to force its OPEC partners to bring oil prices down to the levels deemed acceptable by Riyadh; secondly, the discovery of oil in offshore by several countries like Britain and Norway in North Sea and the United States in off its coasts and Alaska North Slope, Canada in Alberta and Mexico led to the available surplus of oil in the market. As discussed in the first chapter, the Knowledge structure played a vital role in discovering new oil fields and thus the developed countries with their technology were able to discover new oil fields resulting in undermining the OPEC oil production. With this development, the non-OPEC oil production increased by 40 % of global oil supply in 1982 and to 54 % in 1985 (Rose 2004:436). Indeed the discovery of new oil fields was a great relief to the countries which has suffered immensely from the OPEC oil shock of the 1973 when available oil supplies grew scarce (Rose 2004:436).

In spite of war in the Gulf and the cuts in Iranian and Iraqi oil production, a substantial surplus of oil had emerged leading surplus of oil. From the market point of view, there was only surplus availability in the market due to the above reason.

Third oil shock (Gulf War 1990s): In the third oil shock which also occurred due to Iraq's invasion of Kuwait in 1990s suggests that the single most important factor for maintaining oil stability in the international market was Saudi Arabia. Had the Saudi Arabia been unable or unwilling to respond as what they did during the Gulf crises, the history of the Gulf crises would have been far different. According to the U.S. Department of Energy, in the week following the Iraq invasion of Kuwait, the U.N. embargo against Iraq oil export had the effect of removing approximately 4.0 to 4.3 mbd

from world supplies of crude oil. As a result the oil price in the market rose by leaps and bounds during the initial period from 13\$ per barrel to 20\$ by mid-July. By 2nd August, the day of invasion, oil reached 24\$ per barrel and finally the prices moved steeply higher in the following weeks, peaking at 40.42\$ on 11th October.

Before the conflict arose, both the Iraq and Kuwait of oil export contributed to approximately 7 % of the total global oil demand. Lieber (1986) writes, a short fall of this magnitude, had it not been offset by production increases elsewhere, would have been in the same range as the one that triggered the 1973 oil shock and would have been larger than the 4 % shortage experienced during the second oil shock of 1973. Moreover, even though a supply shortage did not materialise, the economic impacts of sharply higher oil prices threatened to be significant. Lieber thus, argues that had oil remained at an average price of 30\$ per barrel for all in 1991, instead of receding to 20\$ by late January 1991, the industrial democracies of the Organisation for the Economic and Development (OECD) would have seen 2 % additional inflation, 0.5 % reduction in gross national product (GNP) growth, and an adverse 90\$ billion shift in the balance of trade.

But in reality, despite the loss of Iraqi and Kuwait crude oil, and fears that war could further reduce supplies of oil from the Gulf, sufficient oil became available to offset the potential shortfall. Indeed, during the gulf crises almost 80% of the oil production came from Persian Gulf States and from other member's countries of OPEC, yet Saudi Arabia proved to be the greatest sources of increased production. According to U.S. EIA report of 1991, between December 1989 and December 1990, Saudi production of crude oil rose by nearly 2.9mbd to a level of almost 8.6 million barrel per day. In other words in response to Gulf crises on 17th January 1991, twenty-one members of the International Energy Agency pledged to make available 2 mbd from their reserves. Here again, the Saudi Arabia made up the largest increasing production level of crude oil.²⁹ By mid-January of 1991, oil prices fell below 20\$ per barrel, returning close to pre-Gulf crises level. In sum, there were no real crises developed as the shortfalls from Iraq and Kuwait were effectively offset by other oil producing countries, particularly by Saudi Arabia.

²⁹ For detail figure of increased production level of crude oil by respective countries during Gulf War of 90s see U.S. EIA, *Monthly Energy Journal Review* (1991) Washington, D.C.

Saudi Arabia is not only confront the role to increase oil production, when some oil producing states loss its production due to political instability but also use as a weapon to punish any oil producing countries of OPEC that fails to abide the quota system for production level. For instance, due to Asian financial crisis of 1997 the demand of oil was reduced to 1.9 % in which the oil price in the market was down to 10\$ per barrel, yet adding fuel to fire, OPEC state, Venezuela in 1998-1999 increased the level of production of crude oil. Therefore, in order to punish Venezuela for crossing the limits of OPEC quota, Saudi Arabia also increased the level of productions of crude oil which only added surplus of oil in the market thereby affecting the oil producing countries as their revenue depend on oil export and threatened to undermine the Saudi economy and to foment domestic instability (Yetiv 2004:154).

Again in 2002, when Iraq cut oil supplies to the world and at the 28th meeting of Organisation of the Islamic Conference when called on the Arab states to use weapon in order to pressure Israel to withdraw from West Bank towns but Saudi Arabia assured global markets that it would not use the oil weapon and would continue to supply markets in order to keep the price down (Yetiv 2004:156).³⁰ In 2003 alone, the world witnessed unprecedented internal political stability in three major oil producer state i.e. oil employer strike in December 2002 in Venezuela resulting in a loss of almost 3mbpd of crude oil production, ethnic clashes in Nigeria and Iraq invasion. In response to all this events, Saudi Arabia steps in by increasing the level of production to make up the loss of some 2mbd thereby, preventing an imbalance that would have been rapidly driven up the price of oil to untenable levels.

Thus in discussion of this chapter, where the international oil system has been shifted from the role of oil companies to oil producing countries in late 1960s, it can be assert that the 'system of oil', since the days of Rockefeller where in order to earn profit one has to pushed down the others in the competition, perhaps has been inherited the same system of role even among the OPEC members. The OPEC which was formed to play as price administrator fail or decline due to difference of interest in the member state

³⁰ Some official of Gulf Arab felt that such an embargo would hurt Arab exporters more than the United States, while Iran argued that an embargo would work only if all Arabs producers joined, strongly hinting that Saudi Arabia was key. But Saudi Arabian Foreign minister Saud al- Fasiyal argued that Arab countries depended on such revenues for their development and could not afford the looses.

as what we have learn in the discussion. Every members of OPEC put their own interest but in reality it only contributed in decline rather in maximizing its role as true cartel. The same story had happen in the days of Rockefeller where several oil companies compete to each with the aim to earn more profit but the result was only negative. Indeed the Standard Oil Co. (Chevron) of Rockefellers provides the stability in the oil market in early days by monopolising the other oil companies. Thus the same system can be recall among the OPEC, as the members of the OPEC have different interest to win over the other member's states. But it's the Saudi Arabia that provide the stability where we have learned that the Kingdom of Saudi Arabia would use oil as weapons to punish any OPEC members state that cross the limit of quota system. Also, the Saudi Arabia can increase the level of oil production in case any oil states cuts it production thereby affecting the oil stability in the market.

Indeed the role being play by Saudi Arabia is vital globally for the oil security, yet greater challenges remains on the part of Saudi Arabia domestically, where the most genuine challenges on the part of Saudi Arabia is stability itself within the Kingdom. Since the 9/11 and the withdrawal of U.S. military forces from Saudi Arabia in 2003, attention turned towards the stability of the Saudi regime. There is no simply way for the world to forgo Saudi oil without an enormous increase in oil prices and untold damage to the world economy. The rise of radical Islamism inside the kingdom throws genuine signal in the functioning of the House of Saud administration.

Chapter Three

The United States and Saudi Arabia Relations in Cold War Periods

The Middle East region is being marked by variety of regional conflicts, civil war and external interventions. Prior to the First World War the Middle East region, for European imperial powers holds no special consequence. It was the British government only promoted the region for geo-political reasons in order to secure the integrity of the Ottoman Empire against the rising power of Egypt Muhammad Ali, Egypt formerly a province of Porte had declared independence from it, and The Sultan of the Ottoman Empire granted the British commercial concessions. As a result, the British became a leading foreign empire's commercial partners with the Ottoman Empire. But with the end of the 2nd of world war, the political and economic importance of the Middle East has stemmed up mainly from its oil resources, which accounts 68% of world proven reserve. However the Middle East conflicts which we are witnessing even in today international politics is something not new as the history shows that in the Middle East, conflicts had been occurred in the past or it is the continuation of those conflicts into the contemporary international politics. The Islamic Civilization which was founded on an 'Idea of Unity', the unity of the entire world under one God begun to decline and disintegrate, shortly of the Prophet death (Magnus 1971:7). Ibn Khaldun, a historian of Middle Eastern describe that with the fall of an effective power of the Abbasid Caliphate in the 9th century, the history of Islam became the cyclical rise and fall of empires and civilization (Magnus 1971:7). In general, the Islamic civilization failed to evolve a viable political structure i.e. the nation-state and there was an ideal in the unity of all Muslims. On the other hand, there was a reality of strong local and blood ties on the town, village and tribal level. During the course of anarchy in the Middle East, the rise of the Ottoman Empire in Turkey and the Safavid Empire in Persia in the 15th and 16th century's atleast brought order in the region where both the empires based their legitimacy on Islam.³¹ Indeed, the

³¹ The Safavid established the Shia branch of Islam as a kind of state religion and reinforced it by Iranian nationalism against the foreign Arab and the Turkish cultures.

Ottoman Empire was the most successful established empire of all the Islamic Empires where it developed a strong dynastic loyalty by solving the crucial problem of autocracy and above all, they maintained their Islamic legitimacy by engaging in a long series of war against the Christian and the heretical Shia of Persia (Magnus 1971:8).

But in late 17th century, the great Ottoman Empire begun to decline and significantly it was during this periods saw the development of the basic lines of the present Middle East situations (Magnus 1971:8). The decline was marked by successful military defeat and loss of territories against the rising European power. Finally, the result of the World War 1st ended the Ottoman Empire and a larger part of the Middle East was substituted by the British Empire. But with the discovery of oil in the 20th century, the region became an important in the eyes for the rising European powers.

The U.S-Saudi Arabia relations:

The U.S-Saudi Arabia relations has been existed for nearly half a century, where in initial period it has been treated with neglect. Despite the recognitions of the Kingdom in 1933, American influence on Saudi Arabia was limited (Bronson 2006:33). Saudi-America ties began with only the slightest of contacts as no American diplomat visited in a formal capacity until 1940, when the U.S. envoy to Egypt, Bert Fish, was co-accredited to the Kingdom of the Hijaz and Najd and its dependencies, as it was then called (Pollock 2002: 2). In that year, he had left to serve in Cairo, Fish made just a single trip to Jeddah to meet the rulers and the founder, King Abd al-Aziz (Ibn Saud). Till the outbreak of 2nd world war the perceptions of Saudi Arabia by U.S. was limited to only a few oil men as well as to small numbers of government officials who had interested only in promoting the U.S. oil firms in doing business in overseas. But with the outbreak of 2nd world war, the United States' interests in Saudi Arabia became important due to strategic position for military operations. Again, with the outbreak of cold war politics the military relationship of Saudi Arabia and the U.S. became even more exclusive than the commercial of oil. The United States' and Saudi Arabia relations is crucial as the former is militarily strong and increasingly dependent on foreign imported oil and it is the latter that provide the stability to the oil markets in the wake of any disruptions. However the U.S.-Saudi

relations also entered and have tempted time to time on the critical issues of Israel, where Saudi Arabia even imposed oil embargo along with other Arab OPEC members.

For better understanding of the U.S-Saudi relations in international politics, I will be dividing this chapter of discussion into two sections, where the first section will discuss the history of how an American official and oil companies came to influence or ventured in Saudi Arabia as well as in the Middle East and for this it will cover the period prior to cold war politics. The second section will be discussing the nature of U.S.-Saudi relations in international politics during cold war politics how it has evolved and what type of strategy were formulated given that in an anarchy environments in Middle East and it will cover the period till the end of cold war politics. The nature of U.S-Saudi relations with the end of cold war will discuss in the fourth chapter.

Presently, among the oil producing countries, Saudi Arabia is the largest oil producing countries as well as the largest proven oil reserve and also the Middle East holds the largest oil production and reserves. Therefore, for all industrial countries, the Middle East has become a life-line for importing oil. However the political instability in the region greatly has significantly affected the international oil market. There is significant implication on the relation between the United States and Saudi Arabia's, as the former is militarily strong and heavily dependent on imported oil, whereas the latter is the largest oil producer and largest oil proven oil reserve in the world.

Genesis of American Influence in Middle East:

Before I proceed how American came to influence in the Middle East and Saudi Arabia, let be first highlight the historical background of how the Modern Kingdom of Saudi Arabia has came into existence. Prior to the discovery of oil, the Kingdom of Saudi Arabia was relatively unknown to most of the growing European imperial powers as well has been neglected by the Ottoman Empire, though the Saudi Arabia was under his rule.

Saudi Arabia is a conservative Muslim Monarchy ruled by a powerful King whose authority are derives from a large, closely knit royal family (al-Saud), group of religious scholars (ulama) and powerful tribal chief support (sheikhs) throughout the land (Nakhleh 1975:29). The constitutional basis of Saudi government is lodged in Islamic Law (Sharia) which is supported by Sunna (Traditions) and the Hadith (action of the

Prophet Muhammad) (Nakleh 1975:29). The Saudi religious conservatism and support for strict adherence to the faith are based on the Wahhabite movement which was founded in 18th century by religious reformer Muhammad 'Abd al-Wahhab in the heart of the Arabian peninsula.³² As a result in 1744-1745 Muhammad bin Saud, amir of the Najdi town of Dir'riyyah and founder of the Al-Saud dynasty came under the influence of Wahhabism and became the ideological base for legitimizing Saudi rule (Long 1985:4). On the other hand, the Saudi Royal family assumed the role of defender of the two holiest places i.e. Mecca and Medina. Importantly, the Saudi Monarch has significant moral utterance on Jerusalem (the capital city of Israel), which is Islam third holiest shrine (Nakhleh 1975:29).

To understand the modern Saudi Arabia, the root is stretch back to 1744 and the desert town of Diriyah where in the central province of Arabian, the Nejd, Muhammad Ibn Saud, the forefather of today ruler and Muhammad Ibn Ab-ad- Wahahhab, an ascetic religious cleric committed to literal interpretations of the Quran, swore an oath allegiance (Bronson 2006:27-28). But with rise of Muhammad Ali of Egypt, the Najdi warriors were defeated and marked the end of first Saudi state (Bronson 2006: 28). Again 70 years later in 1884 the Saud was once again defeated by local tribal leaders, Muhammad Ibn Rashid, who was backed by Ottoman Empire. With the victory of Ibn Rashid, it produced the internal break up among the Al Saud family. However Ibn Rashid allowed Abdullah al Faisal al-Saud, the head of the Al-Saud clans to be the Governor of Riyadh but in course of time, his brother Abdul Rahman al- Faisal al- Saud succeeded him. Again, Abdul Rahman revolted against Rashid dominations in 1891 but his force were defeated and fled to Kuwait along with his young son, Abdel Aziz, the future king of Saudi Arabia. Despite taking refuge in alien kingdom of Kuwait, Abdel Aziz, the future king of Saudi Arabia never gave up his claims to his ancestral home. In 1902, Abdel Aziz invaded the Riyadh city wall and defeated the Rashid domination and began his reign of what today Saudi Arabia, the third Saud State.

³² The followers of Wahhabism are strictly based on 'Monotheists'. The founder, Muhammad 'Abd al-Wahhab came under the influence of an early Islamic jurist, Ibn Taymiyyah (c. A.D. 1262 to 1328), who followed the Hanbali school of jurisprudence, the most conservative of the four recognised schools of Sunni Islam.

After the attack, Abdel Aziz began a protracted effort to expand his power in all direction. In order to consolidate his power, Abdel Aziz drew his strength from the town Nejd, where the Bedouin tribes were majority and therefore he encouraged their development in order to harness the destructive power of the Bedouin tribes and bend them to his rule. Being a direct descendent of Wahhabism, Abdel Aziz inculcated the residents with the principle of Wahhabi Islam, an extremely ascetic interpretation of the Quran and intense desire to return to a life of replicating exactly to a life of the Prophet Muhammad. The new converts of the Bedouin fighting force were called the Ikhwan and they carried the principle of Wahhabism to all directions of the Arabian Peninsula (Bronson 2006:29-30).

Though the British maintained close ties with Sharif Hussein, the ruler of Mecca, Medina and the rest of the Hejaz, the growing power of Abdel Aziz really concerned the British. Though the British maintained cordial relations with Abdel Aziz by giving financial support, yet the British remained neutral in the Arabian contest between the Hashemite leader in the west and Abdel in the Nejd as both were in the British Crown (Bronson 2006:31).

Again in order to consolidate his power, Abdel Aziz with the help of the Ikhwan overran the small Turkish garrison (Haza) of large Shia populations in 1913. After Haza, Abdel Aziz turned his eyes to Turkish-backed Rashid clans and defeated them and the King married a Rashid woman in order to minimize his future security threats. But this result brought into bitter arguments between him and the Ikhwan because for the Ikhwan, fighting the Rashid clans was a distraction. Rather they wanted to focus an effort on Shia of Haza and they wanted the Hejaz, the home of Mecca and Medina (Bronson 2006:31).

Adding fuel to the fire, more trouble arose with the Ikhwan when Abdel Aziz conquered the Hejaz in 1924 and with this victory the King drove the Hashemite King Hussein, the direct descendants of the Prophet Muhammad from Hejaz and two Hussein sons were made rulers of neighbouring Iraq and Jordan (Long 1985:7). With this development, the Kingdom of Saudi Arabia has been constantly threatened or remains in a bitter relation even today in international politics as I will discuss in the second section.

As the Ikhwan were totally frustrated with Abdel Aziz's behaviour during the sacking of Hejaz, in late 1929 at the fateful battle of Sibila, the king therefore took an offensive to

counter the growing power of Ikhwan. In this battle the Ikhwan were all destroyed. The battle of 1929 provides an early powerful example of the tension between Saudi Royal family and religious establishment despite their mutual dependence for centuries. But one should not forget that such tension has still existed in present Saudi political environment (Bronson 2006:32-33). Thus with victory of 1929 battle, King Abdel Aziz, on September 23, 1932 declared his massive territorial to be the kingdom of Saudi Arabia.

Now importantly a question arises, why Abdel Aziz allowed only American oil companies for exploration of oil in Saudi Arabia, despite the British and the French has presence already been in Middle East before American entered and also why the House of Saud made allies only with America in strategic issue neither with British nor with Soviet Union. The explanation for allowing only American Oil company is most importantly based on Saudi religion identity. Firmly based on the principle of Wahhabism, Saudi Arabia perception of foreign policy could easily be understood. According to Classical Islamic, views of international relation is basically envisions a bipolar world made up of Dar al-Islam which mean territory under Islamic or God Law and the Dar al-Harb means territory of war or outside the rule of law (Long 1985:5). Thus under Dar al-Islam, all Muslims including all monotheists subscribe to divinely inspired revelation and under Dar al-Harb becomes the communist world (Long 1985:5). Thus from this perspective, Saudi antipathy to Marxism of atheists and to secular can be understood. In cooperating with the United States', the Saudi see themselves not as an "agent of Imperialism" but as fellow monotheists facing a global, atheistic, of Marxist threat (Long 1985:6). Because Soviet-inspired Communism was based on hostility towards religious belief, the more religious a country, the more likely it would be against Communism and look toward the United States'. Historian on Middle East writer, Bernard Lewis (1954) writes, "Pious Muslims will not long tolerate an atheist creed, or one that violates their traditional religious moral principles".³³ Thus Saudi attacked godlessness while American fought Communism and thereby become a natural partner

³³ In discussing the relations between Communism and Islam, Bernard Lewis does not bring the argument that Communism and Islam are totally compatible; rather he discusses 'how far' these two principles are compatible. For detail refer: Lewis, Bernard (1954), "Communism and Islam", *International Affairs*, 30(1): 1-12.

(Bronson 2006:26). However there are certain limitations or inconsistencies in adopting the classical Islamic theory to contemporary bipolar world.³⁴ The most difficult anomaly is Arab-Israel problem. Thus for the United States' is seen as the ultimate defence against world domination by communism and on the other hand it is seen as ultimate supporter of Zionism. Therefore, it becomes difficult for Saudi Arabia to rationalise their relations with United States in terms of Arab-Israeli problem.

Again on question of why successive Saudi Arabian leaders turned to the United States, years after years during crisis also lies deeply in the Kingdom's history (Bronson 2006:27). The historical background of Saudi Arabia as discussed above we have witnessed the continuance territorial invasion from outside. Moreover, after the formation of modern Kingdom also continuance external threats have threaten the royal family and therefore to secure the political stability of the kingdom and territorial integrity, the Royal family turns towards the United States' for security. The Saudi sense of encirclement has been no less strong in late 70s and 80s be it in Marxist insurgencies in Yemen, Nasser of Egypt and Soviet position in south of Ethiopia and Afghanistan. Thus, such "encirclement syndrome" has greatly influence the U.S and Saudi relations (Long1985:7). Though the British was already maintained there protectorate in Aden, Iraq, Jordan and Palestine, but it is the United States' provided a natural counter to British hegemony and therefore always guide Saudi Arabia foreign policy pushed, away from British and towards to Americans.

American Oil Companies influence in Saudi Arabia: As mentioned above that it is the oil companies who first came to influence the Kingdom of Saudi Arabia. The Ottoman Empire came to an end along with the end of the Second World War, where most of the Ottoman Empire was divided between the France and British. However before the disintegration of the Ottoman Empire, the British, the French and the Dutch had already ventured in the Middle East and obtain concession for oil exploration from the rulers and

³⁴ During cold war politics though the policy makers attempted to mold the world problem into U.S.-Soviet rivalry of bipolar world, yet many aspect of international system do not fit the Saudi bipolar, say the classical Islamic theory.

draw an agreement of what known as 'Red Line Agreement'.³⁵ The Red Line Agreement declared that in old Turkish Petroleum Co.(TPC) all parties agreed not to seek concessions in what was then the Ottoman Empire (Pelletiere 2001:56). In order to maintain hegemony in the Middle East, on 24th April, 1920, the British and the French entered into an agreement known, 'San Remo agreement' which declared the transfer of the Mosul oil fields (Iraq), from the old Turkish sovereignty to British-controlled mandate and TPC was renamed the Iraq Petroleum Company (IPC). Under this agreement the French was granted 25% share in TPC that had formerly owned by the German (Long 1985:10). Though the United States in the Middle East in late 1920s was interested in obtaining concessions but due to San Remo Agreement it could not enter into the Middle East and obtain concession for oil exploration³⁶

Moreover by the end of the 1st world war, an outfit called the British Controlled Oilfields Groups appeared and brought oil properties in Central American and Latin American. But when the American oilmen went down to Southern Hemisphere, the French and the British expelled the American. This was unacceptable to American because since the America became independence, they maintained the Southern Hemisphere as their 'Sphere of Influence'. Thus, with this development, the Anglo-American entered into conflicts and significantly, it can be asserted that for the first time the American government entered into arena of oil politics to help American oilmen in the Middle East (Pelletiere 2001:32). With expelling the American oilmen in Latin American as well as debarring them in the Middle East, the U.S. administration with the principle of 'Open Door Policy' approached the British to allow American oil companies to prosper in the Middle East. On the hand, the U.S. Congress threatened to pass legislation that would effectively punish the British Companies doing business in the United States. Accompany this activity in the Congress went a campaign in the press that claimed that the United States was running out of oil. Several respected bureaus of the federal government, including the Geological survey, announced that, at the present rate

³⁵ The Red Line Agreement was basically drawn by an Armenian entrepreneur, Gulbenkian, who in 1914 had drawn red line on the map of the Middle East that took in all the territory of an old Ottoman empire except Kuwait and Egypt. And this was the demand of the British because it doesn't want the German to establish a strategic position in the Persian Gulf on the pretext of developing commercial relations. Though Germany was defeated in 1st world war, yet the restraining clause was still kept.

³⁶ Under the San Remo Agreement, every territory in the Middle East was earmarked for the exclusive development by the French and the British.

of consumptions, America could not hope to satisfy its energy needs 18 years (Pelletier 2001:33). Moreover the speculation of 'oil scarce' during that period in the United States was also initiated by number of academic as journals began to allege that Britain was plotting a war on American. Also it was also alleged that the Oilfields Group brought a property around the Isthmus of Panama (Pelletiere 2001:32).

Although, the Britain protested vociferously against the above allegation made by American, yet it could hope to prevail. Thus, with end of the 1st world war, where American came out with victory for the allies, the Britain set the mind for extracting the concessions from the allies. Hence, without surrendering any properties in the Central and Latin American, the British eventually offer to open up the Middle East to an American and share in the Mosul Concessions.

Indeed, the history shows that the American was not the first to be interested in Saudi oil. In 1922, Major Frank Holmes, a New Zealander entrepreneur and adventure obtained a concession to explore oil from Abdel Aziz, the Sultan of Najd. But the Sultan did not wish to open his country to foreign explorations as what he had seen the experience in neighbouring countries where it monopolised the oil concession in profit sharing. In meantime, Holmes obtained concession in Bahrain from the Sultan, where the Gulf picked up the concession but due to the Red Line Agreement, which was a member of the signatories, unable to pursue the concession and subsequently sold to Standard Oil Company of California (Socal) which was not the signatory of the agreement. Thus with discovery of oil in Bahrain, the Socal geologist turn their eyes to Saudi Arabia.

To provide concession for oil exploration to American Oil Company in Saudi Arabia came along with the development of 'Great Depression' in late 1930s which hit the world economy severely as the 'Great Depression' hit across the world. For Saudi Arabia, during that period, the main revenue was from Haj pilgrims to Mecca. But consequently decline due to collapse of world economy by great depression. Consequently, St. John Philpy, an Englishman, persuaded the King Abdel Aziz to grant concession to oil companies. Though from IPC also came forward to obtain concession but in 1933, the King Abdel awarded the concession to an American company, Socal , a sixty years to explore for oil in an area in Eastern Arabia covering 360,000 sq/km. In return, the company agreed to provide the king with a 50,000 pounds in advanced and the

also the king also secured an annual payments of 5000 pounds (Bronson 2006:17). Though in initial periods, oil explorations were limited but in 1938, significant oil was struck in commercial quantities in the Dammam site. But the prospect of oil industries in Saudi Arabia completely transformed with the discovery of the Ghawar field in 1948, which proved to be the world largest single oil bearing structure (Bahgat 2003:45). In 1936, Socal had agreed to share its concessions in Bahrain with the Texas Co. on 50:50 basis, where in return the Texas also granted to Socal a 50 % interest in Far Eastern (Pelletiere 2001:58). In 1938, it also made deal to include Saudi Arabia and new company was formed named, the California Arabian Standard Oil Co. (Casco). Later in 1944, Casco was renamed the Arabian American Oil Company (Armco).

The Armco had good relation with Saudi Arabia, unlike the other oil companies in other Middle East countries, the Anglo-Persian company and the Royal Dutch. The bitter dispute in early 50s between the Iranian authority and the British Petroleum was different from the smooth functioning between Armco and the Saudi Arabia government. In 1950, the Saudi government and the Armco reached an agreement on profit sharing on 50:50. In 1973 the Saudi government took 25 % stake in Armco. Again, later this share was increased to 60 % and in 1980 it was cordially agreed that Armco should be 100 % of Saudi government owned property. Finally, in April 1989, the last American to hold the position of Armco, John J. Kelberer, handed over power to its Saudi government, Ali al-Naimi, now present the oil minister of Saudi Arabia.

Understanding the U.S.-Saudi relations, one should not be focus on oil only which will give only partial dimensions. Indeed, no doubt oil is an important factor in the evolution of U.S.-Saudi relations, yet the military relation cannot be ignored between there relations. Given the facts that when the Saudi debts began to mount and the oil price fell dramatically, oil hardly explains why relations between the two countries became exceptionally close during 1980s. Also a singular focus on oil misses the way in which a broader convergence of interest helped the cement the relationship between the United States and the Saudi during cold war (Bronson 2006:22-23). Thus, the U.S.-Saudi relationship became a testing ground for how Washington would apply varying cold war policies in the Middle East (Bronson 2006:24).

Strategic locations: As mentioned above oil explain only a partial dimension of U.S.-Saudi relation, the military strategic locations of Saudi Arabia also holds an important position in explaining its relationship and this has become a testing ground for the U.S. policy in the cold war period in particular and also the Iraq invasion in 2003.

With the coming of the 2nd world war, the United States interest was rekindled not only in oil but in the strategic location of the country (Long 1985:14). The military relation were formally initiated on 18th February, 1943 when President Roosevelt's declared that Saudi Arabia is eligible for the U.S. Lend-Lease aid (Bronson 2006:24). Indeed, the aid to Saudi Arabia was done on the financial fragile of the Royal family but it was justified on the strategic ground. During the 2nd world war, the Persian Gulf provided an important staging ground for supply ground for Russians of an American ally and also the logistical route for supplying troops fighting against Japan (Bronson 2006 :24). Dean G. Acheson argued:

Saudi Arabia lies between the vital Red Sea and Persian Gulf shipping routes and across the direct air route to India and the Far East. The Government of Saudi Arabia has been highly sympathetic to the cause of the United Nations [Allied forces] and has accorded United States Army aircraft the right to fly over certain uninhabited zones of Saudi Arabia. Furthermore, the Army may at any time wish to obtain extensive air facilities in Saudi Arabia. However, the Department is of the opinion that it will be difficult to obtain additional privileges from the Government of Saudi Arabia unless we are prepared to furnish certain direct assistance to that country (Bronson 2006; Long 1985:33; 24).³⁷

Thus on 5th August 1945, an agreement was reached between the U.S.-Saudi for the construction of an air base at Dhahran and agreed to turn over the air base to Saudi Arabia at the end of 3 years periods following the hospitality against Japan. The military relations begun to waned at the end of the war but gained a renewed importance with the mutual U.S.-Saudi perceptions of the Soviet threats to the region, which I will be discussing in the following sections. After the 2nd world war, the U.S. viewed of its oil interest in Saudi Arabia was significantly diminished but it does not mean that the U.S.

³⁷ This was the letter from the Secretary of the States to the Lend-Lease Administrator. For detail refer, *Foreign Relations of the United States (FRUS)*, Washington, DC: GPO, 1943.

interest in Saudi oil ceased, rather the broader political and strategic threats of communism and the Soviet support of radical nationalism in the region took precedence over oil interests in U.S.-Saudi relations. During this periods, though the Saudi Arabia oil production was small, yet it served to enhance the kingdom overall strategic importance. Oil field security was major elements of Saudi economic interest and protections from foreign threats, particularly the Soviet orchestrated regional instability dominated Saudi military security interest (Long 1985: 34). Thus, these two interests i.e. oil security and the Soviet threat became and has remained the cornerstone of the U.S.-Saudi relation during cold war periods.

U.S.-Saudi Relations in International Politics during Cold War Periods:

The trajectory of the U.S.-Saudi relations has been influenced by many factors but here I will be limiting my discussion that provides insight for relevance for oil stability only. Although the U.S. has been increasing been able to count on other Arabs states to play an important security and economic roles, the Saudi relationship remains an important. The relations of the U.S.-Saudi during cold war have been tested and swing by different political and security issue, yet the relations the relations between them remain cordial in most of time.

After the 2nd world war, the United States went into the Middle East for two main reasons, oil and the containment of the Soviet Union. Indeed, American oil interest was originally a commercial interest but with the onset of the cold war, it also took its place in a general political-military strategy (Campbell 1972:124). As mentioned earlier of this chapter that Saudi Arabia was encircled with an enemy and therefore inorder to defend the territory, the Royal family of Saudi Arabia look upon the American for security. Thus in this section, I will be discussing how American-Saudi during cold war periods, giving the fact that the Middle East in general and the Saudi Arabia in particular the world largest proven oil reserves and the American allies of Europe and Japan depend for oil supply in West Asia, how American displayed its strategy for oil stability in the region.

In discussing the relationship of the U.S.-Saudi, I will bring the notion of realist perspective of 'balance of power' in the international politics of how it work in shaping its relation between this two countries. The Middle East in international politics is

dominated by variety of conflicts. During cold war periods the great powers were heavily engaged in the region because of oil and the strategic location of key actors and as a result it lead into competitive balancing by number of states (Miller 2004:239).

Realist perspective of International Politics: Since the coming of Kenneth Waltz, 1979 book, *Theory of International Politics*, the influential theoretical work in the study of international relations, the notion of balance of power became a centre stage in international politics for both the realists and their critics. In defining the political structure of international relations, Waltz writes that balance of power theory is the most distinctively political theory of international politics (Waltz 1979:117). Waltz assert that in anarchic order balance of power occurs when “two or more states coexist with no superior agent to come and aid of the states that may be weakening or deny to any of them the use of whatever instruments they think will serve their purpose” (Waltz 1979:118). Thus according to Waltz, the central argument of the balance of power theory assert that states in anarchy “balance” rather than “bandwagon” (Waltz 1979:126). Waltz asserts that in hierarchic political orders, political actors tend to bandwagon of the leading actor because losing does not put the weak state security in jeopardy (Waltz 1979:126). But in anarchy to bandwagon of the rising power is becoming a prey to that power.

However, the balance of power dynamic is also relevant to regional subsystems. In the sub regional systems, the rising power or coalitions of actors causes the problem, when an actor or a coalitions of actor gain too much military power within a region or undertake aggressions or predatory behaviour role towards neighbouring states and to counter such danger, coalitions of regional states can be form to balance with or with an extra-regional great power states (Paul 2004: 7). In the sub regional systems to balance against the rising power will often lead to acquire or modernise weapons that could balance the capabilities of a neighbours who has the advantage through its own innovations or through procurement of arms from abroad (Paul 2004:7). The Middle East region is a hard case for regional balance of power in international politics. Patrick Morgan (1994) writes, for regional states to achieve balance of power it tends to put great emphasis on the autonomy and manipulate their relationship primarily on the basis of the relative power capabilities. It is noted that when the political actors in the bipolar system

intensify its rivalry, the competitive balancing is also extended to the periphery of the international systems (Wirtz 2004:133). Thus the balancing is extended to various regions where regions are affected by the global capabilities because of strategic location or economic importance. For instance, during cold war period the U.S.-Soviet rivalry was extended to South East Asia, Far East, Caribbean region and Middle East.

The international anarchy means the absence of an international government and the lack of an effective mechanism for enforcing international agreement (Miller 2004:240). But Levy asserts that the regional systems, unlike the international system are not pure anarchy because of the influence of the great power. The great power can play the roles of police, protector, guarantor, referee and bankers in the regional politics (Miller 2004:240). On the other hand, the regional balance of power is not autonomous because the regional actors are heavily depended on the numbers of growing powers in the international system and on the type of regional involvement in which the great power are engage (Miller 2004:240).

However the debate among the scholars of international politics which states choose to ally more often with weaker or the stronger in a conflicts has sparked a rich and heated theoretical debate. Stephen Walt modifies “balance of power theory” of Waltz by naming “balance of threats” by emphasizing the role played by “threat” perceptions in stimulating balancing behaviour among the states rather than by “power”, contrary to Waltz balancing on power. In the Stephen Walt works, *Alliance Formations and Balance of World Power* (1985), Walt argues that states tend to balance against threats and not necessarily against power (capabilities). Weaker actions could therefore perceive the power of an existing or rising state as benign and not to be balanced by countervailing power. In his work on alliance formation in the Middle East, Walt tests his theory and concludes that balancing against powers is not common but balancing against threat is more prevalent in the regional subsystem. Walt asserts that states alliance choices are driven by imbalance of threats, which means when one states or coalitions is especially dangerous. The factor that determine balancing or bandwagons are aggregate power, proximity offensive capability and the offensive intentions of a powerful actor (Walt 1985:9-13). Walt assert that states sometime bandwagon with powerful state, especially if that offer them security and economic advantages. Bandwagoning logic claims that

balancing is not the natural behaviour of states, which it is indeed joining hands with the powerful hands with powerful which is the dominant pattern of state behaviour. Walt identifies two motives for bandwagoning with a threatening states or coalitions i.e. to avoid an attack on oneself and to share the spoils of victory.

However, Walt argues that balancing is more common than bandwagoning because “alignments that preserve most of states freedom of actions are preferable to accepting subordinations under a potentials hegemon. Since, intentions can change and perceptions are unreliable, it is safe to balance against potential threats than to hope that strong states will remain benevolent” (Walt 1985:15).

The close ties between the United States’ and the Saudi Arabia operate on several levels i.e. strategic, military and economic. Besides the custodian of the two Holy Mosque, Mecca and Medina, the Saudi Arabia in international politics holds that it is the only states with the proven oil resources that can act in the evolution of oil stability for which I will be discussing in the third chapter. Therefore given the role of oil stability in international oil market, Saudi Arabia in international politics plays a crucial role. As mentioned in first chapter that political stability in the oil producing regions is the most essence for maintaining stability of oil price in international market and thus the Middle East in general and the Saudi Arabia in particular is such classic example in international politics.

The U.S.-Saudi relation is important as the former is militarily strong and increasingly dependent on important oil and the latter is the largest oil producer states. The security threats both from external as well as internal to Royal family of Saudi Arabia during war period have made the U.S.-Saudi relation closely in numerous occasions. As mentioned above when the global rivalry is intense in the bipolar system, it extends to sub regional system and thus the Middle East has been the classic example in the international politics. No doubt, the Soviet presence in the Middle East has grown through opportunist diplomacy by expanding it influences in certain states through arms deliveries, economic aid and political support (Campbell 1972:126). In course of cold war period series of events has occurred in the Middle East which provides significant implications in the U.S.-Saudi relations and thereby affect the oil stability directly as well as indirectly.

Pan-Arabism under Nasser: Perhaps the first testing ground for the U.S.-Saudi relations during cold war period was on the question of Pan-Arabism. Coincidentally during this period, the second Israeli-Arabs war took place on 29th October 1956, which the United States' and the Saudi Arabia were at the cross road. Unlike Stalin, Khrushchev's strategy was primarily a manipulation of local forces to the detriment of the Western position rather than a campaign to intimate local governments or to make gains through negotiations with other outside power and thus finds his position where he exploited and supported Arab regimes that were dedicating their efforts to revolutionary change which opposed to more conservative regimes which were closely associated with the west (Campbell 1972:127). To balance against the Soviet penetration in the Middle East, the Western in 1955 established a military pact comprising Iraq, Iran Pakistan and Turkey known as Baghdad Pact (Miller 2004:244). But the Soviet Union over jumped by establishing close ties with radical Arab regimes in Egypt and Syria. Hence, for the first time the Soviet fully endorsed Arab positions in the course of Pan-Arabism.

In the Post-World war, when the world geared to interdependence the failure of Pan-Arabism stand out a tragic and spectacular (Major 1963:551). Fouad Ajami (1978) writes, "Political ideas (of Pan-Arabism) make their own realities. Often in defiance of logic, they hold men and are in turn held by them, creating a world in their own image, only play to themselves out in the end, shackled by routine problems not foreseen by those who spun the myth, or living past their prime and ceasing to move people sufficiently. Or, political ideas turn to ashes and leave behind them a trail of errors, suffering and devastations." Under the age of Pan-Arabism, the regimes of the States look small and petty and resisted the sweeping mission of Arabism and were sustained by outside powers that supposedly feared the one idea which could have turn into the classical golden ages of the Arabs (Ajami 1978:355). However my discussion of Pan-Arabism will not fall into why and what are the factors it leads to failed or retreat, rather my focus is on the implications of U.S.-Saudi relation in the context of Pan-Arabism.

The idea of Arab unity in its modern form dates back to about the mid 19th century where the greater part of the Arab world was still in the grip of the Ottoman Empire. The concept of an Arab nation bound by the ties of race, religion, and language and cultural had an enormous emotional appeal and during the First World War it

provided the successful revolt against the Turks led by the Hashemite dynasty of Arabia (Major 1963:551). In general, the loss of Palestine threw the Arab community into long period of turmoil and raises the nationalist generations and side by side with these revolutionary formations called for the unity of Arabs (Alami 1949:388). The first step towards Arab unity was initiated by Egypt Prime Minister Nahas Pasha with a proposal of Arab league signing in Cairo on 22nd March, 1945. But the weakness of the League were cruelly exposed by its first Arab-Israeli War of 1948-1949, where the Egypt and the Transjordan (now Jordan) exposed there difference in the war. Again in January 1951, taking the inspiration from the formations of the European Coal and Steel Community (now European Union, EU), Syria put forward a plan for Union of Arab States (U.A.S) (Major 1963:555). In the evolution of Pan-Arabism, the weakness and misunderstanding of the Arabs members states continuously exposed in series of an events. One of the prominent points that exposed the weakness among the Arabs states which failed the Pan-Arabism was on the leadership and ideologies issue (Rubin 1991). Each others have potential candidate and the contenders were divided into two quarreling blocs, where the one side of the new military regime i.e. Egypt, Iraq and Syria wielded the sword of radical nationalism and on the other hand, Saudi Arabia and Jordan defended traditionalism society using the shield of Islam (Rubin 1991:543). Moreover, among the ideologies, there was a battle for pre eminence among the Nasserism, Bathism, communism and Monarchy. Again within states, communal group struggle grown among the Alawites, Druze and Sunni Muslims in Syria; Christian and Muslim in Lebanon; Sunni and Shia Muslims and Non-Arabs in Iraq (Rubin. 1991:544). And thus, by 1967 Arab-Israeli war, it finally began to retreat which marked the 'Waterloo of Pan-Arabism' (Ajami 1978:356).

However in the context of U.S-Saudi relations, the Pan-Arabism has produced some kind of balancing in the sub system of the Middle East. In early 1950s, Egypt under went leadership change where in 1952 a group of military lead to forced out the Egyptian King Farouk and within two years Gamal Abdel Nasser took the charge of leadership. With his charisma and populism, Nasser electrified the Arabs states for nationalism and accused the perpetuating colonialism and other Western-leaning regimes by close ties with imperialist power. In the book, *The Philosophy of the Revolution* (1955), Nasser

outlined his belief that the Arab world was desperately searching for 'Hero' to bring its unity and that Egypt was the answer to call and clearly Nasser himself was determined to play that role and his stature as the formation figure of Arab nationalism (Major 1963:557). But as mentioned above the Egyptian and Saudi struggle against each other where both the leadership sought to leverage their ideological strengths and their great power partners to gain a regional advantage and sooner or later the Saudi Arabia and Egypt were soon fully in what has been called the "Arab cold war" (Bronson 2006:70). On 18th June 1951, an agreement was signed between U.S and Saudi which provided for the U.S. the use of Dhahran airfield for 5 years. Also, a mutual defence assistance agreement was also signed which lay the ground work for U.S Military Training Mission (USMTM) and arms delivers in which the USMTM became the principle instrument of U.S-Saudi military relation. However with the dead of the King Abd al-Aziz on 9th November 1953 in which his son Saud bin Abd al-Aziz proclaimed the King of Saudi it proved to be stormy relations for the U.S.-Saudi relation. This was the period when the winds of radical Arab nationalism were blowing from eastward of Egypt under Nasser to all over the Arab community. The King Saud endeavored to cement a good relation with Nasser by signing an agreement for 'Unified Command' of armed forces which resulted into a temporarily overshadowed the USMTM its influence on the Saudi military.

However a major blow to Eisenhower administrations came when in 1955 Nasser accepted from Czechoslovakia 200 million dollars of advanced Soviet military equipment in exchange for Egyptian cotton and marked the first major Soviet arms deal to a non-communist state and a major penetration of serious communist power in the Middle East (Bronson 2006:71). Coincidentally during Nasserism period, the 2nd Arab-Israeli war on 29th October, 1956 broke out where the Soviet fully exploited the crises by backing the Egyptian and gain favour through out the Arab world (Campbell 1972:127). On the other the U.S and the Saudi Arabia were wavered on how to approach the situation. Though Nasser was turning the entire Arab world against the House of Saud, yet in such difficult situations, the King Saud decide to back Egypt where on 7th November 1956, in support of Egypt, Saudi Arabia embargoed all oil destined for the U.K. and the France (Bronson 2006:71). It was for the first time that Saudi Arabia used oil as a political weapon. In the course of war the European leaders asked the Washington either to compel the Saudis to

relax the embargo or to use its own oil to make up the supply disruption where during this periods, the whole of Western European depended upon the British and the French supplies, as no other countries had facilities to receive or store large amount of petroleum. On the other the British also approach to U.S. for financial assistance but the U.S. backed down all there request, instead asked to accept the Cease-fire at the Suez Canal (Bronson 2006:72). Hence the Britain and the French emerge from the crises battered and the Soviet Union exploit the Vacuum of power where Egypt was made the centre of the Middle East for strategic position (Campbell 1972: 133). After the crises the Soviet-Egyptian relations remained strong and Nasser virus continued to spread through out the Arabs communities.

As Nasser virus continued to spread rapidly across the Arab community, therefore to counter check the Soviet growing power and the Egypt growing influence power the U.S. White House on 5th January rolled out the Eisenhower Doctrine (Bronson 2006:73). Under this Doctrine 200 million dollars were to channel to secure the territorial integrity of the Arabs states from the armed aggression of communism. But the Doctrine run into trouble when the Congress were not in mood to passed due to embargoed of oil to Western countries by the Arab States and thereby the Doctrine failed. Infact by this result, it was victory for the Cairo and the Moscow. During this period there in Saudi Arabia, pro-Nasser nationalist quietly emerged and thus the Saudi Arabia has to embattled both domestically and internationally.

During the era of Pan-Arabism, indeed the U.S.-Saudi relation came to lowest point under Kennedy administration where he looked upon the policy towards India, Egypt and Indonesia. In spite of growing domestic as well as international of Nasser in Saudi Arabia, Kennedy administration in early period insists upon the Saudi Arabia for domestic reform, where the King Faisal issued the 'Ten points Program'.³⁸ Indeed Rachael Bronson (2006) writes, "Unlike the Eisenhower administrations and most others, Kennedy's team strongly pushed domestic reform in Saudi Arabia. No American president until possibly President George W. Bush would again be as committed in practice to Saudi reform as Kennedy where he withheld military support to focus Faisal's

³⁸ The Program brought Faisal domestic support from local reformers and it also impressed the Kennedy administrations. But Faisal offered the Program with 'Wink and Nod'. Refer, Bronson 2006:86.

attention on the domestic environment". Despite this short period of low point in their relations, the U.S.-Saudi relation again rose to height in wake civil war in Yemen and Nasser Proxy war against Saudi Arabia in early 1966. In September, 1962 the virus of Nasser reached the Yemen, where Yemen leader Muhammad al-Badr, backed by Egyptian was disposed by Brigadier General Abdullah al-Sallal and proclaimed Yemen a Republic which became the first non-monarchy on the Arabian Peninsula. Hence the outbreak of civil war in Yemen which lasted till 1970s created a serious external security threats to Saudi Arabia that for the first time an effective military force was developed (Long 1985:40). The largest arms purchase was occurred in December, 1965 when Saudi Arabia negotiated with American equipments of 25 million dollars in the forms of Hawk missiles (Bronson 2006:94).

The idea of Pan-Arabism which had grown quietly particular under Nasser perhaps tested the final assessment among the Arab community during third Arab-Israeli war in 1967. In early 1967, violence increased among the Syria, Israel and Egypt where on 21st May, 1967 Egypt mobilized its armed force and blocked the Israeli Shipping through the Strait of Tiran. Again in the crises the U.S.-Saudi were under pressure for whom to approach. As tension increased its height, on 5th June, 1967, Israel attacked Egypt and Jordan air forces and seized the West Bank, Golan Height, and Gaza Strip. In response to its attacked, Iraq, Kuwait and Algeria suspended oil deliveries to the United States and the United Kingdom. By June, Saudi Arabia also joined the embargo when the oil minister, Sheikh Ahmad Zaki declared to Amarco not ship oil to U.S. and the U.K. (Bronson 2006:99). Thus Saudi Arabia supported the second international oil embargo. Officially the embargo was not lifted until September 1st at the Arab League Summit Khartoum, till Arab states decided to resume the pumping.³⁹

The third Arab-Israeli war had great impact on the regional subsystem, where Saudi Arabia emerged substantially stronger regional position. Nasser was discredited for his miscalculations, his military were humiliated and his country economic were collapsed. Moreover Nasser was no longer the omnipotent Arab leader across the region. After the war the regional balance of power was shifted to Saudi Arabia, where the House

³⁹ But the real point came on 11th June, after the Six day war where the Saudi Oil minister, Sheikh Yamani and the Kuwait counterpart the embargo would not affect the U.S and U.K. until the oil flow to other part of countries stop. Since the individual countries will supply the oil to them. Refer, Bronson 2006:101-102.

of Saud was looked upon the Islamic leaders and at the same time Arabs began turn towards political Islam to replace discredits the ideas of Arab nationalism.

On the part of the failure of Pan-Arabism to bring unity among the Arabs community, many critics rose about the idea of Pan Arabism. Many Arabs and Iranian intellectuals understand that the slow pace of development, military developments and the cruel rulers are the result of their own society's structural shortcoming and the political culture rather than foreign conspiracies (Rubin 1991:537). Barry Rubin (1991) writes that Arabs and the Islamic politics operated in a pressure cookers environment combining ideological rigidity-Islam and Arab nationalism with ferocious intra state competitions in which contenders made the hypocritical use of foreign support. Thus, when other region i.e. West Europe had NATO and the Common market alliance, African Unity, ASEAN, OAS where all function effectively, the effort of Pan-Arabism which had the idea of bringing Arab Unity were divided more than what had before. Country to country became a battlefield of blood leaving toll of lost lives and wasted resources. Middle East specialist writer, Fouad Ajami captured the dynamic when he stated, "Few struggle for power are ever waged without pretensions to ideological or normative stake. The Protagonists drag ideas into the game because they take the idea seriously and because they wish to invest their quest with moral worth and to provide a cover for what otherwise would seem to be narrow and selfish goals" (Bronson 2006:104).

Transitions Periods in the Middle East: With the end of the third Arab-Israeli war, the early period of 1970s has marked by a period of transitions in the Middle East. No doubt the Nasserism threat which had dominated in the region till 3rd Arab-Israeli war was ended completely with the settlement of the Yemeni Civil war and the death of the president Nasser in 1970. Yet, importantly a new phase came up in the Middle East when British announced its withdrawal from the Gulf by the end of 1971 which marked the terminations of special British position that Britain had acquired and consolidated for a period of about 150 years dating from 1820.⁴⁰ Indeed, this announcement came surprised to American administrations as the United States' was busy battling in Vietnam conflict

⁴⁰ On 16th January 1968, the British Prime Minister, Harold Wilson, announced in the House of Common the intention of the British Government to withdraw troops from the Far East and the Gulf by the end of 1971. Refer from Sirriyeh, Hussein (1984).

(Sirriyeh 1984:41). Also the United States was particularly disturbed in view of the role expected of her as the protector of western interest in the area after the British withdrawal. The decisions acquired added significance in the eyes of American policymakers, as it was the time the United States' was on the brink of energy crises (Sirriyeh 1984:2). Of course, the American were reluctance to replace the British role in the Middle East, yet the difficult positions created by the British for replacing the defence role in the area and by the pressing necessity of guarding the American and Western interest by guaranteeing the flow of oil and containing Soviet ambitions to spread their influence into Gulf and the Indian Ocean demanded a deliberate calculations (Sirriyeh 1984: 42-45).

It can be asserts that the more systematic efforts at reassessing the United States' policy towards the Gulf area began under the Nixon Administrations, where the first important steps that had effectively facilitated the progress in the directions was the reorganisations of the foreign policy decision-making process which particularly centered on the National Security Council (NSC)⁴¹ (Sirriyeh 1984:55). Thus one of the most important bearing on the formulation of the U.S. policy towards Gulf which came after 1969 was the emergence of what came to be known as 'Nixon Doctrine', which has emerged under the shadow of the American involvement in Vietnam.⁴² However the practical applications of the Doctrine to the Gulf meant that the United States' should not assume the direct responsibility for maintaining security in the area after the British withdrawal and therefore the responsibility for maintaining security and local stability should be rest in the hands of the three majors Gulf States, i.e. Saudi Arabia, Iraq and

⁴¹ Under Nixon Administration, the decision-making process of foreign policy was centered on the revitalizing the role of the National Security Council (NSC) in the decision-making process. The role of NSC in precedence period was varied from different President, but under Nixon Administrations the power of the decision was rested with the President and his National Security Advisor, Henry Kissinger. Besides, two general reorganisations were also made where the existing Inter-Departmental Regional Groups (IRG) was reconstituted as Inter-Departmental Groups (IG) and it also established the Senior Review Groups which examine the reports prepared by IG and when it is approved, the policy papers were produced as National Security Study Memoranda (NSSMs).

⁴² On 25th July 1969, the first statement of the Doctrine was made by the President Nixon in a press conference on the island of Guam, where the Doctrine postulates three basic principles that guide the U.S. foreign policy, i.e. First, will keep all the its treaty commitments. Second, shall provide a shield if nuclear power threatens the freedom of the nation allied with us or if a nation whose survival will consider vital to our security and third, in cases of any type of aggression, shall furnish military and economic assistance when requested with our commitments. However it shall look to the nation directly threatened to assume the primary responsibility of providing the manpower for its defence. Refer from (Sirriyeh 1984:56).

Iran. However debate continue on the filling of vacuum power by Soviet after the British withdrawal in the Middle East and thus the American policy makers geared for their assessment to fill the vacuum and to guarantee the protection of U.S. interests. As a result the NSSMs assessment came to conclude that the Saudi Arabia and Iran were chosen for U.S. partner and later named as 'Twin Pillar Policy'⁴³ (Sirriyeh 1984:56-61). Thus, the 'Twin Pillar Policy' asserts that following the British announcement of withdrawal, despite United States' interest in preserving stability, the U.S. decided that she would not try to replace the British with an American military presence. Rather, the Nixon administrations decided that she would rely on local powers to preserve stability there and hence adopted the 'Twin pillar policy' that presumed cooperation's between Iran and Saudi Arabia and a convergence of their interest with those of the United States (Sirriyeh 1984:62). The success of this policy in the Gulf depended on the stability of the triangular relationship among the three major parties through which this policy was implemented. Indeed this policy guided several assumptions for which one important was the existence of a harmonious relationship between Iran and Saudi Arabia which partly undermined the armament competition of Saudi-Iranian. Also this policy also assume the ability of the United States' to maintain a bilateral relationship of influence with each of them and thus keep the twin pillar formula stable. Another aspect of this policy was noteworthy in which the term is misleading, where the policy was interpreted to imply the United States' reliance on both Saudi Arabia and Iran as the two major elements of stability in the Gulf area but in practical it was Iran which expected to play the primary role in maintenance of local stability in the Gulf. Hence in terms of its actual implementation, the policy was of a 'one pillar and half as what William Quandt called it (Sirriyeh 1984:63). In other words, Saudi Arabia as half a pillar in order to show how minor her role was intended to be when compared with that of Iran in maintaining security and stability in the area.

But the transitions period of 1970s came to an abrupt end in the fall of October 1973 where the 4th Arab-Israeli war took place. On 6th October 1973, Syrian and Egypt

⁴³ William Quandt, the Head of the Middle East Office of the U.S. National Security and the members of the NSSMs conclude that Saudi Arabia importance was derived from her being a source of oil and that Iran from her oil resource and her power in the area. But Quandt assert that, since Saudi Arabia was considered too weak to enforce regional stability and security, a role which Iran could play and therefore it was called Twin Pillar policy.

forces attacked Israel. During the course of war, both the United States' and the Soviet Union delivered enormous supplies of weapon to their sides. Besides, the Syrian and the Egypt forces were quickly joined by Arab support from Iraq, Libya, Algeria, Sudan Morocco, Jordan and Saudi Arabia. Following the war, the Arab OPEC members imposed oil embargo that support Israel in Yom Kippur war, which result into for the first time a world crises in the international oil market.⁴⁴ of course, the oil embargo has badly impacted the world at large, yet it recess slowly as the Saudi leadership considered its geo-strategic competition with Soviet and its relationship with the U.S. more important than the Arab-Israeli one, when the U.S. during that period were battling against Soviet expansion in Eastern Mediterranean and South East Asia and for this it need fuel in key American naval ports across the globe (Bronson 2006:119-120). ARMO historian Anthony Cave Brown conclude, "though shrouded in secrecy, this partial lifting of the embargo did show that Faisal did not intend to make difficulties for the U.S. Navy as it attempted to hamper Russian military operations in the Eastern Mediterranean or for American operations in the Pacific" (Bronson 2006:120). Finally, the fourth Arab-Israeli war ended with a final cease-fire on 25th October 1973. Indeed the oil embargo didn't end until March 1974 but it signed off widely when Henry Kissinger with his famous "shuttle diplomacy" tries to bring the Arab world to bring settlement between Arab-Israel.

In spite of bitter relation of U.S.-Saudi relation during the fourth Arab-Israeli war, yet the cold war politics has really kept them in warm cordial relation. As the global rivalry has intensify and spread not only to Middle East but also to Eastern African region. One of the most creative foreign policy initiatives that the Saudi Arabia leadership undertook to beat the Soviet advancement was joining the Safari Club, which was formed by France's Alexandre de Marenches. This Safari Club executed its first operation in Zaire in 1977 when a political opposition group supported by Angola's

⁴⁴ During the 4th Arab-Israeli war, the OPEC members met with the representative of oil companies to negotiate pricing where the oil companies offered a 10%, while the OPEC representative called for 100% increase. Later, delegates from Gulf States unilaterally decided of 70% increase in the posted price from \$ 3.01 to \$ 5.12 per barrel. Again after few days the Arab oil minister met to consider punishing the United States and other for backing Israel, where Iraq President Ahmad Hassan al-Bakr called for nationalisation of all American assets in the Middle East but Saudi Arabia object it. Instead, it agreed production to 5% for every month that support U.S. and other backing Israel. However, when Nixon agreed to supply weapon to Israel of \$ 2.2 billion, the King of Saudi Arabia announced a full embargo on all export to U.S and other states that support Israel. Refer from, Bronson (2006: 118-119).

MPLA and hostile to Mobutu launched an attack from Angola on Zaire economically vital Shaba province. The Safari Club jumped into action where Morocco provided troops to Zaire to stave off the invasion. As result, Mobutu owed his existence to Arab support. Later, the Safari Club put there eyes view towards the Horn of African and the strategic countries of Ethiopia, Somalia and Djibouti located along the Western bank of Red Sea. Till 1974, the United States had cordial relations with Ethiopia emperor, Haile Selassie and on the other hand the Soviet Union had better relation with Somalia, the archrival of Ethiopia. Unfortunately, in 1974 Selassie was overthrown and under the leadership of Mengistu Haile Mariam, Ethiopia began exploring relations with Soviet Union. As result, tension escalated between the United States and Ethiopia and exploded in 1977, when President Jimmy Carter lambasted the Mengistu regime for grave human rights abuses (Bronson 2006:133). Also under Mengistu order the Kagnew stations, the important U.S. intelligence communications centre was closed down and find its alternative in Indian Ocean of Diego Garcia (Long 1985:63). To Saudi Arabia these development in the neighbouring region concern seriously and security threats in the Kingdom. Also the Fidel Castro trips to Yemen and Somalia alleviate the U.S.-Saudi relations concern.

The policy of “twin pillar policy”, which aimed for maintaining regional security and stability in Middle East came challenged, says collapsed by 1979. David W. Lesh writes, “The 1979 constitute a major watershed, if not major watershed in the modern Middle East history” and had profound implications for the Saudi Arabia as well the U.S.-Saudi relationship. In the year 1979, the Iranian Revolution took place; on 4th November 1979, Iranian students seized the U.S. embassy in Tehran; two week later religiously inspired Saudi seized the Grand Mosque of Mecca and later sparked domestic crises in Saudi Arabia; three week later when U.S. was seeking solution in Iran crises, Soviet invaded Afghanistan placing Moscow only 300 miles from the Persian Gulf and ten month later Iraq invaded Iran (Bronson 2006:144-145). In response to the increased threats, the United States’ began to examine steps what became to be known as “Carter Doctrine”. The President Jimmy Carter in the State of Union address on 23rd January 1980, stated that “an attempt by outside forces to gain control of the Persian Gulf region will be regarded as an assault on the vital interest of the United States’, and such an assault will be repelled by any means necessary including military forces” (Long

1985:62). With these the 'Persian Gulf Strategy' was formulated and Rapid Development Force (RDF) was developed which later turned into CENTOM (Central Command) in 1983.

Iranian Revolutions of 1979: The Iranian Revolutions of 1979, infact was the rise of Islamic politics as a new attempt to come to terms with a challenge of modernity in Iran (Ashtiani 1994:51). Michel Foucault described the Iranian Revolution as "the first postmodern revolution of our time and as the spirit of a world without spirit" (Stauth 1991: 259-80). Ali Mirsepassi Ashtiani (1994) argued that "Islamic revivalism can best be understood as a reaction to crises in the modern secular state which is defined as state exhaustion". The post-Reza Shah period provided Iran a rare opportunity for constructing a democratic political structure and a secular and pluralist culture which the country had long to strived to achieve. However this transformation of Iran during this period could not transformed into reality as what the other democratic countries prevail, rather an autocratic authority prevail over the will of the people which resulted into crises.⁴⁵ Instead of modernization in political culture of democracy, the Shah established an autocratic rule. The common people were dissatisfied with the new reform of the Shah and hence found there feeling and expression in religion institution, where the Shia cleric exploited the opportunity for power struggle with Shah. During Shah Period, the crises of cultural identity and sense of alienation were not only confined to urban social group but to all section i.e. youth, women, middle class professional and intellectual. During this period a new social groups were also created, where the rural migrants, who comprised the majority of the urban poor were the most unfortunate recipients of the benefits of modernizations, facing discomfort in the new environment (Ashtiani 1994:59). Thus, there feeling of estrangement was mitigated only by their association with religious institutions (Pelletiere 2001, Ashtiani 1994:59; 160). Indeed, Ali Mirsepassi (1994) writes, the state polices only exacerbated their problems, a situations that fostered a hostile attitude towards modernization among the urban poor and other social groups and encouraged the perception that the Western-oriented official culture was the root cause of

⁴⁵ For detail discussion about Iranian Revolution of 1979 refer, Ashtiani (1994: 51-84) and Stauth (1991:259-80).

their predicament.⁴⁶ During the crises the Iranian intellectual took the advantage where by set the critique of 'modernization' and set agenda to return the 'Islamic traditions' and result into revolution in 1979.

However in the regional sub system of Middle East of international politics, the Iranian Revolutions of 1979 put an important implication particularly to the United States' and Saudi Arabia. For the United States', the policy of "twin pillar policy" which was formulated to maintain regional security and stability, where Iran was supposed to play the dominant role collapsed with the coming of Ayatollah Khomeini in the Iranian Revolution of 1979. But for the Saudi Arabia the story is different as the Revolution of 1979 turn into religion tension between Iran and Saudi Arabia, as the former is Shia majority and the latter is Sunni majority.⁴⁷ Thus the Revolution of 1979 increased the external threats to Saudi Arabia, as the Saudi regimes rested their legitimacy on the role of the guardian of the two holy places, Mecca and Medina, the birth place of Islam. Unlike Pahlevi Iran, revolutionary challenged Riyadh claims as the champion of Islam by offering as alternative Islamic model that rejected the monarchial Islamic state and offered a theocratic one in its place (Yetiv 2004:22-23). The clash between these two approaches to Islamic governance and between the Sunni Arabia and Shia Iran caused great friction in Saudi-Iranian relations, unlike in earlier the "twin pillar policy" for while keep in cordial relation between them (Yetiv 2004:23). The effect of the Khomeini revolution on Arab states of the Gulf was intensely disruptive, where all the Arab regimes were Sunni, while the Khomeini an Iranian was Shia. Moreover, Khomeinism was a particularly an aggressive movements, where the Ayatollah deprecated the Sheikhs and did not attempt to hide his animosity towards them (Pelletiere 2001:162) and the situation became grim when the Iranian leaders actively tried to spread their revolution

⁴⁶ Indeed during the period of crises in Iran two intellectual figures- Jalal Ale-Ahmad and Ali Shariati represent the dominant intellectual, where the anti-western nostalgia among the Iranian intellectual was embodied in the concept of "Gharbzadegi" (Westoxification). Thus the romanisation of Islamic and Iranian traditions induced a very hostile reaction against modernization as western-centered project. But the Ali Shariati, Shia ideologue made every attempt to construct and popularize a "modern" Shia ideology as a response to existing secular ideologies. Refer from Ashtiani (1994:51-84).

⁴⁷ The controversy of Shiism was rose over the selection of leader for the Islamic community after the death of the Prophet Mohammad in 632 A.D. The majority favored the election of a close companion of the Prophet, Abu Bakr as the caliph or the leader of the Muslim community. However a small group of Muslims opposed the selection of Abu and rallied around the Prophet Cousin and son-in-law, Ali Ibn Abe Taleb. As result, various branches of Shiism emerged like Zaydi, Ismaili and Imami or Twelver Shiism. The concept of political authority has therefore been crucial to Shiism.

into neighbours that have large Shia populations including Kuwait, Bahrain, and Eastern Saudi Arabia where the Kingdom of Shia are located. Within month after Khomeini took power, anti-regime revolts by Shias had erupted in Saudi Arabia, Kuwait and Bahrain (Pelletiere 2001:162-163). In January 1980, Iran urged the Shia of Qatif, a major city in eastern Saudi Arabia to oppose Saudi Royal family authority (Bronson 2006:146). Two week later, Saudi and non- Saudi Sunni religious zealots led by Juhayman al-Utaybi seized the Grand Mosque of Mecca. Eight days later when the Saudi National Guard was battling with the zealots in Mecca disturbance broke out in oil rich province of Hasa, a Shia dominated area. Again during Haj pilgrimage in 1981, clashes broke out between Iranian pilgrimage and Saudi police. With this development the House of Saud were in trouble, which aimed to destabilise the Saudi Regime. Moreover the Khomeinism continue to spread the Southern Gulf region where in December 1981, Bahraini authorities arrested and subsequently convicted seventy three individual for plotting a coup against the regime (Yetiv 2004:29). Thus the principle of Khomeinism caused alarm across the Gulf and in certain quarters in the West. Iran which was in competition with Saudi Arabia for leadership of the Islamic world wanted to destabilise Saudi Arabia and challenge its rule over Islam holy sites (Yetiv 2004:29).

Iran-Iraq War of 1980-1987: The beginning of the Iran-Iraq war in 1980 led to noticeable adjustments in Iraq's foreign policy on both the regional and international levels. Regionally, the war dramatically altered the balance of power. Waltz asserts that in hierarchic political orders, political actors tend to bandwagon of the leading actor because losing does not put the weak state security in jeopardy (Waltz 1979:126). Walt also assert that states sometime bandwagon with powerful state, especially if that offer them security and economic advantage. Walt identifies two motives for bandwagoning with a threatening states or coalitions i.e. to avoid an attack on oneself and to share the spoils of victory. Thus, in the wake of Iraq-Iraq war, the system of balancing changed quite interestingly where even the American allies Saudi Arabia bandwagon with Iraq despite Iraq was being projected as growing power in the region.

Before the war, Iraq basic policy was disdainful of the area's conservative monarchies (Ismael 2001:213). However, because of the pressure the Iraqi regime found

itself under once the war had begun, it sought the financial aid of those same monarchies. Both Libya and Syria supported Iran in the war, and on the other hand Saudi Arabia and the Gulf states fully supported Iraq logistically, financially and militarily. The causes for the eight years war of Iran-Iraq has a wide range of interconnected factors i.e. religion, nationalism ideology and territorial border conflict (Ismael 2001:213). On 5th March 1975, Iraq and Iran reached an agreement at Algiers on ending their dispute of Shatt al-Arab, the border problems and alleged subversive activities and conclude a treaty on 13th June known Algiers accord ending all disputes (Sirriyeh 1984:11).⁴⁸ However the treaty was collapsed when Iraq renounced the agreement on 30th October 1979 and on 20th September 1980 Iraq attacked Iran and thus marking the beginning of Iraq-Iran war (Yetiv 2004:23).

While the *casus belli* of the conflicts was control over the Shatt al-Arab waterway, a strategically and economically important access to the Gulf, its causes were historically rooted in age-old pattern of ethnic, religious, cultural and ideologically rooted in the contemporary political dynamics between Iran's revolutionary Islamic regime and Iraq's secular Arab nationalist regime (Ismael 2001:213-214). In the earlier section of this chapter, we have come across the wave of Khomeinism how it tried to sneak into the neighbouring Gulf countries and thereby stood against the regimes. Thus, the same strategy was also applied in Iraq by the wave of Khomeinism to overthrow the Saddam regimes. Although, the war of Iran-Iraq in 1980 started on the border disputes of Shatt al-Arab waterways, yet the differences between the two states were long standing. Throughout the 1960s and 1970s, Iran had been an American client state where the "Twin Pillar" policy was mainly entrusted with Iran than with Saudi Arabia, whereas Iraq, the regime in Baghdad had leaned towards the Soviet Union. Iraq accused Iran of supporting Kurdish rebels in their long conflicts with the Iraqi government. Finally Iraq's substantial Shia population looked to Iran as its spiritual center because Khomeini had called for the overthrow of Hussein's Baath regime on 1978 (Ismael 2001:127).⁴⁹ Thus,

⁴⁸ In Algiers accord, Tehran pledged to curtail its support of Kurds in Iraq in return for concessions on the border along the disputed Shatt al-Arab waterway.

⁴⁹ From the time the Baath rose to power in July 1968, they systematically set out to bolster their hold over the Iraqi politics and over time the party evolved into a one-person dictatorship. To retain his hold on power Saddam Hussein relied on an extensive and brutal security apparatus he personally created as his

despite the called of anti-regimes in other Gulf countries by Khomeinism, Ayatollah Khomeini main target was Iraq, where Shia constitute a majority as from the first the Iranian leader lashed out at Iraq leader Saddam Hussein (Pelletiere 2001:163). Also another factor for Khomeinism of Iraq was over two holiest shrines for Shiadom i.e. Najaf and Karballa and one of the largest communities outside Iran was in Baghdad. Thus, rooted with religious, ethnic and ideological, Khomeini appeal for anti-Bathist revolt to Iraqi coreligionists and put the Bathist constantly concern about their legitimacy.

However what seems to have angered Saddam most was Khomeini interference with the Kurds, where the Iranian has recharged the old battery.⁵⁰ Saddam made sacrifice to get peace with Iran by signing the Algiers accord in 1975, but the Iranian sought to destabilise Iraq by aggravating ethnic and religious tensions within the country, where Khomeini had abrogated the 1975 Algiers Agreement. Thus with these development, Iraq attacked Iran partly because it feared the revolution and partly because Saddam saw the opportunity to strike at Iran while it was in revolutionary chaos (Yetiv 2004:23). Indeed, prior to Iraq attack on Iran in 1980, Saudi King Fahd claimed that Saddam told him “it is more useful to hit Iranians now because they are weak. If we leave them until they will become strong, they will overrun us” (Yetiv 2004:23). However it is be noted that in the regional subsystem of the Middle East, Iraq under Saddam was growing powerful and assumed the Arab leadership, since the fall of Shah of Iran in 1979 Iranian revolution. Iraq’s influence over Saudi Arabia increased from 1978 to late 1979, partly because of Baghdad’s growing influence in the region bur also because Iran’s threat to Saudi Arabia made Iraq more vital to Riyadh (Yetiv 2004:23). Hence, it limited Saudi action. Although the Saudis feared Iraq less than they did Iran under its supreme leaders the Ayatollah Khomeini, Iraq was still viewed as a military and political threat. In early 70s, the Soviet influence in the Middle East came to heighten when on 9th April 1972 signed Soviet-Iraq Treaty of Friendship and Cooperation for 15 years and this became a concern for Saudi Arabia. Moreover with the fall of Shah, it created an opportunity for Saddam to assume a

vehicle power. Under Saddam regime several secret organisation were created for the security of the state like Saddam’s Jihaz al-Himaya al-Khas, Jihaz al-Mukhabarat al-Amma etc.

⁵⁰ After Mulla Mustafa Barzani was defeated and dies in exile, his tribes’ men led by his son, Massoud and Idris came to live in Iran. In 1979, Khomeini used the Barzani to brutally repress a revolt an Iranian Kurds and afterward he promoted a new Kurdish revolt in Iraq. For detail of Barzani revolt in Iraq and Iran refer, Pelletiere (2001:157- 161). Also refer, Pelletiere, Stephen (1984), *The Kurd: An Unstable Elements in the Gulf*, Boulder, Co: Westview Press.

kind of regional hegemony in the Gulf as well as in the Arab world. Significantly, Iraq's growing status in the Arab world was enhanced by its success in tapping Arab disaffection with the 1979 Egyptian-Israeli peace treaty, where many saw President Anwar Sadat's peace with Israel as selling out the Arab cause. As a result of these developments, most of the Gulf States quickly accepted Iraq's proposal of a Pan-Arab Charter in February 1980 which embodied Saddam's regional ambitions and called for a "new Arab order".⁵¹ The failure of this order will be discussed in the fourth chapter. Thus in the wake of the Iraq-Iran war, the Saudis were clearly subordinate in bilateral relations with Iraq and saw themselves as subject to the balance of force between Iran and Iraq. Saddam was feared not only by Saudi Arabia but also by other small Arab states, including Kuwait, Oman and Bahrain.

It is interesting to note that in the context of the Iran-Iraq war, the system of balancing changed quite differently among the political actors in the regional subsystem. In the war, both Libya and Syria supported Iran, thus further facilitating an Iraqi turn to the conservative's monarchy. For their part, the conservative regimes were more than willing to support the Iraqi effort given the effects that an Iranian victory would have had in the region. Unlike the rivalry that occurred during the time of Pan-Arabism under Nasser, Jordan and Egypt contributed volunteer forces to Iraq. Saudi Arabia and the Gulf states fully supported Iraq logistically, financially and militarily. Even Kuwait, which had been threatened by Iraq's claims to its territories after independence and which had squabbled with Iraq over control of disputed oil fields on their common border, fully backed Iraq and was instrumental in gaining western support. Initially in the Iran-Iraq war, the United States remained neutral but due to pressure from Jordan and Saudi Arabia, the United States entered into war with Iraq. The war not only had strategic importance but also held ethnic and religious overtones, where all Arab and Sunni countries stood along with Iraq against the Shia and Persian Iranian (Bronson 2006:163). Although in the Iraq-Iran war, the Arab states led by Saudi Arabia allied with Iraq against the Iran, yet again the balancing in the regional system changed quietly differently. Walt argues that balancing is more common than bandwagoning because "alignments that preserve most

⁵¹ This Charter called for the rejection of any foreign military presence in the Gulf and represented an effort to decrease or even eliminate U.S. regional influence. Refer from Yetiv (2004:23-24).

of states freedom of actions are preferable to accepting subordinations under a potential hegemon. Since, intentions can change and perceptions are unreliable, it is safe to balance against potential threats than to hope that strong states will remain benevolent” (Walt 1985:15). In earlier of my discussion, we have learned the growing power of Egypt under Nasserism and the Iran under Shah. But when the power of the two states weakens, Iraq emerges as regional power affecting the political dynamics of the Arabian Peninsula (Ismael 2001:345). In 1979, both Egypt and Iran were out of the regional power game, where Egypt as result of the Camp David accord and Iran by virtue of the turmoil that accompanied the Islamic Revolution. But Iraq under Saddam was growing militarily powerful in the region and thus, when Iraq went to war against Iran, despite Iraq supported by or Arab countries bandwagon with Iraq, the Arab states comprising Saudi Arabia, Kuwait, Bahrain, Oman, U.A.E. and Qatar signed a charter known as Gulf Cooperation Council in March 1981.⁵² Consisting of six Arab states, the GCC was envisioned as regional collective security, economic and cultural organisation, designed to enhance, cooperation among its members states in several spheres (Brown 2004:224). Though, the GCC made commendable progress in other fields particularly in economic development, yet in military they failed and this was evident in the Gulf war 1990s, when Iraq invaded the GCC member state Kuwait, where it could not provide security rather allied with America.

Finally, the long eight years of Iran-Iraq war came to an end with a UN-sponsored cease-fire on 19th July 1988 (Ismael 2001:214). The impact of the war significantly impacted both Iran and Iraq where it severely undercut both combatants of socio economic infrastructure and development.

Soviet Invasion of Afghanistan: The Soviet invasion of Afghanistan further strengthens the U.S.-Saudi alignment. The world took surprise on December 1979, when Soviet force invaded Afghanistan by overthrowing the President Nur Muhammad Taraki and replaced it with Babrak Karmal, leader of more Moscow-pliant wing of the Communist Party as new leaders. Until the 1980s, the U.S. policy towards Afghanistan formed one of the least

⁵² The GCC comprise only the states that are homogenous in their political, economic and social orientations and therefore they exclude the Iraq and Yemen.

confrontational arenas of cold war politics but preceded by the Soviet military's invasion of December 1979 changed everything for the U.S. involvement in Afghanistan (Weinbaum 2007:462).⁵³ Kabul was rebuffed, however, by U.S. administration unwilling to forfeit opportunities to cultivate a relationship with the new, prospectively anti-communist states of Pakistan created in 1947. As result, Afghanistan left scrambling for protection against Pakistan and for means to fend off an actively imperialist postwar Soviet state (Weinbaum 2007:463). Afghanistan, like other nonaligned countries was by 1955 eligible for military and economic aid where Soviet under Khrushchev's offer of \$ 100 million in assistance for various development projects and in 1956, the first in a series of agreement for a security for arms with Soviet Union and the Eastern bloc countries worth \$ 32 million was signed. As Soviet influence grew significantly towards Afghanistan, the political stability of Afghanistan came to standstill with much influence of communist party where the communist-led coup removed the King Zahir Shah. Finally, taking the advantage of cold war rivalries, the Soviet invaded Afghanistan 27th December 1979. It was a period when U.S. policy was dedicated, above all, towards forcing a Soviet withdrawal and featured a generous, covert program to assist an Islamic-inspired insurgency. Perhaps, it can assert that in the wake of Soviet invasion of Afghanistan, it laid the foundation for the rise of Taliban (detail discussion on the rise of Taliban will see in fourth chapter).

Indeed, in the wake of Soviet invasion of Afghanistan, it generated fear in the Saudi Arabia and the United States' as the Soviet troops came 300 miles closer to Gulf. Riyadh interpreted Moscow's adventure in Afghanistan as part of Soviet encirclement of the Arabian Peninsula with radical regimes and subverts the oil-rich monarchies (Bronson 2006:154). This is because, in the southern border, the Soviet backed the anti-monarchal insurgency in Yemen and to the West, the Ethiopian and Somalia was with Soviet (Bronson 2006:154-155). During these periods of crises in the Middle East, the U.S.-Saudi relations strengthen in order to avoid the invasion of Soviet in the Middle East. Infact, the important point here is that the Soviet intervention in Afghanistan and the

⁵³ Modern U.S.-Afghan relations might have gone very differently had Washington not rejected request as early as 1946 for modest military ties, mainly for purchasing arms, from the Afghan government under Shah Mahmud and Sardar Daoud, both close relatives of King Muhammad Zahir Shah, whose long reign began in 1933.

Iraq-Iran war helped strengthen the U.S.-Saudi relation. The 1981 U.S. sale of AWACs aircraft to Saudi Arabia was one of the several developments during the war that developed U.S-Saudi mutual trust. While the U.S. interest in the AWACs sale, as implied by several U.S. officials was related to Soviet threat, the Saudi interest in cooperating with American was motivated more by the Iranian threat, although both Riyadh and Washington were concerned with threats at the regional and global level (Yetiv 2004:79).

Thus from the discussion of the whole chapter it can assert that the United States towards Saudi Arabia was mainly focused in securing the flow of oil where in initial period the relation of the U.S.-Saudi relation was evolved only between the American oil company and royal family. Indeed at commencement of Second World War, Saudi Arabia selected as was strategic location by American. However, with the onset of cold, the U.S.-Saudi relation entered into a new phase. In discussion we have come across that during cold war period, series of events have occurred in the sub systemic level of the Middle East and the at the global level where different political units had defined their own strategy to achieve their interest. For American, oil has been major interest which in initial period oil companies had ventured and obtained concessions from the respective regimes. But in the course of cold war period, several regimes in the Middle East lead by Nasser, Ayatollah and Saddam threaten the Saudi regimes and also the Soviet invasion of Afghanistan have threaten the Persian Gulf , Saudi Arabia instead alignment with United States proved effectively to deter those threaten regimes.

Waltz in his structural model of balance of power define that in an anarchic environment against competing power of the state, the other political units will form an alliance with the weaker state to balance the competing power. Indeed, during cold war period several events have occurred in the Middle East, where on several occasion the Kingdom of Saudi Arabia was threaten by the growing regional power like Iran, Egypt and Iraq. But Saudi Arabia instead of balancing with weaker states (of course, the GCC was exceptional for making alliance partner) choose and allied with the United States. Here, it can assert that on the context of the U.S.-Saudi relation, Stephan Walt theory of "balance of threat" rather than the Kenneth Waltz 'balance of power" perhaps holds at the upper hand.

Chapter Four

Changing Dynamics of U.S.-Saudi Relation

No doubt that the greatest determinant of American involvement in the Third world since 1945 has been its competition with the Soviet Union in which every American intervention or significant involvement in the Third World was undertaken to counter the perceived spread of Marxist ideology's influence. Thus, the end of cold war with the disintegration of the Soviet Union left Washington without a significant global rival. Hence, a new set of argument has emerged which emphasizes the debate on the irrelevance of the Third World to American interests. Indeed the removal of the superpower competition in the Third World is also seen as eliminating one of the principal causes of conflict in the Third world countries. According, to this view without American and Soviet involvement, the Third World states will not be driven to attack one another, nor will they be given the sophisticated weaponry to prosecute the wars that nevertheless may break out (David 1992:128).

It is true that the collapse of the USSR has eliminated concerns that Soviet control of the Third World posed a threat to American security but Steven R. David (1992) assert that the end of the Cold war and the disintegration of the Soviet Union have not ended the importance of the Third World to the American interests and world wide stability, nor have they ushered in a new era of peace.⁵⁴ Steven asserts that because war will not become obsolete in the Third World and because many Third World states are becoming increasingly powerful, the threat that Third World states pose to themselves and non-third world countries will persist.

There are several explanations for the Washington's need to be concerned about the Third World. Political instability are more likely to occur in the Third World and some of these are more likely to be occur in areas that are crucial to Western economies interest i.e. the Persian Gulf or with the weapon of mass destruction that may inflict terrible damage on the American allies or the United States itself (David 1992:131).

⁵⁴ In defining the term 'Third World', Steven draws upon the United Nation categorization of all countries except the United States, the European States, Canada, Japan, Australia, New Zealand, South Africa, The People Republic of China and The Republic of the former Soviet Union.

Moreover another concern for the Washington is the increasing ability of the Third world countries to strike out at the United States and its allies is also seen as threat to vital interests. Approximately a dozen of third world countries like Libya, Iraq, Iran and North Korea have or are attempting to develop weapon which can endanger American interests and its allies militarily.

Thus given a brief note of Third world nature of conflict, it can assert that despite, the end of cold war confrontations between Soviet Union and American, the Third World conflict greatly matters to American foreign policy making. Here in this chapter I will try to explain war how American-Saudi relations have evolved in the post cold war period. Importantly it will also highlight the relation between America and Saudi Arabia in the wake of September 11, 2001.

Gulf War 1990s: The end of the Cold war marked the Gulf war in 1990 with the invasion of Kuwait by Iraq where it led to further enhancements of U.S-Saudi alignment. With the Iraqi invasion of Kuwait in August 1990, the traditional balance in Saudi Arabia foreign policy among often conflicting national, regional and global interest was skewed to favour international defence relations (Faksh and Ramzi 1993:279). In the wake of Gulf war Saudi Arabia's foreign policy represents a watershed in the Kingdom's conduct in international affairs where as one of the former Gulf minister remarked, 'come out of the closet' (Faksh and Ramzi 1993:279). In large measure the new emphasis was necessitated by the Kingdom's dependence on the United States for its defence and by the regime's obsessiveness with its own security. In the gulf war of 1990s the Saudi leadership fortunate to expose its dependence on the United States without incurring the immediate wrath of Arab radical or their Soviet sponsor.

The invasion of Kuwait by Iraq in 1990 may indeed have surprised to international community as both countries are member of Pan-Arabism as well OPEC member. However the conflict between these two countries existed since Kuwait achieved its independence in 1961. Iraq meaning "country of the Sun" in the ancient Sumerian is a relatively new state situated on an ancient land. The historical foundations of present Iraq can be traced back to early 762 A.D. where reigning Caliph, Jafar al-Mansur founded Baghdad as the capital and for the next centuries, the Abbasid dynasty

(750-1258) ruled (Ismael 2001:186). Later the region was integrated into the Ottoman Empire in the 16th century. Indeed two historical records constitute the prologue to the story of modern Iraqi state i.e. the decline of the Ottoman Empire and the expansion of the power of the Great Britain and its successor, the United States in the Middle East. In early 19th century, British began chipping away at Ottoman hegemony in the region to protect, consolidate and expand its own empire, which was centered in Asia on the Indian subcontinent. The British government became increasingly concerned about establishing a direct sphere of influence over Iraq with the outbreak of the first World War and thus the British expeditionary forces were dispatched to Iraq in 1914 which managed to enter Baghdad in 1917 and subdue the entire region by 1918 (Ismael 2001:186). With the end of the First World War, most of the Ottoman Empire territory was divided between France and the Britain where in 1928, at San Remo (popularly known as 'Red-Line Agreement')⁵⁵ as part of settlement of its claim to the Middle East, an agreement was made between France and Britain, where France relinquished its claim to Mosul in September 1991 and recognised the British right to rule in the former Turkish *Vilayets* (provinces) of Baghdad, Basra and Mosul, in return for a British withdrawal from Syria (Ismael 2001:186-187). However it is important to note that the territory of Iraq, as it was constituted following the First World War under the British rule and later as it became independent, was not an invention of western statesmen as the boundaries resembled those established during the Early Dynastic Period, under the Sumerian King Sargon (Ismael 2001:187).⁵⁶ However in reaction to San Remo Agreement, a popular nationalist revolt erupted and engulfed the entire country. As result British High Commissioner, Sir Percy Cox announced the British government intention to established national government in Mesopotamia. Thus, Faisal Ibn al-Hussein, the former king of Syria who had been deposed by the French in 1920 and who was the son of the leader of the Arab

⁵⁵ In 1928, the Red Line Agreement was concluded between the share holders of the then Turkish Petroleum Company (later called the Iraq Petroleum Company).

⁵⁶ Archaeologist and historians now trace the line of Sumerian kings back before 2700 B.C. and entertain the legend of Gilgamesh, king of Uruk, taking that date as a provisional starting point for the history of ancient Iraq.

revolt, Sharif Hussein of Mecca was selected by provisional council of the state to rule Iraq.⁵⁷

Upon terminating its treaty with Britain on 19th June 1961, Kuwait entered as an independent state in the international arena but under Brigadier General Abdul Qasim of Iraq threatened Kuwait claiming that Kuwait falls under the jurisdiction of Basra during the long Ottoman rule (Ismael 2001:369).⁵⁸ To retain sovereignty, Kuwait made an alignment with British where on 1st July the British troops were stationed inside the Kingdom of Kuwait. At the British request the UN Security Council met on 2nd July to consider Kuwait threat against Iraq's threat but unfortunately the resolution was defeated due to Soviet Union veto power. As a result, the British withdraw their troops from Kuwait. Meanwhile in the Arab League Ministerial Council in July 1961, in Cairo after following an intense negotiation and bargaining, Kuwait was recognised as an independent sovereign state and on July 21st 1961 it was admitted to the League of Arab States as its 11th member (Abidi 1991:10-11). On 4th October 1963, following a second coup in Iraq, the new Iraqi government announced its recognition of Kuwait's independence (Abidi 1991:11). However after the overthrow of Qasim by Ba'ath regime in 1968, Iraq threat to Kuwait was rather based on ideological challenges than on historical territorial claims (Ismael 2001:369).⁵⁹ However in spite of strain relation

⁵⁷ However the Iraqi monarchy rule didn't last long since the death of King Faisal in 1933, as his son successor, Ghazi also died in a sudden automobile accident in 1939 when his heir, Faisal was only four years old. Therefore, a maternal uncle, Abd al-illah was appointed regent and crown prince. For the next decades, veteran politician, Nuri al-Said served Abd al-illah in successive cabinets. Both men were staunchly pro-British and came to symbolize British domination in Iraq. But a turning point reached in Iraq political system when civil war arose in Lebanon between the Arab nationalist supported by Syria and Lebanese nationalist of Christian who was pro-Western and the events in Lebanon threaten to spill over Jordan. Therefore, in order to support the Jordan monarchy, Nuri al-Said ordered the Iraqi army units to move into Jordan to support King Hussein. Instead, Col. Abd al-Salam Aref on behalf of the clandestine Free Officers' Movements, ordered his units into Baghdad and on the morning of the 14th July 1958, Aref led a coup against the al-Said government and new government was formed under Brig. Gen. Abdul Karim Kassem.

⁵⁸ On different occasion Turkey, Germany and Russia attempted to gain the sovereignty of Kuwait and to resist such effort from outside power, the seventh ruler of Kuwait, Sheikh Mubarak as Sabah who came to power in 1896 sought British protection where on 23rd January 1899 signed a secret Exclusive agreement with Britain. Under this agreement it bound the Sheikh not to cede, sell lease or mortgage or give for occupation or for any other purpose or subject of any other power and not to accept representative of foreign countries without the consent of the British government. In return, the British assured the Sheikh of their protection.

⁵⁹ Kuwait remained a conservative monarchy that was the antithesis to Ba'ath ideology. Ideological hostility was diluted somewhat by the façade of Kuwait's adoption of an Arab nationalist stance in regional

between these two Arab states, yet in Iran-Iraq war 1980-1988, Kuwait stood behind Iraq (Ismael 2001:375).

But on 2nd August 1990, the international community took surprised as Iraq invaded Kuwait of the same Arab members and within an hours Iraqi military forces had conquered the country and had advanced towards the Saudi Arabia border, threatening the political stability and oil resources of the entire Persian Gulf region. Indeed in one explanation it can assert that the invasion of Kuwait by Iraq has been traditionally linked to the long eight years war of Iran-Iraq. According to Middle East politics writer, L. Carl Brown (2004), Iraq victory over Iran in the long eight years rather proved increasingly hollow. Though Iraq emerged victory from the war but economically it became dependent on the West and its regional allies. By 1990, debt to Europe had reached over \$40 billion, \$10 billion more than in 1988; the annual interest on the debt was \$6 to \$7 billion and both had to be repaid to restore Iraq's creditworthiness (Brown 2004:196). Moreover, the fall of oil price in late 1990s became vulnerable to Iraq as it was the main source of revenue to meet the budget. On another side, Iraq also suffered from the end of Cold war as the close friends of Soviet Union loss inspite of signing the 'Friendship treaty' in 1971 (Brown 2004:196). It was estimated that Iraq had over \$80 billion war debts of which \$37 billion was owed to the Arab states, mostly the Gulf Cooperation Council (GCC) states and another to \$ 10 billion to Kuwait (Pelletiere 2001:216).⁶⁰

Mounted by financial crises and debt repayment Saddam began searching opportunistic moment. Indeed, Iraqi economy was left in tatters by the consequences of long eight years war of Iran-Iraq, an increase of oil was the only recourse but even this production was hampered by low prices for oil where during that period, the price of oil was selling below \$15 per barrel in international market which becomes difficult to compensate its government budget. Lack of compliance with the oil production quotas allocated by OPEC on the part of the some members, Kuwait and U.A.E was partly to blame for the fall in price. These overproducers increasingly came under fierce attack from Iraq where the Iraqi Foreign Minister, Tariq Aziz on 16th July 1990 delivered a

issues such as the Arab-Israeli conflict where, Kuwait was one of the first Arab states to sever diplomatic relation with West Germany after Bonn initiated relations with Israel.

⁶⁰ Saddam financial was burden when Kuwait announced that all the money given to Iraq during war was a loan in which it would have to be repaid. Indeed the Saudis who had also been subsidizing the Iraqis had construed it as they never demanded repayment.

letter to the League of Arab states charging Kuwait and U.A.E. with “direct aggression” against Iraq (Abidi 1991:15). Indeed, the two states had increased their production level by 25%. Saddam stated that the move cost Iraq \$14,000 million in lost oil revenue and threatened to use force to halt over production (Abidi 1991:15). Indeed there were financial, territorial and oil-related disputes as Kuwait was pressing Iraq for repayment of 30\$ billion lent to Iraq during the 1980 to 1988 Iraq-Iran war (Melby 1998:108).⁶¹ In mid July Saddam sharply escalated tensions in the region by accusing Kuwait and the UAE of ignoring quotas by the OPEC by overproducing oil consequently driving down the price of oil in international markets. He threatened to take action if production were not cut voluntarily and this remarked led to a flurry of diplomatic activity where Arabs Egypt President Hosni Mubarak, Saudi King Fahd and Jordanian King Hussein tried to mediate between Iraq and Kuwait (Melby 1998:108). On the other hand, the United States to resolve the crises, President Bush nevertheless sent Saddam Hussein a message on July 28th warning him against any belligerent actions and reiterating that the United States had vital national security interests in the area. But all the assessment by the United States and other Arabs Government failed and thus on 2nd August 1990, Iraq invaded Kuwait in an effort to force solutions to the problems of its own financial difficulties, its borders with Kuwait and other unresolved issues (Brown 2004:196). According to L. Carl Brown (2004), as with Iran-Iraq war, Iraq’s motive cannot be known with certainty, but its decision must be set against a background of long frustrations over lack of direct access to the Gulf and the desire to eliminate Kuwait control over the Khor Abd Allah estuary. Moreover according to Brown, Kuwait was also seen as being “used” by the United States and the West to prevent Iraq’s economic revival, through such methods as overproduction of its OPEC oil quota, refusal to cancel Iraq’s debts and its unwillingness to provide substantial sums of money for post war reconstruction. In a meeting between U.S. Ambassador April Glaspie and Saddam on 25th July, 1990 Saddam expressed a sentiment similar to this when he told to Glaspie that the United States and the Sheikhs

⁶¹ During that war Kuwait and Saudi Arabia lent Iraq the proceed of the sale of oil from the Neutral Zone to compensate Iraq for the lost of oil revenues from its own shut-in production as Iran had destroyed Iraq’s offshore loading platforms in the northern part of the Persian Gulf and thus preventing Iraq from exporting oil through the Gulf. In addition, Iraq and Kuwait had territorial disputes, along the northern border of Kuwait and over Bubiyan and Al-Wadah islands, which controlled access to the Iraqi port of Umm Qasr. Iraq and Kuwait also disputed production from the Rumailah field, which straddles their border.

were waging an economic war against Iraq (Pelletiere 2001:218). Thus faced with the financial burden, Saddam invaded Kuwait on early morning of 2nd of August 1990 and declared it as the nineteenth province of Iraq on 8th August 1990 (Ismael 2001:218). Between 2nd of August and 28th November 1990, the Security Council passed eleven resolutions on economic sanction Iraq, ranging from condemnation to economic embargo, for its occupation of Kuwait.⁶² Resolution 661 and 665 were the most coercive of all the resolutions passed by U.N. Security Council, as resolution 661 imposed stringent sanctions on all trade to and from Iraq and resolutions 665 permitted states to use limited naval force to ensure compliance with the economic sanctions, including the right to inspect cargoes (Ismael 2001:218). Several diplomatic effort were made by Arab countries and the United States to end the Kuwait occupation by Iraq but all failed and thus on 29th November 1990, the Security Council passed a resolution 678 authorizing military action against Iraq. On the 17th January 1991, the Gulf war, named the Operation Desert Storm was initiated under the leadership of U.S.A. The war was nasty, brutal and short which came to an end on 28th February 1991 with a cease-fire announcement. Finally, Kuwait freed from Iraqi imperialist designed and Iraq reaped what it has sowed in the battlefield of Kuwait. The economic sanctions imposed on Kuwait by Resolution 661 were lifted, while those on Iraq have remained in effect with certain important exceptions.⁶³

Dynamic of balancing in the Gulf War 1990s: In the wake of Iraq invasion of Kuwait the system of balancing changed interestingly. Indeed in global level the functioning of the United Nation for the first time passed resolution without any veto power politics due to collapsed of the Soviet Union. But in the regional level of the Middle East interestingly the system of alliance making got into different pattern as compared to what it witness during Iran-Iraq war of 1980s. Here again in the wake of Iraq occupation the U.S.-Saudi produce an ambivalence relation where Saudi regime sustenance is predicated on the willingness of the United States to protect the Kingdom from foreign attack as was

⁶² For detail discussion on the U.N. role on Gulf war 1990s see, Saksena, K.P. and C.S.R. Murty (1991), "The United Nations and the Gulf crises", in A.H.H. Abidi and K.R. Singh (eds.) *The Gulf Crises*, New Delhi: Lancer Books.

⁶³ For discussion the future consequence of Iraq after Gulf war 1990s see, Pasha, A.K. (2003), *Iraq: Sanctions and War*, New Delhi: Sterling Publishers Private Limited.

demonstrated during Gulf crises. Indeed, since from the very beginning of its relation the cornerstone of bilateral relation between the United States' and the Saudi Arabia is and always has been security, the United State security of oil and Saudi Arabia security of territorial sovereignty and thus Saudi Arabia has gained greater significance as it has become in U.S. eyes the leading oil power in the region. Thus according to Mahmud A. Faksh and Ramzi F. Faris (1993) assert that despite the security interest of the United States and Saudi Arabia are dissimilar but tend to converge and interact in a symbiotic fashion where the convergence and dependence have become more pronounced since the Gulf war.

Against the immediate of Kuwait invasion by Iraq on 2nd August 1990, it put risk Saudi Arabia vast oil resources and the stability of the entire region. The day after invasion of Kuwait, on 3rd August 1990 Prince Bandar bin Sultan Saud, Ambassador to the United States' arrived at the White House and met the U.S. Secretary of Defence, Richard B. Cheney and the Chairman of the Joint Chiefs of the Staff, Colin L. Powell to discuss the military plan to defend Saudi Arabia against a possible Iraqi invasion⁶⁴ (Bronson 2006:191). Despite bitter memory of the failure of Pan-Arabism in the Arab and Muslim world, sides were being taken. Jordan, Yemen and the Palestine Liberation Organisation aligned decisively with Iraq. Egypt and Morocco lined up strongly with Saudi Arabia. Though Jordan leadership later argued that with so many Palestinians living inside Jordan and its economy umbilically tied to Iraq, King Hussein had little choice but to side with the PLO against the kingdom yet, the Saudi leadership viewed Jordanian motivations quite differently where the Saud Royal Family saw it as revenge against the House of Saud for the time when King Abdel Aziz had chased King Hussein's grandfather out of Hejaz three-quarters of a century earlier (Bronson 2006:200). Thus, many Saudis view Jordan's decision to align with Saddam as an attempt to win back the Hashemites' historical homeland of Jordan's ruling family, Hejaz (Bronson 2006:200).

With the announcement of ceasefire, the Operation of Desert Storm came to an end on 28th February 1991. Saudi and other allies came with victory. The U.S. role was

⁶⁴ During interaction Prince Bandar bin Sultan asked "how many (men) are u talking about?" Powell calculated that it would be between one hundred thousand and two hundred thousand. And within six months, more than half a million American men and women would arrive in the Kingdom and its Persian Gulf neighbours. Upon hearing Powell's estimation, Bandar let his breath out audibly.

made immeasurably easier by existing Saudi military infrastructure, access to airspace and the long-standing history between the two states. Thus in the Desert Storm it marked the high points in the U.S.-Saudi relations.

Post Gulf war balancing: Moreover in the postwar period Arab states sought to develop a form of collective security under the Damascus Declaration on 6th March 1991 between the Gulf Cooperation Council (GCC) states and Syrian and Egyptian⁶⁵ (Ismael 2001:359). In exchange for security support in the form of Egyptian and Syrian military contingents permanently stationed in the Gulf region, the GCC states would provide much-needed capital for the Syrian and the Egyptian economies. Egyptian and Syrian troops would be stationed in Kuwait, Saudi Arabia and other Gulf States in order to back a smaller GCC military force against Iraq, Iran or other threats to Gulf security. The collective security of Damascus Declaration in initial was successful but by the end of 1992, the pact runs into difficulties. While the Gulf States thought that Egypt and Syria were seeking maximum remunerations for minimal military support, Egypt and Syria believed that the Gulf States wanted maximum security for minimal money. After initially supporting the security plan, the Saudis questioned the logic of hosting foreign forces on the soil. The Saudi feared that Arab states might become involved in royal family politics, thus undermining the regime and that added financial burdens would strain an already stretched budget. More importantly one of the failures is that these countries for most part share several simmering territorial disputes, mutual distrust of one another in which cooperative security formations were hardly ingredients. Hence, Egypt increasingly became annoyed with Saudi procrastination in implementing the accord and by, early May 1991 decided to follow in Syria footsteps by withdrawing its 40,000 troops from Saudi Arabia and Kuwait (Yetiv 2004:95). Gulf States, uncomfortable with entrusting their security to Egypt and Syria rather preferred to rely on the U.S. security umbrella and independent military efforts. For Saudi Arabia, any local candidate to ensure Saudi security cannot be relied on to come to the aid of the Kingdom to the same extent as can

⁶⁵ GCC comprise of only states that are homogenous in political, economic and social orientations and therefore made an exclusion of Iraq and Yemen. GCC was formed in March 1981 when Saudi Arabia, Kuwait, Oman, the UAE, Qatar and Bahrain signed an incorporation Charter. At the first Summit, they declared that their goal was self protection from foreign interference.

the United States, for their commitments to the Peninsula's security and their military capabilities are not strong as that of the distant super power ⁶⁶(Faksh and Ramzi 1993:289). Thus the Saudi leaders have turned to Washington as their 'ultimate protector' and the relationship became closer than ever. While for the part of GCC states though it continues to interact with Egypt and Syria in the political and economic arenas, they downed the military side of the Damascus Declaration (Yetiv 2004:95).

U.S-Saudi relation in Clinton's periods: Despite prolific cementing of the U.S.-Saudi relation in the course of Gulf war, the U.S.-Saudi relations came to slow but steady deterioration in Clinton presidency. Internationally, the Clinton administration focused on two agendas i.e. the global economy and the promotion of democratisation. There are several explanations for the deterioration of relation between U.S.-Saudi Arabia in which one of the important factor was on the part of dealing with Israeli-Palestine peace process where the Clinton administration ignored the Saudi role in the negotiations table (Pollack 2002:22). Saudi attitudes towards Israel eased significantly after the death of King Faisal where Saudi Arabia ended support of the second Arab boycott of Israel after Prince Saud al-Faisal, the Saudi foreign minister, attended the ceremonies relating to Israel's peace settlement with the Palestinians following the Oslo Accords in 1994. The Saudi government continued to take the position that East Jerusalem should come under Arab and Islamic jurisdiction and that Israel be held accountable for its killing of Palestinians through a war crimes tribunal (Cordesman 2003:87). This stance can be explained by several factors i.e. the Saudi royal family has made its commitment to Arab and Islamic causes; the Wahhabi dominance of the Saudi Ulema makes Muslims control over Islamic holy sites a major Saudi concern for which according to Wahhabi views it excludes the control of Mosques by non-Muslims and the Saudi and Arab public opinion is strongly pro-Palestinian and the Saudi ruling has always been sensitive to public opinion. But in the peace process settlements and at difficult points in the negotiation, the American turned to the Jordan and Egyptian, who by venture of their peace treaties with Israel could serve as Arab intermediaries (Pollack 2002:22).

⁶⁶ Perhaps a Saudi diplomat best expressed the Saudi leadership's sentiments about the Damascus Declaration at the 23rd December 1992, GCC summit in Abu Dhabi with his comment, "who would want to rely on Asad (Syria) for protection?"

Also where the Clinton administration cannot be accused of lacking a clear foreign policy is the Persian Gulf. The administration has identified both Iraq and Iran as significant threats to American interest in the region and therefore developed a policy known as “Dual Containment” to deal with them by isolating both countries regionally, cutting them off from the world economic and trading system and encouraging regime change in Iraq and in reverse it focused on protecting Saudi Arabia and the smaller gulf monarchies (Gause 1994:56-60).⁶⁷ Moreover, in applying the policy it strongly supported the continuation of the U.N. sanctions against Iraq access to international capital and arms markets and continued American military commitment to Saudi Arabia and the smaller monarchies of the GCC. Indeed, American interest in the Gulf remain unchanged with the end of the cold war i.e. guaranteeing the uninterrupted flow of oil to the world market at the prices that don not damage the economies of the U.S. and its allies in the advance industrial world. However with the end of the Gulf war, the U.S. interest changed and began to search the threats to its interest lie. Hence, the dual containment to defend the threat perception, it has been applied to counter Iraq and Iran.

But in practice, an American ally like Saudi Arabia and GCC states in the region and elsewhere have shown no enthusiasms for dual containment making its implementation highly problematic.⁶⁸ On the part of Saudi Arabia, relation with Iran improve since 1990s, another policy decisions that irked Washington (Bronson 2006:219). The Saudi relations with Iran have never been easy as tensions have existed between the Wahhabi and Shiite cleric for over centuries. The two states were more rivals than friends while the Shah remained in power. Moreover, the tensions heighten following the Iranian Revolution in 1979, where Ayatollah Khomeini actively attacked

⁶⁷ On 18th May 1993, Martin Indyk, the special assistant to the President for the Near East and South Asian affairs at the National Security Council, outlined the dual containment policy where Indyk stated that the administration’ goal in Iraq is to “establish clearly and unequivocally that the current regime in Iraq is a criminal regime, beyond the pale of international society and, in our judgment, irredeemable.” Also Indyk referred to a “five-part challenge” that Iran poses to the United States and the international community: its support for “terrorism and assassination across the globe”; its opposition to the Arab-Israeli peace process, expressed in its support for the groups such as Hezbollah and Hamas; its effort to subvert friendly Arab governments; its military buildup aimed at dominating the Gulf region and its quest to acquire weapons of mass destruction. For detail analysis see, The Washington Institute for the Near East Policy, “Special Report: Clinton Administrations Policy towards the Middle East, *Policy Watch* (1993).

⁶⁸ Understanding the pro’s and con’s of ‘Dual Containment’ policy see, Gause III, F. Gregory (1994), “The Illogic of Dual Containment”, *Foreign Affairs* 73 (2):56-67. Also see Lake, Anthony (1994), “Confronting Backlash States”, *Foreign Affairs* 73 (2):45-55.

the character and religious legitimacy of the Saudi regime. In spite of such hostile environment, Saudi Arabia never severed diplomatic relations with Iran, unlike the United States where relation was broken after the fall of Shah and hostages crises in 1979.

However, after the death of Ayatollah Khomeini in 1989, the Iran new President, Ali Akbar Hashemi Rafsanjani first attempted to improve relation with Saudi Arabia. Iran pulled back from efforts to encourage Saudi Shiites unrest and terrorism, halted its attack on the Saudi royal family and stopped supporting riots and protests Hajj (Cordesman 2003:45).⁶⁹ Moreover with coming of Ali Muhammad Khatami's as new President of Iran on 3rd August, 1997 show a sign of improved relations with Saudi Arabia. For the first time the two nations in 1988 co-operated during the annual pilgrimage to Mecca where Saudi Arabia increased the quota for Iranian pilgrimage in February 1998.⁷⁰

Though the Desert Storm marked the high point in U.S.-Saudi relation, but the Operation of Desert storm catalyzed an extreme Saudi popular opposition to the House of Saud. According to Anthony Cordesman and Nawaf E. Obaid (2004), "the Gulf war pushed Saudi military and security expenditure to the crises level. Saudi security expenditure rose from 3% in 1989, to nearly 36% in 1990 and around 70% in 1991-1992 including the cost of aid to allied government during Desert storm." Of course the role of Saudi Arabia during Gulf war was vital where it hosted by allowing nearly 250,000 as base for launching the operation of desert storm. But there were resentment inside the kingdom where one of the critics of the King Fahd open invitations to the American troops was Osama bin Laden (Bronson 2006:197). Along side with the end of the Gulf war, Saudi Arabia has to pay back of what it has promised to ally's members for its role in the Operation of Desert Storm, like to former Soviet Union, Russia it paid \$4 billion and also agreed to underestimate \$800 million in economic aid to Turkey and \$1 billion

⁶⁹ In 1987, the Saudi security forces clash with the Iranian Hajj pilgrimage resulting in the death of over 400 people, mostly Iranian where it sever diplomatic relation.

⁷⁰ In spite of its improvement in relation since the death of Ayatollah Khomeini in 1989, Saudi and Iranian relations do continue to have problem, where in the case of oil policy tensions still remained over many petroleum issues where Iran fail to compliance with OPEC quotas. During OPEC meeting in March 1999, an agreement was reached delimiting the baseline for Iran's share of OPEC cutback at 3.9 million barrels per day, rather than 3.6 million barrels per day as argued by other members states, in practice Iran's cut were smaller due to the amended baseline. Moreover the Iranian disputes with UAE over small islands located in the Strait of Hormuz also add bitter relation with GCC states. The continuance increase of Iran military development adds concern for Saudi Arabia.

over 5 years for Turkish special defence fund. All these spending drove the Kingdom into debt. In fact, the political strategist commentary assert that Iraq invaded Kuwait in order to gain the economic power what had lose during the long Iraq-Iran war but the impact of the Gulf war rather added financial burden to Saudi Arabia.

U.S. - Saudi relation in the Post-September 11, 2001:

The effect of the terrorist attack in the United States on 11th September 2001, has added another dimension in the U.S.-Saudi relation. The United States and the Saudi Arabia which have enjoyed a close relation for more than six decades since 1943 when President Franklin D. Roosevelt and King Abdel Aziz bin Abdel Rahman al-Faisal al Saud met for the first time at military Ship craft, USS *Quincy* in the Great Bitter Lake, north of the Suez Canal, have been intensely tested by the 11th September 2001 terrorist attack against the United States. This terrorist attack on the U.S. by a group of 19 Arabs loyal to Osama bin Laden including 15 Saudi citizenships has significantly re-arranged or shaped the U.S.-Saudi relation (Pollack 2002:12). In his speech to the Congress on 20th September 2001, President Bush's declared that in the aftermath of the attacked the world has been divided into two camps i.e. good and evil and thus each country has to define where it stands "either you are with us or you are with the terrorists" the president affirmed (Bahgat 2003:1). The official Saudi position has left no doubt that Riyadh strongly condemns the attacks and supports the war on terrorism in which, after the attack Saudi Arabia severed relation with the Taliban in Afghanistan as the United States prepared to carry its war into Afghan soil (Pollack 2002:12).⁷¹ Although the Saudi position during against the attack was with United States, yet given the more than a dozen of the hijacker were Saudi citizens there has been strong criticism of Riyadh's role in combating terrorism. The American media and U.S. Congressmen publicly criticized Saudi Arabia for not taking a more active role in the war against terrorism given the fact that fifteen of the nineteen hijackers were Saudi nationals prompted many Americans perceive Saudi Arabia "as part of the problem, not part of the solution" (Cordesman 2003:118). The Saudi reaction to September 11 was one shock and denial as well as

⁷¹ Along with Saudi Arabia, Pakistan and United Arab Emirates had formally recognised the Taliban regimes in Afghanistan.

resentment of exaggerated U.S. criticism as for months Saudi Arabia did not publicly acknowledge the role Saudis played, did not explain its own problem with bin Laden and made no effort to put its problems with Islamic extremism into perspective (Cordesman 2003:119). When it stepped up intelligence and counterterrorism cooperation with the United States, it kept the details and scope of such cooperation secret. Such situation was then made worse by the apparent lack of Saudi support for military operations in Afghanistan and deep public resentment of the U.S. support for Israel as the Second Intifada continued to escalate.⁷² While the United States concentrated on terrorism and the “Islamic threat,” Saudi Arabia concentrated on Palestinian suffering and the possibility that the Bush administration might launch a new war against Iraq to overthrow Saddam Hussein (Cordesman 2003:119). The poorly controlled flow of Saudi money outside the Kingdom also landed the U.S.-Saudi relation in strain since September 11 terrorist attack. The flow of charities money from Saudi Arabia for the struggle in Afghanistan, Bosnia, second Intifada in Jerusalem and Kosovo for Islamic cause came under intense scrutiny since the terrorist attack in 9/11. Intense financial scrutiny revealed a distributing pattern of Saudi capital underwriting schools and Mosques throughout the region and beyond that included hate and intolerance and provided foot soldiers to Al-Qaeda (Bronson 2005:236). Such cases were put up where Riggs Bank, used by the Saudi Arabian embassy in Washington, becomes the subject of an intense terrorist financial legal suit. Thus it was soon apparent that rather than drying up, funding channels created during the Afghan war had continued expanding after Washington turned its attentions elsewhere (Bronson 2005: 236).⁷³ During the Soviet invasion of Afghanistan, the

⁷² Both the Saudi government and Saudi people have become steadily more critical and angry since September 28, 2000 when Ariel Sharon visited the Al-Aqsa mosque/ Temple Mount and the cycle of violence that has become the “second Intifada” began. Crown Prince Abdullah, in particular, took a progressively firmer stance in calling for an end to Israeli attacks on Palestinians and for collective Arab and GCC action to push for an end to violence and peace settlements favourable to the Palestinians. Since September 2000, the Saudi government has been steadily more critical of Israel, more willing to support joint Arab action against Israel, and more willing to provide financial and political aid to the Palestinians. On 9th October 2000, the Saudi royal family opened an Al-Quods fund for the “support of Al-Quods (Jerusalem) Intifada,” beginning with 30 million riyal (\$U.S. 8 million) donation from King Fahd. By May 2002, according to the Royal Saudi Embassy in Washington, D.C., the Kingdom’s donations to the Al-Quods foundations had totaled nearly 201 million riyals (\$ U.S. 53.67 million) since the foundation was established in October 2000.

⁷³ Saudi Arabia’s grand mufti, Abdel Aziz bin Baz, blind cleric with considerable domestic support and legitimacy who ran the World Muslim League, the organisation created under King Faisal in the quest for “Islamic solidarity”, used that organisation to raise money for Afghanistan where in 1981, bin Baz

foundation for Al-Qaeda was laid, where it claim that several Afghan resistance associates raise million of dollars from businessman and charities in Saudi Arabia, Kuwait and U.A.E. (Bronson 2005:174). The Muslim League heavily funded group whose missionary efforts are reported to have moved money to elements of al-Qaeda and different extremist group like Gamiat Islamyia and Islamic Jihad in Egypt and Abu Sayyaf in the Philippines. Money also went to causes with hard-line or extremist elements like the Muslim brotherhood in Egypt and Jordan or Hamas in the Gaza (Cordesman 2003:167). Several U.S. news organizations as well as senators such as John McCain and Joseph Lieberman have questioned the level of Saudi cooperation in the new war (Bahgat 2003:2). In the wake of the September 11 terrorist attack, the United States' have created a significant challenge to the long term partnership between Washington and Riyadh where the Congress called of hearing devoted to terrorist financing where in 2002, an independent task force report found that "for years, individual and charities based in Saudi Arabia have been the most important sources of funds for Al-Qaeda. And for years, Saudi official have turned a blind eye to this problem" (Bronson 2006:236-237).⁷⁴ After the attack, the U.S. Department of Homeland Security, established in November 2003, instituted a much stricter set of entry regulations where the new policy laid that visa application from any men sixteen to forty-five years old from the twenty-six countries would be checked against databases maintained by Federal Bureau Investigation (FBI) (Bronson 2006:237).⁷⁵ After the attacks Saudi student visa applications fell by 80% and the Saudi businessmen with long histories of working in the United States, including Amarco officials, opted to conduct their business in Europe rather than the United States, in order to avoid entering a country they suddenly perceived as hostile (Bronson 2006:238). The U.S. ambassador to Saudi Arabia, Robert

reportedly transferred \$25 million to Sayyaf's group, where under the pressure from Saudi Arabia in 1982, Pakistan successfully organised the Afghan resistance into six parties i.e. three Islamic parties led by Yunis Khalis, Gulbuddin Hekmatyar and Burhanuddin Rabbani and three more-moderate parties led by Maulvi Mohammad Nabi Mohammadi, Syed Ahmad Gailani and Sibghatullah. The seventh party was formed headed by Abdul Rasul Sayyaf.

⁷⁴ Over a two years period Saudi official shut down al-Haramain, the official charity of the royal family and the organisation responsible for the dispersing \$40 million per year, although some recent report suggest that some of its office may still be operational, or operating under different name.

⁷⁵ Those countries are Afghanistan, Algeria, Bahrain, Djibouti, Egypt, Eritrea, Indonesia, Iran, Iraq, Jordan, Kuwait, Lebanon, Libya, Malaysia, Oman, Pakistan, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, Turkey the UAE and Yemen.

W. Jordan, recalled that the new restrictive visa policies greatly “upset upper-middle-class Saudis- those who had been most pro-American.”(Bronson 2006:238).

Of course, the September 11 terrorist attack in the United States has given a turning point in U.S.-Saudi relations where it dramatically changed the course of its relation into suspicious to each other unlike the precedence period. In 2002, a poll conducted by Zogby International, “The Ten Nation Impressions of America Poll” put forward that Saudi Arabia distinguished itself as the only country of ten surveyed in which a majority of the population of about 51% harbored negative feelings towards the American people. Indeed, the incident of September 11 could consider as an immediate effect for the United States to introspect its foreign policy and the Saudi Arabia its domestic policy. Although the terrorist attack on September 11 becomes a watershed in the U.S.-Saudi relation, yet the rise of internal instability with an anti-American views and terrorist attacks in U.S. key installation inside the Kingdom of Saudi Arabia has been prominent even well before the September 11. The bombing on the U.S. Air Force housing complex in Al-Khobar on 25 June 1996 that killed nineteenth American service men and injured 373 others. This bombing on U.S. vital installations in Saudi Arabia was the worst terrorist disaster affecting the United States since 241 Marines and sailor were killed in the bombing of a U.S. barrack in Beirut on 23rd October 1983 and in some quarter have regenerated a question about the Saudi political instability (Cordesman 2003:191). The terrorist attack on September 11 of course was major incident initiated by Al-Qaeda, however several attacked has also been occurred in several countries. Osama bin Laden, Saudi Arabia’s best-known violent militant long before September 1, 2001 had sponsored or supported major acts of terrorism like the attacks on the U.S. embassies in Nairobi, Kenya and in Dar es Salaam Tanzania on 7th August 1998 and attack on the American warship U.S.S. *Cole* in October 2000. Bin Laden had made a series of public threats to drive the United States and its allies out of Islamic countries before the attacks, and issued a ‘fatwa’ on 23rd February 1998, under the name “World Islamic Front for Jihad against the Jews and Crusader” (Cordesman 2003:211). This kind of fatwa is personal and has no religious legitimacy according to Wahhabi religious practices. Neither does its assertion that it is religious duty for all Muslims to wage war against U.S. citizens, both military and civilian, anywhere in the world.

Thus, such rise of prominent terrorist activities or oppositions/Islamic extremism inside the Kingdom of Saudi Arabia is well known even before the terrorist attack on September 11, 2001 in the United States. But there is explanation for the causal mechanism on the rise of the activities of Islamic extremism in Saudi Arabia or why the incident of 9/11 have occurred for which the Saudi Arabia one of the Washington's staunchest allies have to shake its political instability.

House of Saud's Authority: In present societies no country is free from political problem where it face a number of obstacles or challenges and thus Saudi Arabia is one among the many where it face numerous challenges in terms of political and religious legitimacy of its royal family and ruling elites, Islamic extremists or needs of social and political reform. Particularly with the occurrence of Gulf war in 1990s, Saudi Arabia witness internal political instability challenging the authority of the Royal family with an incident of terrorist attack on U.S. vital installations inside the Kingdom of Saudi Arabia. In the earlier chapter, I have discussed the historical formation of how the present third modern Kingdom of Saudi Arabia has formed and tied their legitimacy with religious authority. The House of Saud or the al Saud base their claim to legitimacy on the success of military conquest in the 1920s and 1930s and on their alliance with religious authority where such relationship dates back to the 1744 alliance between Muhammad ibn Abd al Wahhab and Muhammad ibn Saud, a sort of merger of religious authority and military might. The Islamic practices of the vast majority of Saudis are puritanical which involve a conservative form of Hanbali jurisprudence, and are bound by conservative tribal social customs (Cordesman 2003:163). The Saudi interpretations of Islam and the actions Saudi clergy reflects the teaching of Muhammad ibn Abd al-Wahhab, a conservative and fundamentalist reformer who reshaped the worship and social practice of virtually all elements of Sunni society in the mid-1700s. Thus, Saudis generally regard Muhammad ibn Abd al-Wahhab as a *Mujaddid*, a key kind of key reformer called for in Islamic Hadith (tradition). The Mujaddid is a voice that God sends at the beginning of each century to call on Muslims to return to the true revelations of the Koran and bring moral restoration to the Umma (Muslim Community). Hence, Saudi Muslims think of themselves as "Muwahiddun" or "Unitarians" Muslims who believe Allah is the one and

only God and is the only legitimate derivation of correct Islamic beliefs (Cordesman 2003:164). This consensus has been a basic part of Saudi society and culture since the founding of the first al-Saud state. And thus, the descendants of al-Wahhab still dominate the official religious institutions of the country and the official clergy regularly issue *fatwa* (religious judicial opinion) that justify the policies of the Al-Saud in the Islamic vocabulary even when the policies are deplorable in the populace. Thus, much of Saudi political stability is shaped by popular perceptions of the aspect of the regime's commitment to Islam rather than the election and pluralism that shape legitimacy by Western standard. Such case was occurred in 1990 when King Fahd sought and received fatwa from Grand Mufti, bin Baz in order to station U.S. troops inside the Kingdom during Gulf War in 1990s (Bronson 2006:195). Thus, Islam remains a double-edged sword for the Al-Saud where it grants members legitimacy as protectors of the faith, yet it constrains their behaviour to that which is compatible with religious law (Dekmejian 1994:625). When any Royal family members of House of Saud deviate from the straight path, they are open to criticism since the regime's "right to rule" rests largely on the alliance with the Al-Wahhab family. However the authority or say the power in which the House of Saud rested has been contested between the regimes and the official clergy over the course of period on different issues consequently leading to raise Islamic extremism, challenging the authority of Royal Family.

Internal security threats to Saudi stability: The politics of Islamist dissent in Saudi Arabia have come under intense scrutiny since September 11, for which it need a serious reforms in the Kingdom (Okruhlik 2002:22). According to Gwenn Okruhlik (2002), economic, political and social problems in the country have provided fertile fields for the dissent in which if serious structural reformers are not implemented, the call from the most radical flank will almost certainly find an audience among the population. Even before September 11, political analyst argued that the Saudi regime could or even likely to fall eventually as comparatively to what it had happened to the Shah of Iranian during 1979 Iranian Revolution which led Ayatollah Khomeini to come to power (Yetiv 2004:21). David Fromkin noted that "terrorism is violence used in order to create fear; but it is aimed at creating fear in order that the fear, in turn, will lead somebody else – not

terrorist – to embark on some quite different program of action that will accomplish whatever it is that the terrorist really desires” (Doran 2002:22). When a terrorist kills, the goal is not murder itself but something else like social tension – for example, a police crackdown that will create a rift between government and society, that the terrorist can then exploit for revolutionary purposes (Doran 2002: 22-23). Perhaps, the incident of September 11 was a wake up call for both the United States generally and Saudi Arabia particularly to retrospect on their foreign policy.

Rise of Resistance Movements (Reformist) in Saudi Arabia: Although the rise of protest movements against secular state authority has become a pervasive pattern in contemporary Arab politics, in Saudi case the Islamist protest is directed against an avowedly Islamic state. According to social anthropologist, Madawi Al-Rasheed (1996), while Islamic groups in other Arab countries struggle against secular states that confine the Sharia to the private sphere of marriage, divorce and inheritance, the Saudi state claims to apply Islam in all spheres of political and government to be compliance with the rules of the Sharia or Islamic law. This makes the rise of radical Islamic opposition in Saudi Arabia all the more intriguing. Of course, the terrorist attack on September 11, 2001 displayed significantly the rise of Islamic dissent to world community where out of 19 Arab hijacker of Plane, 15 hijackers were belonging to Saudi citizenship. The rise of Islamic extremism inside the Kingdom of Saudi Arabia is something not new as what we witness in present contemporary societies. There are two important historic moments of opposition which provide striking parallel with today’s Islamist opposition movement i.e. the 1929 Ikhwan rebellion and the 1979 seizure of the great mosque in Mecca by Juhaiman al-Utaibi.⁷⁶ In both instance, the Islamic legitimacy of the al-Saud family was seriously challenged by movements that emanated from the heartland of traditional al-

⁷⁶ In the early 20th century the founder of third modern kingdom of Saudi Arabia, Abdul Aziz depended on the fighting force of the Ikhwan to extend the borders of his kingdom. Thus more trouble arose between the Abdul Aziz and Ikhwan when Abdul Aziz conquered the Hejaz in 1924 and sent packing the historical ruler of Hejaz Hashemites dynasty, Sharif Hussein, where his two sons became the King of Jordan and Iraq. The Ikhwan leader objected the King Abdul behaviour during the sacking of Hejaz in 1924. Later in the battle of Sibila in 1929 the King took an offensive to counter the growing Ikhwan power and thus in this fateful battle the influence of Ikhwan was all destroyed. Later after nearly 50 years later in 1979, Juhaiman al-Utaibi forcibly took control of the sacred mosque in Mecca in an effort to topple the ruling family. He was the grand son of an Ikhwan warrior.

Saud support, the Nejd. In both times opposition was justified because the regime deviated from the straight path of the Koran and Sunna. The most dramatic postwar example of Saudi problems with extremists before the rise of Osama bin Laden was the “uprisings” at the Grand Mosque in Mecca that took place on November 1979. Armed Islamist led by Juhaiman ibn Muhammed ibn Saif al-Utaibi seized the Mosque and forced the Saudi government to respond in ways that resulted in weeks of fighting and siege of the Mosque that costs 117 rebels and 127 government lives (Cordesman 2003:173).⁷⁷ Al-Utaibi accused King Fahd of corruption and reliance on the West and attempted to challenge the royal family by forcibly overtaking the sacred mosque Mecca. However, the al-Utaybi was scarcely a true ‘Wahhabi’ and therefore the vast majority of conservative tribesmen and clergy immediately opposed him. Moreover he failed to win substantial popular support, partly because he chose to occupy such holy site to voice his resentment against the royal family. Nevertheless, the incident led the government to give more power to Saudi Islamist and to emphasis its commitment to Islamic education and the enforcement of strict Wahhabi social practice.

In retrospect, the seizure of the Grand Mosque in Mecca in November 1979 represented the “tip of the iceberg” with respect to the widespread revivalism that emerged in the 1970 in Saudi society (Dekmejian 1994:628). In a country like Saudi Arabia where the state actively enforces the observance of Islamic rules and prohibitions, the rise of strong fundamentalist sentiments might seem an anomaly, yet in the aftermath of the Grand Mosque episode, there were widespread manifestations of religious resurgence, particularly among the youth, university students and faculty. However the explanation for the rise of Saudi Islamic oppositions needs to consider first and foremost the economic and political impact of the war, the characteristics of the Saudi state and its relations with society and fact that expansion of the education systems, especially religious educations has not been match by an increase in economic opportunities (Rasheed 1996:18). In the wake of 1979 hijack of Grand mosque, the royal family have to co-opt a dangerous religious revival where it begun pouring money into religious

⁷⁷ During the dawn prayers the rebels led by Al-Otaiba took hold of the microphone and announced to the world that the messiah had come and called for the abolitions of radio, television, professional soccer and employment of women outside home. These ‘neo-Ikhwan’ argued that Muhammad ibn Abdullah al-Qahtani, who was with them inside the mosque, represented the Kingdom’s true spiritual leader, not Sheikh Abdel Aziz bin Baz, Saudi Arabia’s grand mufti.

institutions at home and abroad. The government did not change the Saudi curriculum and teaching practice to make them more Islamic and conservative, but fail to continue to modernise them (Cordesman 2003:173). Hence the most serious failure that resulted from the government's effort at co-option throughout the 1980s and 1990s was the result of its failure to set proper educational standards and carry out effective educational reforms. Many aspects of the Saudi curriculum were not fully modernised where some of the textbooks taught Islamic tolerance while others condemned Jews and Christians (Cordesman 2003:173). According to Middle East strategic writers, Anthony Cordesman even the English-language Korans available in the hotels in the Kingdom added parenthetical passages condemning Christians and Jews that did not appear in any English language editions of the Koran outside Saudi Arabia. The wound such co-option inflicted on Saudi Arabia was made worse by the fact that it had the practical impact of encouraging students to pursue pattern of education for which there were no real jobs. The Saudi domestic educational system not only relied on dated teaching materials but also relied on dated methods and a particularly on memorisation of Koran and Hadith and rote of learning through the completion of high school, rather on the problem solving or creative thought (Cordesman 2003:176). As a result, much of the teaching at Saudi universities has failed to put proper emphasis on independent reasoning and problems solving. During the 1980s, an Islamic education system fostered a new generation of sheikhs, professor and students where the state provided generous funding for the expansion of Islamic universities even during the downturn in oil revenues in the mid 1980s (Okruhlik 2002:23). The regime sought to legitimate itself during hard times by binding religion and state institutionally. Imam Mohamed bin Saud University in Riyadh, the Islamic University in Median and Umm al Qura University in Mecca continued to grow even as other programs were cut back where by 1986, more than 16,000 of the Kingdom's 100,000 students were pursuing Islamic studies (Okruhlik 2002:23). By the early 1990s, one-fourth of all university students were enrolled in religious institutions and serves as bureaucrats, police officers (*mutawwa*), Sharia judges or preachers in some of the 20,000 mosques in the country (Okruhlik 2002:23).

Indeed the resurgence of Islamic extremisms in Saudi Arabia was also fueled by the newly returned of Arab Afghan mujahideen in which Osama bin Laden was one of

the prominent. During Soviet invasion of Afghanistan in 1980, about 12,000 young men from Saudi Arabia were recruited to fight against the invasion of Soviet. Another event that illustrates the weakness in the Saudi approach to religious extremism threat is the divisions between Sunni and Shiite. The Shiites population in Saudi Arabia makes up to 5 to 6% of Saudi Arabia populations which is mainly located around Hijaz around Mecca and Medina. Of course the tensions between Sunni and Shiites inside the Kingdom is dated back to early days of King Abd al-Aziz where he drove out the Hashemites dynasty into exile yet the tensions between Saudi Shiite and Sunni is especially intense because Saudi "Wahhabis" actively reject all veneration of a man, even the prophet where at one point of time they even attempted to destroy Muhammad's tomb in Medina (Cordesman 2003:206). In contrast, the Saudi Shiite is "Twelver," a branch of Shiite Islam that venerates the Prophet's son-in-law Ali and believes that the leadership of Islam must pass through Ali's line. They venerate each of the past imams, and make pilgrimages to their tombs. Their religious practices included self-flagellation and a high degree of mysticism where all these practices are abhorrent to Wahhabis (Cordesman 2003:206). Therefore, the Shiites have long been excluded from any political role in Sunni-ruled areas and have been treated as second-class Saudi citizens. However the situation exploded on December 1979 after the arrival of Ayatollah Khomeini power in Iran where Iranians leaders actively tried to spread their revolution into neighbours states including Bahrain, Kuwait and Eastern Saudi Arabia where Shia population are disproportionately located. Throughout 1970 and 1980 Iranian radio broadcasted anti-Saudi messages into the Kingdom and encouraged local dissent (Bronson 2006:146).⁷⁸ In January 1980 Iran urged the Shia of Qatif, a major city in eastern Saudi Arabia, to oppose Saudi Royal family and thus on 1st February, on the first anniversary of Ayatollah Khomeini's return from exile, the Friday sermon in Qatif's main Shia mosque incited a mob to attack the town's central market (Bronson 2006:147). Thus all these cultivated a fertile field for dissent, which culminated in the rise of an Islamist opposition movement during the Gulf war in 1990-1991.

⁷⁸ The Radio Teheran's shortwave Arabic channel, the Voice of the Islamic Republic of Iran, beamed a daily series of escalating propaganda attacks against the Saudi state, including bitter diatribes about the immoral behaviour of particular princes and a specific summons to Shia listeners to take up arms and rebel. In radio broadcast it continued to message that "the ruling regime in Saudi Arabia wears Muslims clothing, but inwardly represent the U.S. body, mind and terrorism."

Of course, the origin of Islamist movement in Saudi Arabia can be traced to the events of the seizure of Grand Mosque in 1979 but, according to R. Hrair Dekmejian (1994), the new wave of Islamist fervor that emerged a decade after the Grand Mosque seizure differed from that of the Ikhwan in magnitude, social origin and leadership. Unlike to Juhayman's band of tribal, lower-class and poorly-educated rebels who hijack the Grand Mosque in 1979, the new Islamist consisted of middle-class urbanites led by preachers, teachers and student mostly from the religious universities where these new Islamists were outspoken, sophisticated and better organised (Dekmejian 1994:629). The catalyst of the new Islamist upsurge included both foreign and domestic factors i.e. declining oil revenues and living standard, socio economic inequity amid increasing urbanization, the impact of modernization and the spread of Western cultural influence, the kingdom's vulnerability to threats from Iraq and Iran, the growing strength of Islamist movements in the Arab world, and the contradictions between the kingdom's pro-Western orientation and its support of Islamism at home and abroad (Dekmejian 1994:629-630). Thus the interaction of these causal factors in the late 1980s produced a growing Islamism undercurrent that crystallized during the Gulf war and manifested itself in radicalized form in the war's aftermath (Okruhlik 2002:23-24).⁷⁹ Until the Gulf War in 1990s, most Islamist groups refrained from directly challenging the government but the Gulf War transformed the situations when the Royal family reveals the kingdom's weakness for dependence on Western protection in the wake of Iraq invasion of Kuwait. For his part, Osama bin Laden had repeatedly asserted his opposition to the presence of 'infidels' forces in the land of holy Mecca and Medina. In his word, it was not permitted for non-muslims to stay in Arabia (Yetiv 2004:34).⁸⁰ With the deployment of the U.S. led

⁷⁹ Though Islamism resurgence swept Saudi Arabia in the 1980s but it was not directed against the regime. This resurgence was also propagated by the newly turned Arab Afghan mujahideen (guerrillas) where several young Saudi men had gone to Afghanistan in 1980s to fight the Soviet occupation.

⁸⁰ One of the vocal critic of King Fahd's open invitation to the Americans was Osama bin Laden where by 1989 when he returned from Afghanistan, bin Laden had developed a committed following among the 'Afghan Arabs'. Thus after the Iraqi invasion of Kuwait, bin Laden approached several key Saudi decision makers with an offer to deploy his Afghan fighters to reverse the aggression. Instead, Prince Turki al-Faisal reportedly laughed when he heard bin Laden's proposal. Undeterred, bin Laden met with others from the royal family where he approached Prince Sultan and offered him up to a hundred thousands fighters. "There is no caves in Kuwait," Sultan reportedly told bin Laden. "You cannot fight them from the mountains and caves. What will you do when he lobbs the missiles at you with chemical and biological weapons?" Bin laden solutions "we fight them with faith" didn't impress the defence minister. The royal

forces, the Kingdom became host to thousands of American and European soldiers, both men and women and therefore undermined the Islamic legitimacy of the monarchy and angered the fundamentalists, who opposed the presence of non-Muslims army on Islam's holy land (Dekmejian 1994:630).

Moreover, the impact of Gulf War was also perhaps, the one cataclysmic event in Saudi Arabia history which has shaken the economic and political foundations of the government. The total cost of the Gulf war to Saudi Arabia was estimated by Prince Nayif to be \$70 billion. On top of that, during that period the price of crude oil in international market was below 15\$ per barrel. Before the Gulf War, Saudi Arabia could boast nearly \$120 billion in reserves but these were declined to \$64.9 billion and as a result there was a budget deficit in 1995 (Rasheed 1996:18). At the political level, the Gulf war created crises of legitimacy among the ruling group. The war led to serious questioning of the rights of a government to rule after mismanaging the economy and overspending on an inefficient defence system. Inviting foreign troops to defend the 'land of Islam' was a manifestation of both the dependency of the House of Saud on the United States and its total failure to achieve general self-sufficiency.⁸¹ Hence, the post-war resurgence of Islamism was a reaffirmation of identity, protest movements against monarchy and its Western allies' social influence and, perhaps, a takeover of power (Dekmejian 1994:630). In the milieu of uncertainty in the wake of Gulf War, the Islamist took an unprecedented step of submitting a "letter" to the king in May 1991 requesting the implementation of the twelve "necessary" reforms '*islah*'.⁸² These 12 points focused on the reiteration of the status of Sharia law as the guidance principle of all aspects of government. The aim of the petitioners was to change the fundamentals of the relationship between state and the mosque and establish in Saudi Arabia an Islamic government resembling to Shiite Islamic

family rejections of bin Laden proved costly which latter on bin Laden has been violently challenging the Saudi royal family and the United States ever since.

⁸¹ In the wake of the Gulf War, the state-appointed clergy has been supplemented by a popular level alternative clergy that is articulate and vocal. The divide between official Islamic authorities and popular Islamic leader were evident where the dissident explained, "The old clergy believe that the ruler is the vice-regent of God on earth. Advice can only be given in private and in confidence. The new clergy rejected the idea of vice-regency. Rather, it is the duty of the clergy to criticize the ruler and work for change"

⁸² The twelve points "letter" was signed by 52 members of the religious establishment under the head of the ulama (religious scholars), Sheikh Abd al-Aziz bin Baz, and judges, university professors and preachers. To read the twelve points of the "letter", see Dekmejian R. Hrair (1994), "The Rise of Political Islamism in Saudi Arabia", *Middle East Journal*, 48(4): 630-631.

regime model of Ayatollah Khomeini principle of *vilayet e Faqih* (the rule of the theologian). A further objective was to influence public opinion, as indicated by the rapid dissemination of the letter's contents throughout the country and the international media. The Islamist also sought to counter a petition by 43 "liberal" intellectuals who had asked the king in December 1990 to issue codifications of Islamic law that would provide for basic human rights, equality before the law regardless of race, tribe, gender or social status, a consultative council and an independent judiciary.⁸³ Against this backdrop of controversy, King Fahd took important steps during 1992 by instituting the kingdom's Basic Law of Governance (*al-nizam al-asasi lilhukm*) and in September 1992 appointing religious scholar (*alim*), Shaykh Muhammad bin Jubayr, as the chairman of the impending Consultative Council. In July 1992, 107 religious scholars signed a "memorandum of advice" (*muzakharat al-nasih*) to King Fahd, criticizing the government's domestic and foreign policies and demanded more rigorous application of Islamic law.⁸⁴

Pressures for reform were not only limited from radical Islamist but also from the representatives of the liberal movements continued to call for a Consultative Council that included representative of their community. The liberal Islamist submitted a liberal petition demanding structural reforms. The so called liberal reformist include intellectual like Abd Al-Aziz Al-Qasim, who criticizes the attitude of the contemporary Islamist movements which categorically reject Western political systems. He argues that all that Islam requires is a political system where justice prevails and so, since democracy has proven the best way to create a just society, Muslims should embrace it (Lacroix 2004:347).⁸⁵ In August 2002, a group of Islamo-liberal intellectual embarked on the

⁸³ During the period of Gulf crises, the main points of controversy between the Islamist and the liberals were revealed in a series of polemical exchanges between Dr. Ghazi al-Qusaybi and several outspoken Islamist academics where the controversy begun when some Islamist, led by Sarfar al-Hawali, attacked the *fatwa* issued by the senior *ulama* led by Shaykh Abd al-Aziz bin Baz, sanction to the presence of non-Muslim troops on Islam's holy land during war. For detail discussion on the rise of "liberal Islam" in Saudi Arabia, see Lacroix, Stephane (2004), "Between Islamist and Liberals: Saudi Arabia's New "Islam Liberal" Reformists", *Middle East Journal*, 58(3): 345-365.

⁸⁴ To read the twelve points of the "letter", see Dekmejian R. Hrair (1994), "The Rise of Political Islamism in Saudi Arabia", *Middle East Journal*, 48(4): 633-634.

⁸⁵ Other liberal reformists in Saudi Arabia include, Abdallah Al-Hamid, Hasan Al-Maliki, and Mansur Al-Nuqaydan. These reformists are contrary to radical Islamist idea in dealing the resistance movement in Saudi Arabia.

drafting of new manifesto dealing in a direct and uncompromising way with the internal problems faced by the country and requesting the implementations of political, economic and social reforms. Thus in January 2003, a group of 104 liberal reformers titled "A Vision for the Present and the Future of the Homeland" presented to Crown Prince Abdullah. The petition called for broad reforms to the Saudi political system based on Islamic principles, which included elections to the National Consultative Council, the expansion of civil rights which include freedom of speech, assembly and association, creations of human rights organizations to monitor and an independent judiciary. Again in September 2003, Sunni and Shia secularist submitted another petition titled "In defence of the Nation" which contained many of above demands made by liberal reformist.

As the demand by various reformist sections pressurized, the Royal family, the first reactions to the petitions have overall been positive where Crown Prince Abdallah initiated an organisation in June 2003, the National Dialogue Conference where for the first time in the history of Saudi Arabia thirty 'ulama' belonging to all the confessional groups present on the Saudi territory – Salafi, non-Salafi Sunnis, Sufis, Twelver and Ismaili Shiites – were invited to sit together under the Crown prince's auspices. As a result it led to adoption of a charter about the various demand of the reformist. On the political level, the text recognises the necessity of implementing reforms and ensuring freedom of speech and distribution of wealth. The also announced the election of partial municipal election in 2004.

The elevation of Crown Prince Abdullah to king in August 2005, indeed have taken few positive development. With the coming of King Abdullah to the throne as King of Saudi Arabia, the political and social reform has been slowly implementing progressive reforms to counter act the extreme Wahhabi doctrine that many blame for foresting terrorism at home and abroad and for squelching innovation. One example of liberal strategy of Abdullah reforms has been its drive for WTO membership, which has forced the country to open its market to international competitions, cancel monopolies, drop some parts of its boycott of Israel and institute significant transparency measures for both public and private institutions (Krieger 2008:36). Another reform in the Saudi kingdom under King Abdullah is the plan of liberal technical institutions called the King

Abdullah University of Science and Technology (KAUST) in eastern province of Dhahran,⁸⁶ where it plans to spend 1% of its GDP on scientific research (compared to 2.6% by the United States). Indeed the establishment will serve to reform the Saudi society where in earlier decades the government spends only on religious institution which only cultivated fertile fields for dissent. According to the KAUST plan, the new school will be nothing short of revolutionary where men and women will study side by side and with teachers of both genders which of course will be the first time in Saudi Arabia and the curriculum will be designed by Western consultants rather than religious authority (Krieger 2008:37).

Of course, innovation in Saudi society has implementing slowing since the September 11, terrorist attack, however one cannot have full faith about how long it will continue or how much it will benefit the Saudi society because the King reform on Islamo-liberal doesn't seem to be shared by all his brothers because they are opposed to the new intellectual reformist and anti-Wahhabi views⁸⁷ or they fear that the Islamo-liberals might reinforce Abdullah position and legitimacy within the royal family (Lacroix 2004:363). Thus according to Stephane Lacroix the "Islamoliberal" seems to have become a bone of contention among the ruling elite.

Implications of U.S.-Saudi relations after September 11, 2001:

The effect of terrorist attacks on September 11, 2001 marked a watershed in the course of U.S.-Saudi relation. The U.S. interests in Saudi Arabia began in 1933 with the granting by the King Abd al-Aziz of an oil concession to Standard Oil Company. Later, the historic meeting of King Abd al-Aziz and President Franklin Roosevelt on the latter Ship craft in the Great Bitter Lake of the Suez Canal in 1945 was the first contact between leaders of the two countries. Since then, in the evolution of its relation, the U.S.-

⁸⁶ According to the plan, the KAUST will be under the supervision of the world largest oil companies Amarco, as King Abdullah has initiated to Amarco chairman and Minister of Petroleum and Mineral Resources, Ali al-Naimi. The university budget will be controlled by an independent international board of trustees and the school will be advised by administrator from Cornell, MIT, Oxford, The U.S. National Academy of Science and the Imperial College of London. The KAUST has already awarded fellowships to visiting professors from MIT, Oxford and Caltech and signed student-exchange deals with Stanford and Texas, A&M.

⁸⁷ For division of ruling elite among the royal family discussion, see Doran, Michael Scott (2004), "The Saudi Paradox", *Foreign Affairs*, 83(1):35-51.

Saudi face several temptations be it military attack or political interference from abroad, based on the powerful transnational ideological platform like Pan-Arabism and Islamism, aimed at stirring up its own domestic population against it (Gause 2007:383). A succession of ambitious regional figure has used propaganda and subversion as well as military against the Kingdom of Saudi Arabia i.e. Gamal Abd al-Nasser of Egypt in the 1950s and 1960s, Ayatollah Khomeini of Iran in 1980s and Saddam Hussein in 1990-1991. However none of these challenges succeeded in bringing down the Saudi regime but they have all left mark on the mind of the rulers (Gause 2007:383). But the terrorist attack on September 11, 2001 has given a turning point in the U.S.-Saudi relations where it generated the question of Saudi creditability of long term allies with America. The involvement of 15 Saudis citizenship led many in the United States to question Saudi reliability as an ally. The fact that bin Laden made his opposition to the military presence in Saudi Arabia a centerpiece of his propaganda unnerved the Saudi rulers. The American media and the U.S. Congressmen publicly criticised Saudi Arabia for not taking a more active role in the war of terrorism. Thus, at a time when the United States expected full and open cooperation from all its allies, Saudi Arabia sought to put some public distance between itself and Washington, denying the United States use of Saudi bases for military strikes on Afghanistan (Gause 2007:383).

Of course, the historical opacity of U.S.-Saudi relations turned dark after 9/11 but in one way it provide opportunity to both the United States and the Saudi Arabia to introspect their foreign policy in days to come. Infact, the 9/11 elevated the question of defence relation between the United State and the Saudi Arabia where both administrations have sincerely addresses the issue of military relation. A number of senior Congress and the Pentagon went so far to assert that a U.S. military withdrawal from the Saudi Arabia should be taken seriously and on the other hand, the Saudi Arabia leadership also has learned first hand the perils of an overt American presence where relying too heavily on American military support creates its own set of security problems (Bronson 2006:256). Thus against this backdrop, the United States wisely pulled five thousands soldiers out of Prince Sultan Air Base, a military complex located outside Riyadh that had been stationed in the Kingdom since the end of the Gulf war (Bronson

2006:256). As of July 2006, only small American military training missions remained in Saudi Arabia (Gause 2007:390).

Despite the tensions created by the incident of 9/11, substantial Saudi-U.S. cooperation occurred in aftermath of September 11, as Saudi allowed the United States to carry out the 'Operation Enduring Freedom' in Afghanistan in October 2001, from the Prince Sultan Air Base. The U.S. Air Force relied on Saudi airspace to conduct its missions, and the former U.S. ambassador to Saudi Arabia, Robert Jordan, recalls a "high degree of co-operation" between the two countries (Bronson 2006:252). Although Saudi Arabia leaders publicly opposed 'Operation Iraqi Freedom' in 2003, the Kingdom supported American military activity where it permitted the American Special Forces to use Saudi territory as a base for operations in Iraq (Yetiv 2004:87).⁸⁸ In the initial phase of the operation in Iraq in 2003, American operated from at least three Saudi air bases, launched refueling tankers, F-16 fighter jets and sophisticated intelligence flights from Saudi soil and relied on cheap Saudi fuel. Indeed, Saudi Arabia's strategic location continues to prove valuable to American planners where the United States simply cannot easily operate in Central Asia, South Asia, Iraq or the Persian Gulf without Saudi support (Bronson 2006:253). Although the incident of 9/11 strains the U.S-Saudi relation, both governments insisted that the bilateral relationship remained strong and by 2006 there were numerous indications that the crises in the relationship produced by the September 11 attacks had passed. The meeting in Crawford, Texas in 2005, between the President Bush and King (then Crown Prince) Abdullah made a significant headway in addressing issues around educational reform. In a joint statement, both the leaders announced a commitment to increase the number of Saudi students studying in the United States, expand military exchange programs that provide education to Saudi officers and facilitate travel to the Kingdom by the U.S. citizens (Bronson 2006:258). The Bush administration has inaugurated several important reform efforts that are already making a difference. For instances, a \$100,000 U.S. Agency for International Development grant to Effat College,

⁸⁸ Until September 15, 2002, the Saudi public position on Iraq fell far short of what the United States sought where Riyadh refused to allow invading U.S. forces to use Saudi base like the sophisticated Prince Sultan Air Base Command Centre South of the Riyadh, which was build by the United States to house the air staff of the Central Command in wartime, arguing that the use of force was not warranted. In mid-September, however, the Saudis changed public course and indicated that the United States could use military bases in an attack on Iraq, if the UN Security Council passed a resolution backing military action.

a women college in Jeddah, earned the United States a public relations victory far in excess of the money contributed. The program is designed to promote cooperation between Effat and Duke University. Washington could also do other things which promote greater political openness that might be well received in Riyadh. In earlier days, King Fahd stated that “the democratic systems prevailing in the world are systems which in their structure do not suit this region and our people” and that “the system of free election is not part of Islamic ideology” (Yetiv 2004:32). However Saudi Arabia conducted the first municipal elections in more than forty years between February and April 2005. Although voter turnout was thin and women were excluded, the precedent of the election was significant as it shows liberal reform in Saudi Arabia.

Indeed it is always far easier to call for reform than it is to implement it and Saudi society does not make reform easy. This is because of the sensitivity of Islam in Saudi Arabia. For Saudi Arabia it may not need Western-style of democracy, but it does need political reform, modernisation of its government, and more advanced forms of consultations (Cordesman 2003:551). Almost immediately after September 11, attacks some members of the royal family attempted to subordinate the religious establishment to the political one, but Turki al-Faisal directly challenged Abdullah al-Turki, Secretary-General of the World Muslim League and a member of the Council of Senior Ulema, the Kingdom’s highest religious body. However, the Prince argued that “those responsible for affairs of state are the rulers” while religious scholars only act in an advisory capacity” (Bronson 2006:242). The inauguration of “National Dialogue” in June 2003 by the Crown Prince Abdullah is one of the most visible signs of reform witnessed since the uprising of Islamic extremism in the Kingdom. This series of “National Dialogue” invites a wide variety of Saudi intellectuals including dissidents and even people who were previously imprisoned for their royal family criticism to discuss and examine intolerance, chauvinism and religious extremism and also questioned the most radical interpretations of Islam (Krieger 2008:36). Such opening for dialogue indeed, shows a sign that religious establishment is pointedly excluding.

Until now, ever since King Abdullah came to the throne three years ago, his government has been slowly implementing progressive reforms to counteract the extreme Wahhabi doctrine that many blame for fostering terrorism at home and abroad and for

squelching innovation. Reforming the Saudi society of course would benefit for generation to come but in implementing the reforms, it should implement sincerely and genuinely so that it reap good result from it. In 1960s, when Saudi royal family was domestically threaten by the rise of pro-Nasserism instead offering arms packages, the President John F. Kennedy pushed King Faisal on domestic reform. Hence urged by Kennedy, Faisal issued a “ten-point program” for domestic reform which included the decentralisation power to the local level and Supreme Judicial Council operating. However the ten-point plan which promised to reform the Saudi society and in which it also brought Faisal domestic support from local reformer, could not implement sincerely and thereby failed to bring any reform in the society. Since the incident of 9/11 and also the coming of King Abdullah to the throne, there is a sign of reform in the Saudi society but such reform should implement sincerely unlike the past reform under King Faisal.

The U.S Foreign Policy and Saud Modernisation: It is always far easier to call for reform that it is to implement it and thus Saudi society does not make reform easy. The West needs to understand that most of the Gulf royal family can only make such changes as fast as their societies can accept them (Cordesman 2003:558). Since Saudi political authority is tied with the religion Wahhabi doctrine, a major fundamental reaction is sure to occur inside the Kingdom, in the wake of accelerating the pace of change. Therefore according to Anthony Cordesman (2003) assert that “partnership is also based on respect and clear understanding that any partner must give priority to its own national interest.” In an interview with Lebanese newspaper *As-Safir*, in June 1997, Crown Prince Abdullah made this point clearly:

We are friends with Americans, this is known. But we are the ones who know our interests. We can't give precedence to their interests over our interest. We are Arabs and our interests are those of Arabs and Muslims everywhere. On many occasions we have to tell to the Americans.... You have your policy and we have our policy... you have your interest and we have our interest? Do you want weak friends who are of no benefits and burden you, or do you want strong friends? (Cordesman 2003:559).

Thus, the United states also need to understand that Saudi Arabia has the right to make different choices about foreign policy and security policy and its approach to key issue like Arab-Israeli conflict and Iran and Iraq.

Chapter Five

Conclusion

For every state, energy is vital as it is one of the backbones for industrial development in today's competitive economy. Energy abundance is essential to the health and profitability of many leading industries, without which it remain in standstill. As in her classic work, *State and Market*, Susan Strange (1988) puts forward that in the world system between states and economic enterprises, the structural power counts more power than the relational power. However, the sources of the structural powers i.e. the security structure, the production structure, the financial structure and the knowledge structure according to Strange, "is rather of a four-faceted triangular pyramid or tetrahedron. Each facet touches the other three and is held in place by them" (Strange 1988:26). Strange consider these four sources of structural power as primary. Thus in analysing the type of power in International Political Economy, Strange asserts that structural power is to be found not in single structure but in four separate distinguishable but related structures.

Along with the four primary sources, Strange also put forward another four sources which she consider as secondary sources – the transport system, the energy supply system, trade system and welfare system. Although these secondary sources are made on the basis of value preferences, they are also secondary to the four primary structures as what we noted in the discussion.

However, in the discussion of the structural power, although Strange placed energy as one of the secondary sources of power, yet its interaction with those of the four primary structures as we have discussed in the first chapter, throws significant insights into the dynamic of energy as a source of power in IPE. Indeed, the embargo of oil in 1973 by Arab OPEC members was a turning point to consider energy as vital sources of power for every states in order to sustain in international system. Of course, before the oil embargo in 1973, the concept of security was mainly based on traditional realist perspective, but after the embargo, the concept of security was redefined as argued by the U.S. Secretary of State, Henry Kissinger:

“The energy crisis has placed at risk this nation’s (U.S.) objectives in the World. It has mortgaged our economy and made our foreign policy vulnerable to unprecedented pressures ... it has also profoundly affected our national security by triggering a political crisis of global dimensions” (Strange 1988:201). The embargo of oil in 1973, of course didn’t invade or attacked the national territory of the US, yet it threatened the state in a different manner where it affected the primary sources of the structural power – security structure, production structure and financial structure. Interestingly, the power of knowledge structure played a vital role in the wake of oil crises in 1973. Due to change in the knowledge structure, the technology developed for atomic weapons, to use as deterrence for security alongside its usage as an alternative source of energy. Moreover, due to power of knowledge structure, it made possible to discover new oil fields in the North Sea of Norway and Canada. Also all the oil fields discovered in the Middle East and Latin America states could not be possible, if the oil corporations like Standard Oil Company, British Petroleum or the Royal Dutch/ Shell did not have the necessary knowledge or technology power. On the other hand, inspite of 1973 oil embargo which undermined the security structure, yet during 1980s Iran-Iraq war, the U.S. provided security to Saudi and Kuwait oil tankers to pass off safely through the Strait of Hormuz. Also due to rapid economic growth, the demand of oil also increased and the thus the oil producing countries had to increase the oil production in order to meet the demand in the market, consequently impacting the financial structure.

Thus, it can asserted that although energy is not regarded as the *sines qua non* for the existence of power in the international political economy, neither security nor wealth can be achieved without a secure supply of energy and hence the changes in the world’s energy system has taken place within, and under the influence of the four primary structures (Strange 1988:206). In short, the working of the energy system is inter-linked with the four other primary structures.

Energy security in international politics: In general, energy security means supply of adequate energy with affordable price. Energy crises or conflict would arise when there is an inappropriate level of demand and supply and therefore to overcome this challenge, every state has to formulate its own strategy in order to secure the supply of energy. But in the discussion, we have come across that the distribution of oil reserve are located

unequally in different regions of the world, most of which are located in the Middle East, Latin America and Africa while the greatest consuming states are the United States, Japan and the European Union. Unfortunately, most of oil producing states face political instability featuring ethnic clashes, geo-political rivalry, corruption and failure of economic development and democratic institutions. Indeed, 'oil' which is considered as the greatest prize on earth by oil politics writers, has rather become a curse in several oil producing countries. The political instability in the oil producing countries has been a cause of serious concern from energy security point of view as it has affected the international oil market on several occasions.

As Daniel (2006) argues that "energy security does not stand by itself but is lodged in the larger relations among nations and how they interact with one another". Therefore, the problem of energy security should be shared by both importing and exporting countries. Whereas for importing countries, the main security is adequate supply with an affordable price, for the exporting countries, security lies in access to the market and growing demand. Therefore in the interest of human development well-being, both the export and the import states should work for the mutually benefit of each other.

Energy economist Fatih Birol (2007) assert that unfortunately, the energy economics community has given less attention to the challenges of 'energy poverty' amongst the world's poorest people. Today 1.6 billion people in developing countries do not have access to electricity in their home, with most of the electricity-deprived in Sub-Saharan and South Asian. Therefore, to overcome such situations, political will and commitment on the part of the government of the world's poorest countries will obviously be crucial to break the vicious circle of energy poverty. To overcome such challenges, it is likely to involve huge investments in eradicating energy poverty. Therefore, rich industrialised countries have an important role to play in this process. In today's international politics, when developing countries such as India want to sign an agreement on nuclear energy with developed states like with United States, in order to overcome energy poverty, the internal political parties based on ideological view disrupt the process of agreement which would only perpetuate energy poverty than energy security.

Daniel (2008) put forward that diversification will remain the fundamental starting principle of energy security for both oil and gas. However in today's political economy, it will likely to require developing a new generation of nuclear power and clean technologies and encouraging a growing role for a variety of renewable energy sources. Therefore, here again the knowledge structure, put forward by Susan Strange, will play a prominent role. Yet, according to Daniel Yergin, in a world of interdependence, energy security will depend much on how countries manage their relations with one another whether bilaterally and multilaterally. In short, the problem of energy security should be shared by both importing and exporting states mutually.

Saudi Arabia as Oil Stabiliser: The history of oil production goes back to the years 1859 in the U.S. where Col. Edwin in 1859 successfully drilled oil well in Pennsylvania. In 1865, John D. Rockefeller first set up refinery in Cleveland, named it Standard Oil Co. and subsequently a number of private company came up to compete with each other and then expanded overseas and competed with other nation's companies. However, the day Rockefeller ventured into oil business, it give birth a 'system of oil' which means that in order to achieve control of something (the oil), and manipulate the price of oil, one has to push down the competitor (the other oil producers) and therefore the winner in the competition could manipulate the oil production and prices according to his desire. Thus, in earlier days in the United States, the guiding force for manipulators of oil prices was Rockefellers. Indeed, the system of oil which was born during the time of Rockefeller is still, perhaps alive or has been passed on to other oil producing countries. Although, during the days of Rockefellers the price of oil fluctuated to a large extent, yet in one sense, it can be asserted that it is the Rockefeller who had maintained the stability in oil market by controlling 95% of the U.S. oil productions.

In the discussion, as I have pointed out that due to rapid growth of independent oil companies in different part of oil producing regions, the Achnacarry Agreement was signed in 1928 by seven different oil companies, later came to known as 'Seven Sister' to work under a common theme. Indeed, the Achnacarry Agreement was another international oil system where different oil companies worked together for profit sharing. However this system collapsed with the coming of OPEC in 1960 in which the control of oil production was taken over by oil producer countries. In the discussion, although

OPEC was supposed to behave as true cartel, as price administrator but it declined due to differences in individual interests of member countries. Although the OPEC member states adopted the quota system in order to maintain stability in the market yet, the system also failed on several occasions as the member states could not abide by it, due to difference in political and economic interests. In the discussion we have learned that on several occasions, the fluctuation of oil price occurred which affected the political economy.

Despite the failure of OPEC to play the role as true price administrator, yet OPEC member state, Saudi Arabia came forward and displayed its role as price administrator on several occasions when energy crisis occurred and thereby helped in maintaining stability in the oil market. Similar to the days of Rockefellers where he maintained stability of oil market by controlling most of the oil productions in the United States, today the same role has been inherited by the Saudi Arabia. The role of “Swing producer” for Saudi Arabia as what we have discussed, gives an edge to Saudi Arabia among all the other oil producer countries. In the discussion, we have come across that several OPEC members like Iran and Venezuela wanted to be opportunistic in the oil realm in order to earn more revenue by reducing the oil production against the limit of OPEC quota, resulting into high price. Therefore in order to maintain the adopted OPEC quota by other member countries, Saudi Arabia punishes the member state by increasing its own production. Saudi Arabia can play this dual role because it has the largest proven oil reserve and also the largest oil producers than any other oil producing countries of the world. In fact, it can be asserted that in the realm of oil politics, Saudi Arabia play a hegemonic role for the world’s energy security at large.

The United States’ and Saudi Arabia Relations: America’s influence on Saudi Arabia came late as compared to the French and the British. Oil has been a basic factor in the U.S.-Saudi relation from the very beginning. The modern state of Saudi Arabia was founded in 1932 by Abd al-Aziz Saud (Ibn Saud) which signed a concession agreement in 1933 with Chevron Oil Company and gave it the right for exploration of oil. Indeed, in the initial periods, the U.S.-Saudi relation mainly revolved around the oil companies and the royal family. But the relations between the U.S. and Saudi Arabia became historic, when U.S. President Franklin Roosevelt met the first King of Saudi Arabia Abd al-Aziz

in the Great Bitter Lake of the Suez Canal in 1945. Indeed, no doubt oil is an important factor in the evolution of the U.S.-Saudi relations, yet the military relations became dominant with the outbreak of 2nd world War, where the U.S. declared Saudi Arabia eligible for the U.S. Lend-Lease Aid and the United States interest was rekindled not only because of oil but also for its strategic location. Thereafter, full-fledged U.S. Armed Force, Central Command (CENTOM) was established in 1985. Though the U.S.-Saudi relation is mainly based on oil, yet with the onset of cold war, the relations between the United States and Saudi Arabia relations turned into general political-military strategic relations and a testing ground for how Washington would apply varying cold war policies in the Middle East.

According to Waltz, the central argument of the balance of power theory assert that state in anarchy “balance” rather than “bandwagon” effect would occur among states (Waltz 1979:126). However, whether a state would choose to ally with the weaker or stronger states has sparked a rich and heated theoretical debate. Thus, Stephan Walt modifies “balance of power” theory of Waltz by naming “balance of threat” by emphasising the role played by “threat” perceptions in stimulating balancing behaviour among the states rather than by “power” which is contrary to Waltz’s balancing on power. Walt argues that states tend to balance against the threats and not necessarily against power (capabilities). Weaker states could therefore perceive the power of an existing or rising state as benign and not to be balanced by countervailing power.

Thus taking the balance of threat theory formulated by Walt, Saudi Arabia has aligned with the United States on several occasions whenever threats to the kingdom have taken place, be it from regional or global level. Throughout the period of cold war, several security threats have taken place in the Middle East as well as at the global level yet, with an alignment with the United States, Saudi Arabia could balance against the threatening states. Indeed, the British announcement for the withdrawal from the Middle East by 1971 increased the U.S. strategic interests in the Gulf. Still mired in Vietnam, the United States had no intentions of taking on new defence commitment in any formal ways in the Gulf, but the U.S. strategy was aimed at encouraging Iran and to a lesser extent Saudi Arabia, to build up military forces. As a result the ‘Twin Pillars’ policy was formulated under President Nixon which focused much attention on Iran and less to

Saudi Arabia. However the 'Twin Pillars' collapsed with the fall of Shah of Iran and thus Saudi Arabia became America's strategic partners for Middle East policy.

In the third and fourth chapters, we have come across different sets of threats to the Saudi regime, be it political intervention originating from abroad, or those based on the powerful transnational ideological platforms of Pan-Arabism and Islam, aimed at stirring up its own domestic population against it. A succession of ambitious regional figures have used propaganda and subversion as well as military pressure, against the kingdom from Gamal Abd al-Nasser of Egypt in 1950s and 1960s, Ayatollah Khomeini in the 1980s and Saddam Hussein in 1990-91. However none of these challengers succeeded in bringing down the Saudi regime. Indeed in all the events – Pan-Arabism, the Iranian revolutions, the Iran-Iraq war, the kingdom of Saudi Arabia have been aligned with the United States which could therefore secure its stability from outside security threats. Importantly during the Soviet invasion of Afghanistan in 1980 which significantly threatened the Persian Gulf, the Saudi Arabia aligned with the U.S. to secure its territory from invasion which was only 300 miles from the Persian Gulf.

Thus, we can assert that the United States policy towards Saudi Arabia indeed was to secure its oil interest, but due to cold war politics the relations dramatically changed into military strategic relation. Although, the U.S.-Saudi relations has particularly revolved around the oil and cold war politics, yet there is other factor which significantly impacted their relations of which the most critical issue is that of Israel. As a caretaker of Mecca and Medina, Saudi feels obligated to promote the Muslim causes. As a result it imposed oil embargo three times against the support of Israel i.e. in 1956, 1967 and in 1973, along with other Arab OPEC members. On several occasion, the King of Saudi Arabia expressed displeasure over the role of United States in the Arab-Israeli peace process.

With the end of Cold war, new conflict emerged in the Middle East where Iraq invaded Kuwait in 1990s. During the crises the U.S. led forces were deployed inside the Kingdom where it launched the Operation Desert Storm and successfully drove Iraqi forces out of Kuwait. However in the fourth chapter we have learned that allowing the foreign troops in the land of holy Mecca and Median led to the rise of Islamic extremists

inside the Kingdom. Moreover, the impact of Gulf war placed Saudi Arabia under financial strain adding discontent among the common men.

The post-September 11 Relationship: Although, the U.S.-Saudi relation, since the early 1940s evolved as natural partner, yet since the incident of September 11, the relation between the United States and the Saudi Arabia entered into another era where both have to introspect their foreign policy. In discussion we have noted that reforms in the political, the social and economic fields is being carried inside the kingdom, yet the United States should understand that the interest of the Saudi Arabia particularly with the Israel-Palestine peace process and that its the legitimacy is tied to Wahhabi authority.

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(*indicates a primary source)

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