



## Saudi Arabia

Only in 1973–74, with the Arab oil embargo, did most Americans grasp the importance of faraway Saudi Arabia, the non-Communist world's No. 1 oil producer, to the economic health of the West. Five years later, the Saudis are among the first to be consulted by Washington on Mideast matters; 30,000 Americans work in the arid kingdom on economic and military projects; 10,000 young Saudis study at universities in the United States. Even so, the Saudis remain a bit of a mystery, with their Islamic conservatism, their Bedouin ways, their quiet use of dollar diplomacy in Africa and the Arab states. Here William Rugh reviews the kingdom's epic past and uncertain future; John Duke Anthony examines Saudi Arabia's cautious foreign policy; and David Long looks at the complex world of oil.



## A TALE OF TWO HOUSES

*by William A. Rugh*

In 1745, a Muslim scholar and preacher named Muhammad ibn Abd al-Wahhab rode into the small oasis town of Diriya in the center of the Arabian peninsula. A puritan reformer who preached a return to the simple, austere ways of early Islam, he had been expelled from other settlements in the parched interior. But at Diriya, he was greeted warmly by an ambitious local shaykh, Muhammad ibn Saud, a hereditary ruler of Bedouin stock who, like all of his countrymen, claimed descent from Ishmael, the son of Abraham. What happened next could have been a screenplay for Cecil B. DeMille.

Cemented by marriage, the Saud and Wahhab families forged a lasting alliance for conquest and crusade: The Sauds supplied an ever growing corps of town-dwelling Arabs and Bedouin (literally, "desert nomad") warriors; the Wahhabs in-

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cited them to religious fervor. Soon, the vast, dry, thinly populated expanse of what is now Saudi Arabia, an area almost as large as the United States east of the Mississippi, fell under their sway.

Twice the House of Saud expanded over the desert peninsula in the 19th century, and twice its sword was broken. It finally rose again under Ibn Saud at the turn of the 20th century. It was Ibn Saud who brought the infidel's tools—the radio, the car, the railroad—into the land; it was he who granted the first oil concessions to Western companies. A shrewd but traditional and pious ruler—on his way to meet Franklin D. Roosevelt in Egypt in early 1945, he had his tents pitched on the deck of the U.S. destroyer and five times daily asked the navigator to point him toward Mecca—he could not foresee the wealth and power that oil would place in his nation's hands or the changes it would bring to a largely nomadic people who until the 1930s had no word for “million.”

#### **\$4 Million an Hour**

In many respects, Saudi Arabia entered the 20th century much as it had entered the 10th. Until World War I, the distant Ottoman Empire, of course, was a potential menace—but little more. And while the British in 1820 had strung a necklace of “trucial” shaykhdoms—now the United Arab Emirates—along the Western shore of the Persian Gulf, London's agents rarely penetrated the forbidding terrain beyond the coast. There, the nomadic Bedouin way of life, which began with the domestication of the camel thousands of years ago, went on undisturbed. In 1900, a few Arabs dwelled in small towns or cities hugging the coast or the oases. But most lived as herdsmen and hunters, fiercely proud, proverbially unruly, and given to raids (*ghazu*) on nearby tribes. Roads were nonexistent.

Today, the Saudi ruler can view his domains from modern jet aircraft, and “all-weather” highways link the major cities. And thanks in part to the kingdom's astounding oil wealth—\$1

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million in revenue every 15 minutes—the voice of the government in Riyadh is respected from Washington to Tokyo. Once a city of sun-dried brick visited by fewer than a dozen Westerners prior to 1900, the capital now boasts a modern bureaucracy and gleaming glass and steel office buildings and hotels.

### The Swing State

Yet in those same hotels, liquor is still not served; the Koran remains the country's constitution; and in many areas, Bedouin tribes, though now only 20 percent of the population, live much as they have since Abraham's time—except that they are peaceful. The House of Saud rules supreme, there are no political parties, murderers are beheaded, and thieves may lose a hand. In Saudi Arabia, it is not 1979, but 1398—according to the official Islamic *hijra* calendar based on lunar cycles and dating back to the time of Prophet Muhammad's flight to Medina. Slavery, sanctioned by the Koran, was not officially outlawed in the kingdom until 1962.

As with many nations pulled suddenly into the 20th century, contrasts and anomalies abound. They are apparent in the desert and the cities, within single generations, even inside the royal family. King Saud (1902–69), son of the great Ibn Saud, was a traditional ruler. His life revolved around the harem, the hunt, and the mosque, and like his father, he sired more than 40 sons. Saud paid little heed to sophisticated finance and, at one point in the mid-1950s, managed to put his kingdom \$300 million in debt.

But Faisal, his brother and successor in 1964, was at home in Western capitals; his diplomatic experience began as a teenager at the Versailles Peace Conference of 1919. Of his eight male children, six attended U.S. or British universities, and one went to Sandhurst, the British military academy.

Yet even Faisal ruled in the age-old manner, maintaining the *majlis*, or ruler's court, where the king is more accessible to his subjects than is any Western head of state, and with virtually no ceremony. It was here that Faisal was assassinated by a demented nephew in 1975.

However irregular the 20th century's manifestations in Saudi Arabia, the kingdom has undeniably emerged as a force on the world scene. It is increasingly important to the United States, both as an oil supplier and as a Middle Eastern power. It has become a leader of the Arab world and the region's leading political financier. It is the "swing" state in the 13-member Organization of Petroleum Exporting Countries; its leaders can

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thus almost single-handedly determine the price of oil. Yet like much else on the peninsula, Saudi power cannot be interpreted in a conventional sense. Though strong in terms of money and influence, the Saudis are weak militarily.\* Power has come late to the House of Saud. Muhammad ibn Saud (d. 1765), founder of the dynasty that has given Saudi Arabia its name and its monarchs, was merely the *amir* of a tiny desert principality when he met the evangelical Shaykh Abd al-Wahhab. As for the evangelist, his father and grandfather had been *qadis* (Islamic judges); steeped in theology and jurisprudence, he was appalled by the superstition and immorality among his fellow Muslims. His dour preachings did not sit well with high-living contemporaries.

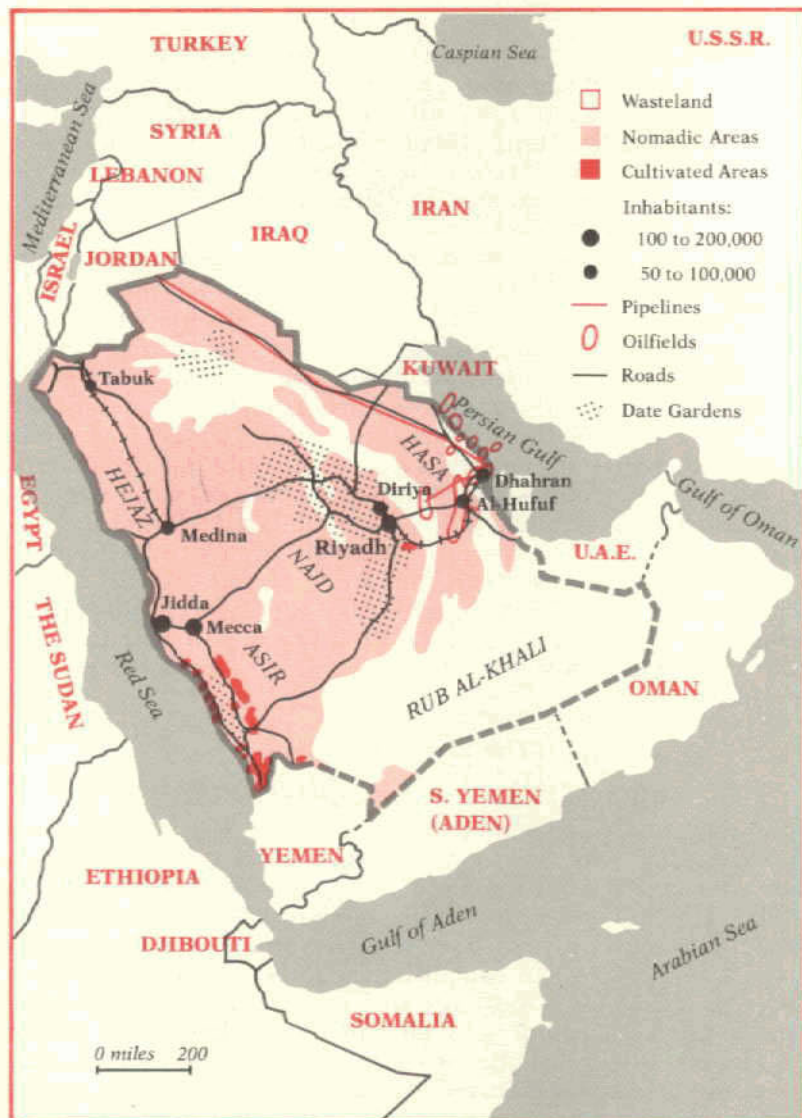
### Holy Alliance

But Muhammad ibn Saud liked him, and the alliance, maintained to the present day, was stunningly successful. The domains of the House of Saud grew outward from the old capital of Diriyah. At first the Saudis had only a seven-man expeditionary force; then, in a few years, a raiding party of 800, which swelled to an army of thousands. By 1780, the Saudis had won over the central (Najd) area of the Peninsula; by 1793, the eastern (Hasa) district; and by 1806, the holy cities of Mecca and Medina in the western (Hejaz) district.

While representatives of the House of Saud collected taxes and administered secular affairs, the sons and students of Shaykh Abd al-Wahhab supervised the spiritual, judicial, and cultural activities throughout the territory. (The Justice Ministry, a religious entity governed by *Sharia*, or Muslim canonical law, is today headed by a member of the al-Ash-Shaykh family, descendants of Abd al-Wahhab.) They trained the local religious authorities, the judges, and the school teachers. They encouraged the activities of so-called *mutawaeen*, or volunteers; organized into Committees for the Encouragement of Virtue and Discouragement of Vice—the words are from the Koran—the *mutawaeen* enforced strict observance of prayer attendance, fasting, and the bans on smoking, drinking alcohol, and the wearing of gold or silk.

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\*U.S. advisors began training the Saudi army and air force in 1952. By the 1960's, turmoil in neighboring countries led to a quick upgrading of Saudi military capability. Currently, the kingdom's relatively modestly equipped ground forces are divided into a 45,000-man army (composed of individuals grouped together without reference to tribe or home) and a 35,000-man national guard (composed of intact tribal units). Each of these volunteer forces is headed by a brother of King Khalid. Total annual defense budget: \$7.5 billion.



One percent of Saudi Arabia's 830,000 square miles is arable; only the southwestern Asir province receives regular rainfall. In elevation, the kingdom lies like a tilted playing card, raised slightly along the Red Sea and sloping downward to the Persian Gulf. Western estimates put the population of Saudi Arabia at 4-5 million.

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The first Saudi state did not survive. Its conquest of the Hejaz, which includes Mecca and Medina, had interrupted three centuries of Ottoman rule and deprived the Turks of lucrative earnings from the Hajj—the pilgrimage to the holy cities that every Muslim must make at least once in his life during the lunar month of Ramadan. The Ottoman Sultan retaliated; by 1818, the Saudi leadership was under siege in Diriyah. When the city fell to the Turks, most of the al-Saud princes were imprisoned. Amir Abdullah, the Saudi ruler, was beheaded.

With the breakup of the Saudi state, fragmentation returned to the peninsula. Because Ottoman rule, headquartered in Constantinople, was distant and indirect, tribal shaykhs and town barons resumed *de facto* control over their separate fiefdoms. For the remainder of the 19th century, the House of Saud sought to revive its power. But due to recurring intra-family rivalries, its successes were limited to the central plateau region, or Najd. Nine members of the Saud family, from their new capital of Riyadh, successively ruled all or part of the Najd between 1820 and 1891. Then they were evicted once again, this time by the up-and-coming al-Rashid family. Abd al-Rahman, last of these Saudi rulers, fled with his family to exile in neighboring Kuwait, his infant children tucked into his camel's saddlebags.

### **The Rise of Ibn Saud**

Abd al-Rahman and his kin were treated well in Kuwait, but they nourished hopes of restoring the House of Saud to power. That task fell to Abd al-Rahman's son, Abd al-Aziz, known in the West as Ibn Saud. Ibn Saud made his first move in 1902. This tall and charismatic young man—he was only 22 at the time—moved across the desert gathering Bedouin tribesmen into a small, 200-man expeditionary force. From among them, he selected 15 for a dramatic nighttime raid on Riyadh. Once inside the town's mud walls, he waited until dawn; then, he and his cousin Jilewi led the small band in hand-to-hand combat against the surprised Rashidi governor and his guards as they emerged from a fortified castle. When the battle was won, the townsfolk welcomed back Ibn Saud to his ancestral home.

In the days before the tank and the airplane, desert warfare was a not-too-bloody affair conducted on camelback with sabers and rifles. Opposing forces laid ambushes, made quick raids, and then generally retreated. By means of such age-old tactics, Ibn Saud steadily widened the circle of his rule. By 1906, he had recovered most of the Najd. In 1913, he drove the Ottoman gar-

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risons out of the Hasa district on the east coast. But he had not forgotten the power of religion. Ibn Saud sent missionaries to the Bedouin tribes and encouraged the creation of agricultural-religious settlements based on Wahhabi ideas. After 1912, groups of the *Ikhwaan* (literally, "brotherhood") sprang up all over the Najd; Ibn Saud found them a reliable source of aggressive warriors who fought loyally for him and the Wahhabi cause.

### A House Restored

World War I embroiled the decaying Ottoman Empire in a conflict with the Allies from which it never emerged. In 1914, the Hejaz district was still part of the Empire, but local control was exercised by the Sherif of Mecca, whose family, descended from the Prophet Muhammad, had traditionally ruled the holy cities of Mecca and Medina.\* With British arms and Colonel T. E. Lawrence's advice, the Sherif in 1916 declared an Arab revolt against the Ottomans. Ibn Saud, watching from the sidelines, could only applaud the move. But he was aware even then that he would have to face the winner. The winner was the Sherif.

Ibn Saud had periodically engaged his neighbor to the West in minor border skirmishes, but open warfare did not break out until 1924. In that year, the Sherif, emboldened by the progress of the Arab independence movement which he had initiated, declared himself King of the Arabs and Caliph of all Muslims. To Ibn Saud, the claim was preposterous; to the *Ikhwaan* and other zealous Wahhabis, the Sherif's rule of the Hejaz and the holy cities meant corruption, moral laxity, and religious backsliding of the worst sort. When Ibn Saud decided on a Hejaz conquest, the devout Bedouin tribesmen responded enthusiastically.

Indeed, their enthusiasm was excessive: They began the campaign with a mad sweep through the Hejazi resort city of Taif, which resulted in some 300 civilian deaths. Exaggerated tales of the so-called Taif massacre spread quickly in the Hejaz, caused panic in the towns, and helped lead the Sherif to abdicate in favor of his son, Ali. But Ali soon gave up all resistance; by 1926, Ibn Saud controlled the entire Hejaz and the neighboring Asir district, as well as the Najd and Hasa. The House of Saud had reclaimed its territory.

The Kingdom of Saudi Arabia (as it was formally named in 1934) has survived intact down to the present day. Ibn Saud and his sons Saud, Faisal, and Khalid, who have ruled the country as successive monarchs throughout the 20th century, have kept the

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\*After World War I, two of the Sherif's sons were installed by the British as Kings of Transjordan (now Jordan) and Iraq. Jordan's King Hussein is the Sherif's great-grandson.

### INSIDE THE ROYAL FAMILY

When Crown Prince Khalid became King of Saudi Arabia in 1975, many Western observers concluded that because of his retiring demeanor and chronic poor health—he had had two heart attacks in 1969—he would be little more than a figurehead; his younger, more energetic brother, Prince Fahd, according to his view, would actually rule in his capacity as Crown Prince and First Deputy Prime Minister. (The king is Prime Minister.)

This expectation, however, was based on a fundamental misunderstanding of the Saudi political process. Saudi Arabia is a traditional Islamic monarchy, and like the American President, the Saudi monarch cannot delegate his role as head of government. Moreover, King Khalid has shown much more interest in the governmental process than some had originally expected.

The belief that Saudi Arabia is an *absolute* monarchy is another popular misconception. The king is subject to two powerful constraints—Islamic law (which is the law of the land) and the royal family. In political terms, the royal family is the more visible constraint, for it serves, in effect, as the constituency of the kingdom. No king can rule without the expressed consent of the family. This role is given legal sanction through an ancient Islamic institution, *ahl al-aqd wal-hal* (the people who bind and loose). Composed of the

nation together, mindful that their ancestors failed to do so because of foreign intervention and internal feuds. But the major challenge facing the House of Saud has been to reconcile a traditional, millennia-old desert culture with the requirements of a growing, modern nation. As late as the 1930s, King Ibn Saud was able to exercise direct, personal rule in the traditional manner of a desert chieftain. There was little about the country that would have shocked or surprised his forebears. True, some of the more extremist *Ikhwaan* leaders mutinied in 1929 when it became clear that the king—although a devout Wahhabi himself—would not deal harshly with the non-Wahhabi Muslims of the Hejaz and, indeed, would tolerate all of the many Muslim sects coming on pilgrimage to Mecca. And true, many in the hitherto isolated towns of the Najd were perplexed when Ibn Saud returned from the Hejaz with airplanes, telephones, and motorcars—instruments, no doubt, of evil power. But the king easily suppressed the *Ikhwaan* and in the process crushed forever the Bedouin nomads as a military power in the kingdom. And he persuaded his people that Western technology could be



royal family and high-ranking government officials (though totally dominated by the family), this institution must approve a new king and can depose a reigning one. In 1964, for example, King Saud lost the confidence of the family and was replaced by his brother, King Faisal.

The royal family expresses its support or lack of support for the king and his policies through the traditional process of consensus (*ijma*). Because the family shuns the limelight, no outsider is quite sure how consensus-building takes place. Age and seniority appear to be major factors, with senior generations taking precedence over junior generations, older brothers over younger ones. The key generation comprises the king and his 30 surviving brothers, all sons of the late King Abd al-Aziz (Ibn Saud).

The old king had many wives, and sons of the same mother also tend to gravitate toward each other in royal family dealings. The two most powerful sibling groups are the king and his older brother Muhammad, and Fahd and his six full brothers, sometimes known as the "Sudayri Seven" after the maiden name of their mother. After Faisal's assassination, Muhammad, the oldest living son of King Abd al-Aziz, technically had a prior claim to the throne but deferred to his younger, blood brother, Khalid. He is still, however, very powerful in the royal family.

—David Long

useful.\* In any event, such intrusions were minor compared with what was to come.

It started in the 1930s. Ibn Saud, as generous as he was impecunious, did not believe at first that his kingdom was potentially oil rich, although his neighbors to the East, in Kuwait and Bahrain, had already parlayed the dark green liquid into substantial wealth. By all accounts, Ibn Saud was more interested in drilling artesian wells for fresh water—understandable for a desert ruler; understandable, in fact, for any Muslim, whose vision of Paradise, gleaned from the Koran, was of a place of flowing streams and brooks.

Yet water would not pay Ibn Saud's bills, and during those depression years, the revenues from the pilgrimage to Mecca—then the kingdom's major source of revenue—were falling. At one point, according to H. St. John Philby, the eccentric Englishman who had befriended the king during World War I, Ibn

\*According to one story, when the *Ulema*, or religious scholars, condemned the telephone as the devil's invention, Ibn Saud had them assemble in one place, then gave them a call and read the Koran over the line. They were reassured.

Saud was prepared to sell all the mineral concessions in Saudi Arabia for one million pounds. The deal he got from Standard Oil of California in 1933 was somewhat better: 35,000 gold sovereigns down, and one gold sovereign for every 5 tons of oil, in return for drilling rights to a tract of shifting sands the size of Texas. On a sweltering day in Jidda, Philby watched as the sovereigns were counted out, one by one, and handed across a table to Saud and his treasurer, Abdullah Sulayman.

The "miracle" occurred five years later when Standard Oil, through its subsidiary, the California Arabian Standard Oil Company, finally pierced the cap rock at a well known as "Dammam No. 7" to make the first great oil strike in the kingdom. Others followed. After the Allied victory in World War II allowed the commercial shipping trade to resume, petroleum was pumped out of Arabia; sovereigns were pumped back in. In the first year of postwar oil production, Ibn Saud received \$10 million; within five years, he had amassed \$240 million; by 1954, \$3 million a week was coming into the kingdom. The king's treasure chests were overflowing.\*

#### Tapping the "Miracle"

Where did the money go? Some of it went for a new railroad; some, later, for roads and an airline. (The 1.5 million annual Hajj pilgrims quickly made Saudi Arabian Airlines one of the largest passenger carriers in the Middle East.) Eventually, the government began to provide amenities for its people: free education and health care, postal and telegraph service, electricity—and, of course, artesian wells. With the country's revenues at first defined *in toto* as the king's personal income, much of the new wealth also found its way into the hands of the royal family, many of whose members acted as *nouveaux riches* in all times and places have acted.

The government bureaucracy expanded rapidly. Before 1939, the only government "officials" besides the king himself were two of his sons (Crown Prince Saud and Foreign Minister Faisal) and Finance Minister Sulayman. But even they made no major decisions without consulting the king, who busied himself with every minute detail of government and met daily in *majlis* with individual citizens seeking his help. Today there are 20 separate ministries and some 100,000 civil servants, many of them Western-educated Saudi technocrats.

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\*In 1952, the Saudi Arabian Monetary Agency, the kingdom's central bank was established to bring some order to the country's increasingly complicated finances. Headquartered in Jidda, it administers Saudi Arabia's monetary reserves, issues coins and notes, and regulates banking. SAMA's efforts have made the Saudi riyal one of the most stable currencies in the world.

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A merit-based personnel system is in place, but the princes of the House of Saud, now numbering more than 4,000, continue to hold the key posts. From among Ibn Saud's sons have come all three monarchs since the old king's death in 1953, as well as nearly all of the incumbents in the most powerful Saudi posts: prime minister; the ministers of defense, interior, and foreign affairs; and the governors of Mecca and Riyadh. Many other al-Saud princes, particularly the well-educated younger ones, have made names for themselves in the newer ministries—petroleum, agriculture, youth. Their cousins from the Sudairy and Jilewi families hold most of the provincial governorships.

### Swift Justice

Islam, too, remains a vital feature of Saudi culture. It is the kingdom's official religion, and all of the king's subjects are Muslim. Most of them perform the prayers every day, in the prayer places in schools, mosques, and public buildings; many mosques are busy during all five of the prescribed daily prayer periods. Virtually everyone observes the dawn-to-dusk fasting period for the lunar month of Ramadan. Almsgiving (*zakah*) is a compulsory tax, not optional as in other Muslim countries. The Saudi national flag is the only one to carry the Muslim profession of faith—"There is no god but God, and Muhammad is His Messenger"—a phrase that also appears at the head of all official stationery and documents.

The Wahhabi interpretation of Islam continues to predominate. All other sects are respected and protected, but Wahhabi fundamentalism remains strong. Religious observances are simple and unostentatious. When a Saudi dies, be he king or commoner, he is still buried in an unmarked grave—a Wahhabi practice meant to discourage idolatrous veneration. There are no elaborate mosques, no tombs of saints, even the Prophet's birthday is not celebrated; the faithful concentrate their devotion solely on God. Saudi law is still based on a relatively literal interpretation of the Koran, which may lead, for example, to the stoning of adulterers and the flogging of drunkards. Justice is predictable and swift; Saudi Arabia has one of the lowest crime rates in the world.

Yet the Wahhabi influence, while strong, may be waning. Saudis regularly study and travel abroad; some 10,000 young Saudis are now studying in the United States. And tens of thousands of foreigners—not only other Arabs but Koreans, Pakistanis, Indians, Britons, and Americans—have been welcomed into the kingdom to live and work. (Still unwelcome are most Jews and firms doing business with Israel.) Radio and imported

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television programs have brought the world, especially the West, closer to the Saudi public. (One in ten Saudis owns a TV set, one in four a radio.)

But there are no nightclubs or other such places of entertainment. Cinemas are still banned, and the government ensures that television programs conform to Saudi social and cultural norms. (So, too, with imported books and magazines.) Poetry writing and storytelling flourish, as they always have, but other forms of creative expression, such as representational art, have only been allowed in recent years.

### **Strangers in the Land**

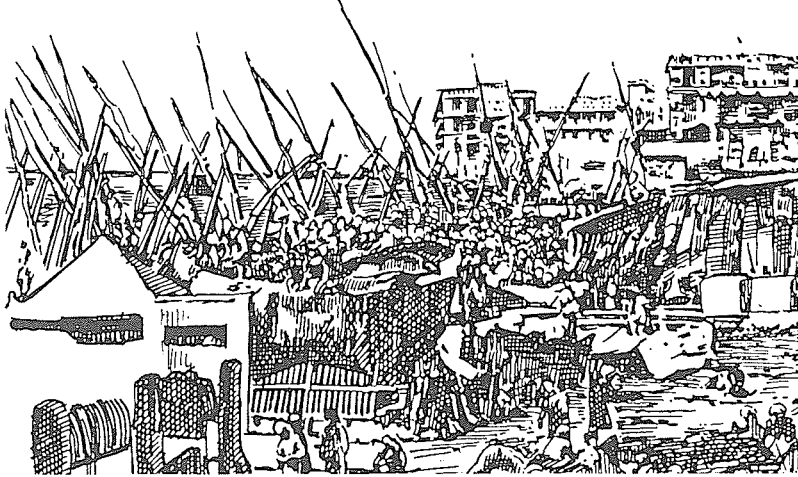
The social role of Saudi women is still restricted, though not as much as before. When women today leave the privacy of their homes, they are supposed to be covered from head to toe. Their pictures normally do not appear in their passports, on television, or in the newspapers.\* But they now have access to public schooling all the way through university, though co-education does not exist. And while they can enter such professions as radio broadcasting, teaching in girls' schools, and nursing for women patients, they must behave discreetly to avoid even a hint of impropriety. Such puritanical rules are justified by reference to Islamic scripture, interpreted strictly and literally in Wahhabi fashion. "Men are superior to women," says the Koran, "because of the qualities whereby God has made a distinction between them."

New ideas and concepts have come into the country through secular education, which has grown rapidly to meet the needs of a modernizing state. Secular grade schools were started first by Jidda merchant families—who still control much of the nation's commerce—at the beginning of this century. They expanded after 1926 to prepare Saudis for study at universities in Egypt and elsewhere. Today, the three Saudi universities, with their Saudi professors, offer a wide range of modern and traditional subjects and are flourishing.

Saudi elementary schools still place heavy emphasis on traditional subjects: Islam, Arabic language and literature, and Arab history and geography. Students—there are some 600,000 of them in elementary school alone—learn by rote, memorize parts of the Koran and other texts, and relate much of their learning to Islam. After sixth grade, the system divides into two tracks, both leading to university and graduate work. One is

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\*There are six major Arabic daily newspapers, and two English-language dailies. All are subject to "regulation" by the Ministry of Information.



*Adapted from a drawing by G. Saccardo.*

*Jidda's waterfront during the pilgrimage season, 1920.*

modern and secular. The other is religious, preparing graduates for careers in law and teaching.

The religious track produces scholars so well versed in classical Islamic subjects that the Saudis can claim the most learned religious intellectuals in the Muslim world. These graduates—as judges or legal experts, as teachers of religion, history, and Arabic—play a major role in reinforcing traditional norms and ideas. Americans and other Westerners working in Saudi Arabia's "modern" sector rarely come into contact with such people, yet they help shape the fundamental moral tone of the country.

But so, in a way, do the Americans and other foreigners, and the Saudis may be caught between the two. Indeed, perhaps the greatest change wrought by the kingdom's wealth and rapid development is that the "average" Saudi no longer exists. As a statistic, Saudi Arabia's annual per capita income is high—now well over \$7,000, compared to \$1,250 in oil-rich Iraq and an astonishing \$15,000 in even richer Kuwait. But it only masks the wide disparities among the Saudi population not just in income but in occupation and way of life.

The oil industry, based in Dhahran, produces 90 percent of Saudi Arabia's income; Dhahran, as a result, is a major urban center with many Westerners and a growing Western-style Arab middle class. In Riyadh, the veneer of modernity is more recent; the skyline is new, as are the bungalow-type suburbs radiating from its sparkling downtown. Jidda, with its old palaces and

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busy markets, remains in many respects a city unto itself. Long the diplomatic capital, still a commercial center (although most Western companies have opened offices in Riyadh), the port on the Red Sea has been a cosmopolitan trading city since Biblical times.

In the interior, some oasis dwellers and nomads live as before—if one discounts the omni-present motor vehicles. (One in five Saudis owns a car.) Some Saudis straddle both the ancient and the modern worlds, working in the oil fields by day, returning to their traditional villages at night. Industry is expanding fast: In the mid-1950s, there were only five industrial enterprises in the kingdom; now there are hundreds, involving everything from steel to textiles, fish canning to petrochemicals. But agriculture and herding still employ most Saudis.

The contrasts and contradictions apparent in Saudi Arabia are not necessarily a cause for local concern. Unlike many developing nations, the Saudis have no legacy of colonialism to overcome. The kingdom has been more or less independent for 200 years under the strong rule of the House of Saud. Radical intellectuals rarely develop and never thrive in the country; its economic troubles—such as a 20 percent inflation rate—stem from a prosperity other nations would envy; the military seems to be loyal; and the nation's leadership is intelligent, well-educated, cohesive, and not given to delusions of grandeur. Lacking military might, the kingdom is certainly more vulnerable in the international sphere—yet even here the caution and shrewd diplomacy of its leaders have won the kingdom the respect of most of the Arab world, most of the Third World, and most of the industrialized West. Saudi Arabia's continued stability is not assured—but its chances are good.

In the eyes of Saudi leaders, there is much of value in the old way of life—and much to be avoided in the new. And they believe, with some reason, that they will be able to pick the right path between the two.



## FOREIGN POLICY: THE VIEW FROM RIYADH

*by John Duke Anthony*

In the eyes of many Americans, the emergence of Saudi Arabia as the world's pre-eminent Arab state stems mainly from the 1973 oil embargo. What outsiders perceived as a sudden occurrence, however, had in fact been evolving gradually over a period of several years. Indeed, the kingdom, under the leadership of King Faisal (r. 1964–75), had been playing a growing role in Arab summit gatherings since the disastrous June 1967 war against Israel.

By the end of 1967, the Saudis had patched up differences with Egypt that had led the two nations to lock horns by proxy during the 1962–67 civil war in Yemen. Four years later, they helped wean the nine emirates along the kingdom's eastern border away from Great Britain and into full independence. In 1970–71, they played mediator in Jordan when the radical Palestinians were chased into Lebanon by the Hashemite monarchy of King Hussein. All of this was in high contrast to the earlier semi-isolationist stance of Saudi monarchs, including King Faisal during his first few years in power.

With the advantage of hindsight, it seems surprising that the more active Saudi role in everything from oil policy to the Arab-Israeli dispute went unnoticed by almost everyone except the oil companies and a few diplomats. Indeed, prior to the 1973 war, King Faisal had warned top oil company executives, including Frank Jungers, then chairman of Aramco, to expect an interruption in oil supplies in the event of another war with Israel. The warning was relayed to the Nixon administration and evidently ignored.

The interruption—in fact, a combination of production cuts and embargo—came during the October War of 1973. After that, it was clear even to the U.S. State Department that Saudi Arabia had acquired the status, unprecedented for a developing country, of both a regional and global power. It is the world's number one holder of external assets and is second only to West Ger-

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many in holdings of foreign financial reserves. The kingdom distributes billions of dollars in aid to its neighbors and allies; in 1975, it was the foremost contributor to the International Monetary Fund. Though not a military power, even in the region, Saudi Arabia has helped finance the rebuilding of the war-shattered armies of Egypt and Syria, supplied the Palestinian guerrillas with arms, and underwritten almost the entire defense budget of North Yemen.

For Saudi Arabia's leaders, the rise to wealth and power has been a heady but worrisome experience, with a curious mix of benefits and burdens. Saudi Arabia's wealth has brought a huge influx of foreign laborers. More than 1 million unskilled Yemenis are toiling in the kingdom, not to mention the large Western contingent, including bankers, engineers, and other skilled professionals. While they are essential to the success of the \$142 billion 1975-80 five-year development plan, these foreign workers, particularly those of non-Arab background, are diluting traditional Saudi society. (Ironically, a traditional antipathy among many Saudis toward manual labor and the employment of women outside the home has contributed to the labor shortage that makes foreign workers necessary.) The Saudis also believe that the kingdom has been too quick to grant requests for "development" assistance; Planning Minister Hisham Nazer has noted that some of the country's aid recipients (Egypt and Tunisia, for example) are in many ways more developed than Saudi Arabia itself.

### Coming Full Circle

One benefit of the country's new status, however, seems clear: For the first time in history, foreign powers, in their dealings with the kingdom or with the Arab world as a whole, must weigh seriously the anticipated response of the regime in Riyadh. U.S. congressional approval of the sale of F-15 jet fighters to Saudi Arabia in 1978, for example, would not have happened five years earlier. According to Jim Hoagland, writing in

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the *Washington Post*, Saudi Arabia's King Khalid was the first foreign leader to be informed last summer that Egypt, Israel, and the United States had agreed to a summit meeting at Camp David. History has come full circle since 1946 when President Truman disregarded the solemn understanding of a year earlier between President Roosevelt and Saudi King Abd al-Aziz (Ibn Saud) on the matter of a Jewish homeland in Palestine.\*

### Moral Leadership

Many Western specialists, not a few intelligence agencies (including the CIA), and most citizens of industrialized nations tend to evaluate Saudi foreign policy in terms of oil policy. For reasons of religion and geography, Saudi statesmen are more concerned with the country's relations with its Arab neighbors. To be sure, the kingdom's ability to affect the policies of other Arab countries stems largely from its oil-based financial power—and its willingness to use it. Yet Saudi Arabia would be in a position to pull strings in the Arab world regardless of its economic clout. Indeed, the Saudis have developed a kind of moral leadership on matters quite apart from oil. Among them: Islam, the Palestine problem, Arab solidarity, radicalism, and imperialism. A look at these concerns, which have preoccupied the country's rulers since the kingdom was established by Ibn Saud in 1932, may provide outsiders with some perspective on the desert kingdom and the influence it wields.

*Islam.* The religious heritage of the Saudi people is a major determinant of the kingdom's foreign policy. Saudi Arabia officially subscribes to the Islamic concept of *Jihad* ("to struggle in the right path"); it condemns any form of repression or persecution of Muslim peoples. This concept, enshrined in the Koran, was endorsed anew at the September 1969 summit meeting of Muslim heads of state in Rabat, Morocco, which was scheduled after a fire damaged Jerusalem's Aqsa Mosque, the site where Muslims believe the Prophet Muhammad ascended to heaven. With a self-imposed mandate to protect the Islamic holy places, dating from the conquest of Mecca and Medina in the 1920s, the Saudis bridle at the thought of Israeli occupation of the Arab sector of the city. In the wake of the Rabat summit, whose participants called upon Israel to withdraw from the territories it occupied in 1967, a permanent Islamic Secretariat was set up to function in Jidda for as long as Jerusalem remains under Israeli

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\*FDR had promised Ibn Saud that he would make no move on the issue without consulting the Arabs; Truman, without consultation, called for lifting the curbs on Jewish immigration to the region.

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occupation.\* Its duties: specifically, to press for the return of the Aqsa Mosque to Muslim control; in general, to promote Islamic values and oppose atheistic creeds.

Reports of discrimination against Muslims anywhere in the world usually elicit an immediate response from Riyadh. Religious zeal extends far beyond mere verbal support; Saudi Arabia is also willing and able to provide diplomatic and financial assistance to bolster the Muslim side in international disputes. For example, it has lent financial support to the separatist struggle of the Muslim-dominated Eritrean guerrillas against the predominantly Christian (and Marxist) military government of Ethiopia. And it has channeled impressive sums—at least \$3.6 billion in 1976 alone, representing some 15 percent of Saudi Arabia's GNP and the bulk of its foreign assistance—to aid such Muslim countries as Egypt, Syria, Jordan, North Yemen, Somalia, the Sudan, Tunisia, and Oman.

*The Palestine Question.* Saudi Arabia has repeatedly exerted pressure to regain the Arab lands seized by Israel in the June 1967 war. It supports UN resolutions 242 and 338, which call for Israeli withdrawal from territories occupied during the conflict (in exchange for recognition of Israel's right to exist), and in addition it insists on Israeli evacuation of the old quarter of Jerusalem. The Saudis also demand recognition of the "legitimate rights" of the Palestinian people.

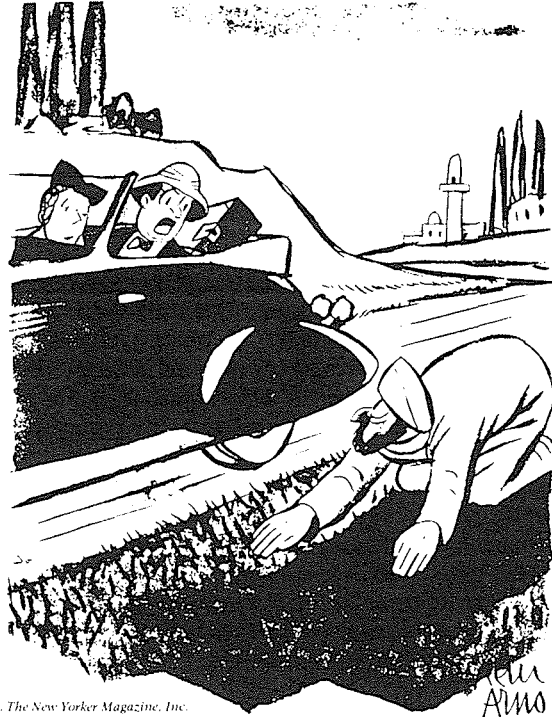
### Faisal Betrayed

In pursuit of these goals, the kingdom is financing Jordan's \$250 million air defense network, and it funnels some \$40 million yearly to the Palestinian guerrillas. It also funds the 30,000-man Arab peace-keeping force in Lebanon. Earlier, it was a founding member of the Arab League (1945); in 1948, the year Israel came into existence, the kingdom, at the league's behest, even committed troops in the first war against the new nation, despite King Ibn Saud's reservations. (Due to poor transportation, they never reached the battlefield.) In general, however, prior to 1967, Saudi involvement in the Arab-Israeli conflict consisted mainly of verbal support for, and relatively modest financial contributions to, the various Palestinian liberation organizations. This somewhat distant stance came under harsh criticism from less moderate Arab leaders, among them Egypt's President Nasser.

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\*In addition to the Arab quarter of Jerusalem, Israel seized Jordan's West Bank, Syria's Golan Heights, and Egypt's Sinai Peninsula and Gaza Strip during the June 1967 war.

*"Hey, Jack, which way to Mecca?" is the caption of this 1938 New Yorker cartoon. American attitudes toward Saudi Arabia have become somewhat less patronizing in the postwar era.*



Drawing by Peter Arno; © 1938, 1966, The New Yorker Magazine, Inc.

Since the Khartoum conference of Arab heads of state in September 1967, called to assess the fallout from the June War, the kingdom has disbursed generous sums to the "frontline" (bordering on Israel) states of Egypt, Jordan, Syria, and, to a lesser extent, Lebanon. The kingdom's quarterly payments to the first three countries, begun in late 1967, enabled them to pay for much of the damage inflicted by Israeli forces in the course of the war.

During the 1973 war, the Saudi government adopted its most militant position when it decided to use its oil against countries supportive of Israel. The Saudis regarded American security assistance to Israel during the war as tantamount to direct U.S. intervention. From October 10 (four days after the hostilities began) until the final cease-fire on October 25, the U.S. Air Force made over 550 flights to Israel bringing arms and supplies. Especially provocative, in Riyadh's view, was the White House request to Congress for \$2.2 billion in emergency aid to the Jewish state while the fighting was still going on. King Faisal took this as a personal betrayal by President Nixon. His

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response: On October 18, Saudi Arabia joined Libya, Iraq, Kuwait, and other states in agreeing to curtail its oil production. Two days later it proclaimed, as several of its neighbors had already done, an immediate and total embargo of oil to the United States. This action deprived the United States of nearly 650,000 barrels per day of Saudi crude, the largest single component of America's Arab oil imports. That the kingdom thereby succeeded in getting Washington to pursue a more evenhanded approach to the Palestine problem—and to become directly involved in the peace-making process—is testimony to the overall effectiveness of Saudi leadership on a highly volatile issue.

Riyadh is able to sway attitudes toward Israel—in the United Nations, in African and Asian capitals, and increasingly within the European Economic Community—not only through the threat of another embargo but also through its pivotal position with respect to oil prices and production levels and through generous use of its impressive financial resources. Following the example, first of Kuwait, then of Libya, Saudi Arabia has for several years been in the front ranks of those Arab oil producers who have used their wealth to counter Israeli diplomatic influence in Africa.\* It has invested heavily in economic ventures in African and Asian countries viewed as sympathetic to the Saudi position regarding Palestine.

### No Provocations

Since the 1975 Sinai accords—and especially since the 1978 Camp David agreements—it has become clear that most Arab states are now aligned with Saudi Arabia. That is, they are generally receptive to a negotiated settlement of the Arab-Israeli problem, within the limits of U.N. Resolutions 242 and 338. At the same time, they oppose the conclusion of separate, bilateral treaties between Israel and the frontline Arab states—notably Egypt. However, certain Arab nations—Libya, Iraq, Syria, and South Yemen, along with the PLO—evidently still reject not only Riyadh's position, but Egypt's as well. They remain pessimistic about negotiations and unabashedly hold to the option of resuming hostilities.

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\*Black African recipients of Israeli aid have included Ethiopia, Nigeria, Kenya, Uganda, Chad, and the Ivory Coast. Most African states severed diplomatic relations with Israel in the aftermath of the October 1973 war. Since then, in international and regional organizations, they have consistently backed Arab-sponsored resolutions condemning Israel. These include the UN's 1973 "Zionism-is-racism" resolution and its recognition in 1974 of the PLO. In more recent years, Saudi Arabia and other Arab oil-producing states have underwritten the Arab Bank for Economic Development in Africa as a means of further consolidating their influence in the sub-Saharan region.

### THE AMERICAN CONNECTION

Official U.S. policy in the Middle East has been overtly pro-Israel for three decades but covertly pro-Saudi Arabia for even longer.

The American presence on the Arabian peninsula is now substantial. Saudi Arabia has awarded \$25 billion in contracts to U.S. companies (for pipelines, power plants, and other "infrastructure") as part of its current \$142 billion five-year plan. Some 400 American firms have offices in Saudi Arabia; 1,000 more have hired Saudi representatives.

Of the 30,000 Americans now residing in the kingdom, one-third are involved in defense-related projects. No formal treaties link Washington and Riyadh (diplomatic relations were established in 1940), but an American military mission has been training Saudi troops since 1951. Saudi Arabia now spends about \$4 billion annually in the United States for military goods and services. One-quarter of this sum buys "hardware": Hawk missiles, jet fighters, armored vehicles. The rest goes primarily to the Army Corps of Engineers, thence to subcontractors like the Northrop and Vinnell corporations, for military construction and other services.

The relationship is not simply a matter of business. Implicitly since the early 1940s and explicitly since the 1950s, the State Department has defined U.S. access to world petroleum reserves as a matter of national security. The good will and stability of Saudi Arabia are essential. Thus, when World War II cut King Ibn Saud's oil revenues, President Roosevelt secretly funneled \$40 million in Lend-Lease aid—earmarked for "democratic allies" only—through Britain and on to Saudi Arabia.

The State Department again came to the kingdom's aid in 1950 as Ibn Saud sought a greater share of Aramco petroleum revenues. Executives of the four U.S. oil companies that make up Aramco argued that higher royalties would boost the price of imported oil in America. The State Department's solution: Let Ibn Saud tax the companies for the money he needed, then let Washington give the companies a credit for that amount against their U.S. taxes. In effect, as its critics have repeatedly pointed out, Saudi Arabia has been receiving a tax subsidy from the U.S. government (estimated at \$3 billion in 1974) in lieu of overt foreign assistance.

Support for Saudi Arabia has never been as strong in Congress as it has among U.S. diplomats. (There is no sizeable bloc of Saudi-American voters.) The Saudi connection came under harsh attack on Capitol Hill last spring when President Carter proposed to sell the kingdom 60 new F-15 jet fighters as one part of a \$4.8 billion aircraft deal also involving sales to Egypt and Israel. Israeli lobbyists opposed the sale, even as Arab lobbyists crisscrossed the Hill seeking support. Crown Prince Fahd reminded Congress that the United States and the kingdom had certain "mutual interests." The Administration-backed plane sale squeaked by.

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*Arab Solidarity.* For reasons quite apart from the question of Israel—including Saudi Arabia's Muslim-Arab culture, its central geographic position, and its overwhelming dependence on a single natural source of wealth (which led Saudi Arabia to urge the establishment of the Organization of Arab Petroleum Exporting Countries in 1965)—Saudi leaders place a premium on Arab unity. This emerges clearly from Riyadh's opposition not only to the creation of Israel in 1948, but also to the occupation by Iran in November 1971 of Abu Musa and the Greater and Lesser Tunbs, islands previously administered by two Arabian emirates, and to the unilateral peace overture of Egyptian President Sadat to Israel in 1977-78—all of which were divisive issues within the Arab world.

### **Encircled Kingdom**

Riyadh's appeal for solidarity is reflected in Saudi development aid to Arab states as far afield as Mauritania and in its bankrolling of the new Arab Monetary Fund in Abu Dhabi. Solidarity has also motivated Saudi endorsement of several cooperative ventures (e.g., a dry dock in Bahrain, a maritime transportation company in Kuwait) supported by the Organization of Arab Petroleum Exporting Countries. The kingdom was also a founding member of the Egypt-based Arab Military Industries Organization, an armaments manufacturer, and has supported the federation of seven previously independent states in eastern Arabia to create the United Arab Emirates.\* More recently, the Saudis have been trying to hold the Arab world together in the aftermath of Camp David by *not* endorsing the accords and *not* rejecting them, since either move would only encourage the efforts of Arab radicals.

*Radicalism and Imperialism.* Saudi Arabia, more than any other Arab state, has made a concentrated effort to thwart both Big Power influence and radical tendencies in the Middle East. It has sought to block, for example, the establishment of Soviet military bases on Arab soil and to impede what they have on occasion considered the "imperialist" forces operating within or near Arab states' borders, be they British, Israeli, or American. The kingdom has also tried to counter the influence of the Iraqis, Southern Yemenis, Omani rebels, and leftist elements among the various Palestinian guerrilla groups who adhere to hostile ideologies.

Saudi Arabia has spent sizeable sums—\$300 million in

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\* Abu Dhabi, Dubai, Sharjah, Ajman, Umm al-Qaiwain, Ra's al-Khaimah, and Fujairah.

### A SENSE OF VULNERABILITY

*Over the past decade, Saudi economic aid to Third World nations has quadrupled—to some \$4 billion in 1977. Ending a long period of semi-isolationism, the kingdom's foreign policy has become more "activist." But as correspondent Joseph Kraft notes, the obverse of activism may be insecurity:*

Rich as the Saudis are . . . and promiscuous and patient as they may be in dispensing subsidies, they cannot play a role in the world, or even in the Horn or the Middle East, without important external help. . . . A sense of just how vulnerable the Saudis are, and to how many different parties, emerges from a look at the books that have collected in the outer office of the Saudi intelligence chief, Prince Turki al-Faisal. The list includes two volumes (one a biography of Carlos, the terrorist who masterminded the kidnapping of practically all the oil ministers in the OPEC cartel in Vienna in December of 1975) on the dangers of the Palestinian radicals; *The Crash of '79* by Paul Erdman, which sketches out fictionally the dangers of Iran to Saudi Arabia; two on the threat posed by Russia; one on the Israeli menace; and several copies of *Arabia Without Sultans* by Fred Halliday, which is a survey of the radical liberation fronts in the area and their opposition to the oil sheikhs. The Saudis by themselves cannot conceivably contain all these dangers simultaneously. They need—they are, indeed, the world's leading candidate to have—a protecting power.

*From "Letter from Riyadh" by Joseph Kraft in The New Yorker, June 26, 1978.*

Somalia, for example, and untold millions in the Sudan—to induce various Arab states to expel Soviet military technicians and reduce their reliance on Soviet weaponry and money. Saudi generosity led eventually to President Sadat's expulsion of Soviet military personnel from that country in 1972. It was an important feature of successful Saudi efforts to persuade Northern Yemen to freeze its relationship with Moscow.\*

Most Saudis believe that the U.S.S.R. exercises excessive power internationally and represents an atheistic and imperialistic force antithetical to Arab nationalism and Islam. Fear of the Soviet Union is escalating in the kingdom, as con-

\*The Riyadh regime also established diplomatic relations with the People's Democratic Republic of Yemen (PDRY) in 1976, and offered to extend substantial amounts of aid to that country—up to \$100 million—in an effort to further neutralize the Soviet role in the region. The means were clearly insufficient to the task, however, in part because the Saudis could not provide the Yemenis with certain goods (such as MIG jet fighters) and refused to underwrite weapons purchases from the Soviet Union. Since the overthrow in 1978 of moderate PDRY President Salim Rubayya Ali, the country has moved closer to the U.S.S.R. than ever before, backing Ethiopia against Somalia and allowing Soviet ships to dock at Aden, a former British base.

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cerned Saudis watch the consolidation of the Russian position on the Horn of Africa, in Southern Yemen, in Angola and Mozambique, and, since the 1978 coup, in Afghanistan. Riyadh also attributes much of the current unrest in neighboring Iran to leftist, probably Soviet-backed forces. In Saudi eyes, these trends portend a kind of "encirclement."

Nor do such fears apply only to the Soviet Union. NATO facilities in the Mediterranean, U.S. observers in the Sinai, and U.S.-backed CENTO (Central Treaty Organization) involvement in the Indian Ocean–Gulf of Oman–Arabian Sea area are viewed by the Saudis and their neighbors as "imperialist" gestures that could threaten the Arab world in general and Saudi Arabia in particular. This concern is only inflamed by conjecture in the West concerning the U.S. option of armed intervention to secure the kingdom's oil in any new crisis.

### The Price of Peace

Lately, such talk has ebbed, and Saudi fears of intervention by either the West or radical Arabs have eased. In the case of several Arab countries, their economic and political fortunes are now so intertwined with Saudi Arabia's that to challenge the kingdom's paramountcy in Arab affairs is now virtually unthinkable. For other states, the room to maneuver is somewhat greater. Jordan, for one, has long had interests in the Fertile Crescent which do not always coincide with those of Riyadh. (Jordan's ties with Syria are especially close, and it has long since reached a *modus vivendi* with Israel, on the economic and social level, concerning the West Bank.) And Egypt, with its greater military power, more developed society, and not inconsiderable political influence in the Arab World, has clearly shown itself to be an independent force.

What has Saudi Arabia really achieved by its largess? In many respects, the impact of a dollar is perceptual and psychological, not economic. The other Arab states desire a close relationship with Saudi Arabia for a multitude of reasons—money, oil, and political support. The Saudis, for their part, acknowledge that cordial relations with the rest of the Arab world are a key to their own security. They feel threatened, they need good regional relations, and they can pay for them.





## SAUDI OIL POLICY

*by David E. Long*

Isaac Newton is said to have been the last man in the world who knew everything. This is not an indictment of subsequent generations but simply a recognition of the fact that the sum of human knowledge has expanded beyond the grasp of any individual.

So have the complexities of petroleum production.

To understand them fully one must be a geologist and a petroleum engineer versed in the mysteries of rock strata and seismography, an economist comfortable with the intricacies of supply and demand, and a political scientist familiar with the shifting eddies of domestic and foreign policy. An outsider, trying to understand how Saudi decision-makers perceive all these factors, also must be, to some degree, an anthropologist.

Yet the task is important. With proved reserves of roughly 150 billion barrels (possibly as much as 250 billion barrels), Saudi Arabia is sitting on one-quarter of the world's oil. Of the globe's oil producers, it has the greatest potential for sustained, large-scale expansion of production capacity—the amount of oil it *could* be pumping. The kingdom's production capacity has been increasing steadily for some time. Between 1960 and 1977, the Saudi share of OPEC production doubled; Saudi Arabia also accounted for 40 percent of the total increase in world production between 1970 and 1977. Some 20 percent of U.S. oil imports come from the kingdom: about 1.4 million barrels per day (b/d). What the Saudis do directly affects us all.

It is easy to forget that the kingdom was virtually penniless just 40 years ago. Until oil was discovered in commercial quantities in 1938, the Saudis were barely able to make ends meet with earnings from the Hajj (the annual Muslim pilgrimage to Mecca). During the 1930s, the Saudi Minister of Finance, Abdallah Sulayman, reportedly kept the financial accounts of the entire kingdom in a big, black ledger which he slipped under his bed at night.

The first concession to search for oil was awarded in 1923 to an entrepreneur from New Zealand named Frank Holmes. He

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didn't find any. The agreement lapsed, and in 1933, Standard Oil of California (Socal) acquired a new concession, establishing the California Arabian Standard Oil Company (Casoc) to explore for oil. In 1935, Texaco joined Socal in the venture; in 1948, Standard of New Jersey (now Exxon) and Standard of New York (Mobil) also bought in. Meanwhile, in 1944, Casoc's name was changed to the Arabian American Oil Company (Aramco). Commercial quantities of oil were not exported until after World War II. Since then, Saudi revenues have risen steadily, with the most dramatic jump occurring in 1973, with the four-fold increase in oil prices from \$3.01 to \$11.65 per barrel.

Under the terms of the original concession, virtually all Saudi oil belonged to Aramco.\* By the 1970s, however, ownership had begun to change hands under a policy styled "participation," which was devised by the Saudi Petroleum Minister, Shaykh Ahmad Zaki Yamani. In 1972, the Saudi government bought 25 percent of Aramco's equity; by 1974, the kingdom had acquired 60 percent. Ultimately, the Saudis are expected to buy out Aramco entirely. The company will be retained as essentially a service agency to operate the Saudi-owned fields and facilities.

Even seasoned diplomats find it hard to determine who really makes Saudi oil policy. To be sure, the royal family, through consensus, determines the general direction of most matters in the kingdom and sets the bounds within which subordinate officials may act. The family does not, however, become directly involved in government operations, despite the placement of a number of princes in key positions. Royal family politics and government politics, though closely related, are quite distinct. Some very senior princes in the family, like the King's older brother, Prince Muhammad ibn Abd al-Aziz, are not even in government, whereas Princeton-educated Prince

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\* Japanese and some small American companies were awarded minor concessions in the former Saudi-Kuwaiti "Neutral Zone" and its offshore waters.

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Saud al-Faisal, who holds the very important Foreign Affairs portfolio, is considered to be a junior member of the family.

King Khalid acts as the link between the family and the government, being at once the head of the family, Prime Minister, and Chief of State. The key national security positions—First and Second Deputy Prime Minister, Defense, Interior, and Foreign Affairs—are also held by royal princes. While this places them in more powerful positions than the non-royal ministers, it does not guarantee that their views will always prevail.

In the latter part of the late King Faisal's reign, the chief officials with whom the King consulted on oil matters were appointed to a newly created Supreme Petroleum Council. The council has survived King Faisal (and many of the original members) to remain the principal "consultative" body on oil policy. Its members include two princes and four "technocrats."\* The make-up of the council allows for a broad expression of views. For example, Yamani, by expressing the Petroleum Ministry's point of view, may find himself at odds with Aba al-Khayl looking at the same problem from a fiscal standpoint, or Planning Minister Shaykh Hisham Nazer looking at it from an economic development perspective, or Saud al-Faisal looking at the foreign policy implications.

### The New Conservationists

The proceedings of the Supreme Petroleum Council appear to be highly informal. There are no regularly scheduled meetings, and in the absence of a member, no provision is made for an alternate. Decisions are reached through the time-honored Saudi practices of consultation (*shura*) and consensus (*ijma*). Because of the press of business on each member, the Council meets infrequently. Nevertheless, it remains the institution most directly responsible for the formulation of Saudi oil policy.

There are three major determinants of that policy: (a) the need to generate oil revenues at a level compatible with the country's total economic development; (b) the need to ensure regional and international political and economic stability; and (c) the need to maintain a predominant influence over price-

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\*The council's members are Prince Fahd, Crown Prince and First Deputy Prime Minister; Prince Saud al-Faisal, Foreign Minister; Ahmad Zaki Yamani, Minister of Petroleum and Mineral Resources; Hisham Nazer, Minister of Planning; Muhammad Aba al-Khayl, Minister of Finance and National Economy; and Abd al-Aziz al-Qurayshi, the Governor of the Saudi Arabian Monetary Agency (SAMA), the central bank. The secretary to the council is Abd al-Aziz al-Turki, the Deputy Petroleum Minister. The term "technocrat" is used here broadly to refer to those with advanced Western (usually U.S.) university degrees.

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setting through the Organization of Petroleum Exporting Countries (OPEC).

The matter of oil revenues is complicated. Whenever Saudi Arabia adjusts its oil production rates, it must weigh the advantages of increased revenue against the resulting depletion of its oil reserves. In recent years, Saudi Arabia has consistently produced more oil (about 7.5 million b/d in 1978) than it "needed" to. The kingdom, with a population estimated at 4 to 5 million and few natural resources other than petroleum, can only absorb so much investment. According to Planning Minister Nazer, it could probably generate sufficient income to meet its domestic economic needs by exporting a mere 5 million b/d. Other observers have cited lower figures. By producing beyond its ability to spend, Saudi Arabia can only watch its growing foreign exchange reserves (estimated at \$70 billion) lose value through inflation and currency fluctuations. Indeed, some Saudi "conservationists," such as Nazer, argue that the oil may be worth more in the ground.

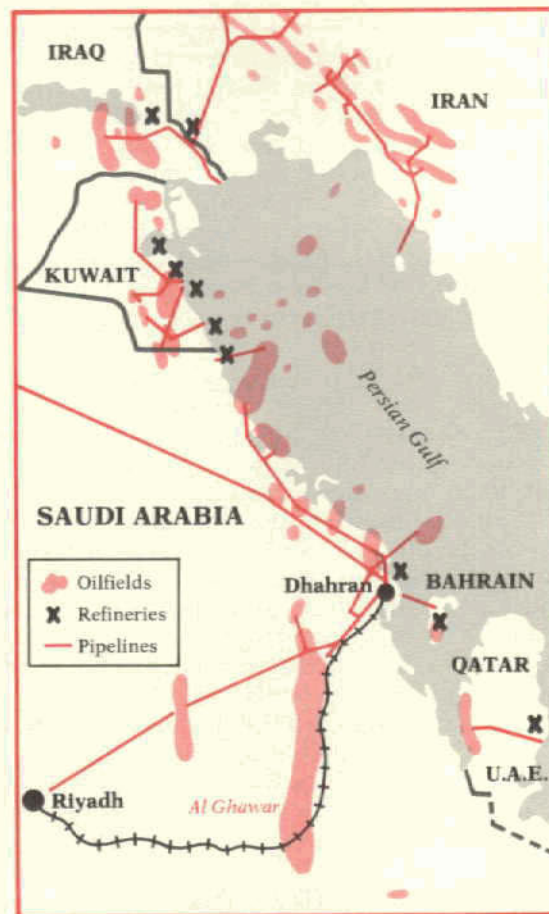
#### **Over a Barrel**

"Very high production raises serious problems for us," Nazer told columnist Joseph Kraft last summer. "It puts pressure on our institutions, which have to manage rapid growth. It creates more inflation. It brings in more foreigners. It gives us more assets than we can handle in investments." The conservationists believe lower production will boost oil prices, thereby dampening total world demand and further forcing consumers to shift to other forms of energy. This would slow the depletion rate of Saudi Arabia's principal marketable resource.

But setting production rates to meet only domestic financial requirements would jeopardize worldwide political stability, in which the Saudis have a major stake. Saudi foreign exchange reserves are invested mainly in the capital markets of Europe and the United States. If the world economy were to suffer as a result of Saudi oil cutbacks, the Saudis would suffer too.

As devout guardians of the Muslim holy places, Mecca and Medina, the Saudis feel a special responsibility to protect the Islamic way of life. One of the greatest threats to that way of life, in the Saudi view, is the expansion of communism or indeed any kind of radical, atheistic ideology. Only a healthy West can contain that threat. As Petroleum Minister Yamani candidly observed, "We cannot go to extremes in our nationalistic outlook and ignore the world economic situation by producing at levels which would satisfy our strict requirements alone. Such actions

Middle East oil deposits (including Saudi Arabia's giant Ghawar field) are clustered along the Persian Gulf. Saudi Arabia produced about 7.5 million barrels per day in 1978, 30 percent of total OPEC oil production. A barrel of oil, which cost \$3.01 before the 1973 embargo, now sells for more than \$12. In December 1978, OPEC approved a 14.5% price increase, deplored by the Saudis, while in strife-torn Iran, production dropped sharply, tightening supply.



would lead to a world economic recession, shake governments all over the world, and generate massive unemployment—factors which would inevitably lead to war in which we would be a party and a target.”

With the recent introduction on world markets of new, non-OPEC oil from Mexico, Alaska, and the North Sea, and with the sluggish pace of the global economy, there is currently an abundance of oil on the market. However, this is expected to change in the 1980s, with world demand again exceeding available supply. The result could be an energy crisis worse than that of 1974. Saudi Arabia will be under tremendous pressure from the major oil consumers to further expand its productive capac-

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ity in order to avert a major world economic crisis. Such a decision would have to be made soon; yet too rapid expansion of capacity could too quickly deplete Saudi Arabia's recoverable oil reserves. Expanded capacity would also be another step toward increasing actual production; as production increased, the problem of idle revenue would become even more troublesome than it is now. Moreover, an assured flow of petroleum from Saudi Arabia to the West would do nothing to lessen world dependence on oil—something Saudi Arabia dearly desires, for reasons of both long-term economics and security.

### Water and Salt

The Saudis must also deal with the worrisome technical aspects of oil production itself, particularly as they take over the reins of Aramco. Lately they have begun to encounter problems associated with older oil fields. Salt has begun to encroach on some of the oil reservoirs, and there has also been a drop in the natural pressure which forces oil to the surface. Both problems, if unsolved, could lead to a permanent loss of recoverable reserves.

In order to combat salt encroachment, some wells have been shut in. In other wells, the oil and salt water are separated at the surface. To maintain production levels, meanwhile, natural gas and water are being injected back into the reservoirs to increase pressure. Thus far, the Saudis have been using ancient and slightly saline water from aquifers deep underground. Concerned that this resource, too, should be conserved, the Saudis have now decided to inject sea water, and sea water injection has been scheduled (December 1978) for Ghawar, the largest single oil field in the world.\* Initially, the lighter oil will rise and float above the water; but over time, the sea water could threaten to cause salt encroachment as it mixes with the oil. In any event, the Ghawar field is so big that the mechanics of water injection there may not follow the usual rules. The behavior of this field will be a critical factor in how rapidly Saudi Arabia expands production capacity, which in turn will help determine Saudi oil production in the 1980s.

The Saudi commitment to political stability is a second major influence on its oil policies. It has, for example, induced the Saudis to earmark much of their oil revenues for foreign aid to Arab states, Islamic states, and the Third World in general.

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\*The Ghawar field comprises six distinct but interconnected structures: Fazran, Ain Dar, Shedgum, Uthmaniyah, Hawiyah, and Haradh. Two hundred kilometers long, it produced about 7.5 million b/d in 1977—9 percent of total world production.

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The greatest threat to regional stability, in the Saudi view, is Israel. Not only do the Saudis look upon the creation of Israel as an injustice to the Arabs, including Palestinians; they also see the persistence of the dispute as the greatest radicalizing force in the Arab world. The Saudis have been willing to use their oil resources to help nurture a solution to the Arab-Israeli conflict: They have resisted pressures within OPEC to raise oil prices and to abandon the dollar as the monetary unit for computing prices, at least in part to acknowledge the U.S. role in peace negotiations.

The Saudis have also used oil as a tool of coercion. An oil embargo, even the hint of one, is a powerful weapon indeed. But it has its drawbacks. A sudden embargo-induced oil shortage would seriously weaken the economies of those industrialized states on which Saudi Arabia ultimately depends politically, militarily, and economically. It is doubtful, then, that the Saudis would consider enforcing an embargo under any circumstances short of a major crisis, such as another Middle East war. Indeed, the only time an embargo has been declared was during the October 1973 Arab-Israeli war. King Faisal, reacting to the announcement of a massive \$2.2 billion U.S. military aid program to Israel, imposed an embargo through the Organization of Arab Petroleum Exporting Countries (OAPEC) aimed primarily at the United States and the Netherlands (for its alleged pro-Israeli policies).\*

#### **OPEC: Divided Cartel?**

A third major factor in Saudi oil policy is the kingdom's commitment to OPEC, the Organization of Petroleum Exporting Countries. The organization was founded in 1960 by Venezuela and Middle Eastern oil producing countries to influence the price of oil. While often characterized as a cartel, the political and economic interests of OPEC members are so diverse that OPEC functions almost exclusively as an organization to set oil prices and production rates.

In its early years, OPEC was relatively ineffective, primarily

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\*Americans tend to blur the distinction between OAPEC and OPEC, as well as between the oil embargo and the quadrupling of the price of petroleum. In fact, OAPEC and OPEC are not the same; the embargo and the price hikes were not (initially) related; and the so-called quadrupling actually resulted from two separate doublings. To set the record straight: (1) the first price rise, which coincided with the October 1973 war but had nothing to do with it, was called for by OPEC; (2) the oil *embargo*, unconnected with the price hike, was begun by OAPEC, in part through Saudi efforts; (3) the second doubling of oil prices, in December 1973, was influenced by the embargo, as OPEC set new rates to reflect the short supply of petroleum on world markets. This second price rise, led by Iran, was opposed by King Faisal, who feared the economic consequences for the industrialized West.

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because there was a buyers' market in petroleum. Since the producing countries could not "eat their oil," they were forced to sell it at whatever price the oil companies would pay. This changed in the 1970s with the shift to a sellers' market; by 1973, OPEC had acquired total power to set prices.

At the time, there was a fairly wide-spread sentiment among Westerners who should have known better that as the growing world recession depressed demand for oil, OPEC would cease to function as the price setter. The reasoning behind this view was that, of the major producers, only Saudi Arabia could afford the revenue losses of major production cuts, but that at some point, the Saudis would tire of voluntarily bearing the brunt and call for *pro rata* cuts from all other OPEC members. At that point, OPEC solidarity would break down.

#### More of the Same

This view was naive in several respects. It overestimated the total production cuts necessary to keep prices stable. It overestimated Saudi revenue requirements and therefore the threshold at which the Saudis would halt further unilateral production cuts. But worst of all, it *underestimated* the psychological commitment to OPEC of all its members. Having been wholly dependent on market conditions and the oil companies for, in some cases, 40 years or more, OPEC members are absolutely insistent that they maintain the power to set prices through OPEC solidarity, even in a declining market.

Saudi Arabia, no less than its fellow OPEC members, is determined to keep OPEC strong and will absorb considerable economic costs to that end. Moreover, within OPEC, the Saudis want to maintain their predominant position. In this regard, their ability to cut production in order to maintain prices—without seriously affecting their economic development—is highly advantageous. They also have the capacity to increase production in order to keep prices from rising too rapidly.

Barring a major crisis, such as the resumption of Arab-Israeli hostilities, it is both logical and likely that the Saudis will follow a middle of the road policy on oil for the foreseeable future. Yet there is still room for some flexibility. For example, with the present excess in world capacity, the "conservationists" in the Saudi government have succeeded in adopting a policy allowing the kingdom's oil production to fall without placing undue pressure on the world economy. In February 1978, the government placed a ceiling on production of light crude not to exceed 65 percent of total production. (The move



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was made to bring light crude production into line with the estimated proportion of light to heavy crude oil in total Saudi reserves, as well as to ease the strain on the Ghawar field.) The effect of this decision has been to reduce overall Saudi oil production to roughly 1 million b/d less than the present ceiling of 8.5 million b/d.

With a current capacity of over 10.5 million b/d, the Saudis can easily increase production as demand picks up in the 1980s. The real question, however, is not about future production within current capacity limits, but about future capacity itself. How fast will the Saudis expand capacity to keep up with anticipated demand? Some recent studies have stated that Saudi capacity will have to reach 20 million b/d by 1990 to keep up with world needs, a figure the Saudis reject out of hand. According to Yamani, studies "expecting the King to produce 20 million b/d are speculative and not to be taken seriously."

With world economic growth still below expectations, other Western observers have scaled down the figure of required Saudi capacity in the 1980s to about 16 million b/d. Even this figure may be high. And there is no evidence that the Saudis are gearing up to meet such demand. As they take over production responsibility from Aramco, the Saudis will naturally move somewhat cautiously; the technical constraints on production are great.

In the meantime, the Saudis will probably continue to exert a moderating force on prices within OPEC, though slightly less so than in the past. To avoid another energy crisis, they will probably support a gradual rise in oil prices, slightly higher than the rise in global inflation. "Unless oil prices are permitted to grow gradually in real terms throughout the rest of the century," Yamani stated in an address to the Canadian Society of Petroleum Geologists in June 1978, "another sharp price increase is inevitable by the end of the 1980s."



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## BACKGROUND BOOKS

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### SAUDI ARABIA

All Muslims look to that part of the Arab world which today calls itself Saudi Arabia—the only kingdom ever named for a family—as the birthplace and cradle of Islam. The prophet Muhammad was born c. A.D. 570 in Mecca, already a place of pilgrimage for the tribes called the “People of Allah” or the “Protected Neighbors of Allah.” He began preaching on the oneness of Allah—at a time when most Arabs were polytheists worshiping not only Allah but a pantheon of other deities.

Islam’s emergence in world history dates from Muhammad’s move to Medina in A.D. 622. En route to that city in the Hejaz, his men attacked a caravan under the protection of his kinsmen from Mecca, who thereupon dubbed him “divider” and sought, unsuccessfully, to overrun his Medina stronghold. The 1000-year period of wars, conquests, and conversions that saw Muhammad and the caliphs who succeeded him spreading Islam throughout the Mediterranean world and the continent and distant islands to the East had begun.

For the Westerner, the standard reference work on the Arabs and other Muslims is **The Cambridge History of Islam**, edited by P. M. Holt et al. (Cambridge, 1970, 2 vols., cloth; 1977, 4 vols., paper). This work, hailed by British and American scholars, is a target of a slashing new attack on studies of Islam by Westerners. In **Orientalism** (Pantheon, 1978), Edward W. Said, a Columbia University professor of comparative literature and winner of the first (1976) Lionel Trilling Award for

criticism, writes that “none of the innumerable Orientalist texts on Islam, including their summa, *The Cambridge History*,” can prepare the reader “for what has taken place since 1948 in Egypt, Palestine, Iraq, Syria, Lebanon, or the Yemens.”

This is true—despite the fact that much early French, German, and British Orientalism was based on observations in just these countries, especially Egypt (site of the first great Islamic university, Al-Azhar, founded A.D. 1006 in Cairo). And far more has been written in recent years about these Muslim nations, where Muhammad’s doctrine now appears to have been diluted, than about the long-isolated, more conservative Arabs of Saudi Arabia.

A few Western travelers did venture into the great desert interior of peninsular Arabia before its formal establishment as a nation in 1934. They included such exemplars of the archetypal British eccentric-explorer-writer-imperialist tradition as Charles Doughty, Richard Burton, Lady Hester Stanhope, Gertrude Bell, and others. Long before they had their turn, however, **Travels in Arabia the Desart** was published in London in 1718. Written in the 1690s by the Chevalier D’Arvieux soon after his return to France from many years in the East, it is an account of his service as a young French consular official. Laurence D’Arvieux learned Arabic, grew a beard, and negotiated a treaty to permit the Christian order of Barefoot Carmelites to resettle on Mt. Carmel (now in Israel). In what became standard practice for West-

ern visitors, he writes more about his own Arabian garb and the romance of the desert than about the Arabs, although the degree of civilization and courtesy he encountered in the tents of the amirs earned his astonished admiration.

"The sun made me an Arab," declared Charles M. Doughty, whose pioneering account of the Hejaz, **Travels in Arabia Deserta** (Cambridge, 1888), has appeared in many editions. An abridgement edited by Edward Garnett, **Passages from Arabia Deserta** remains available (Peter Smith reprint, 1978). Doughty's book is less notable for its content than for its historic influence on the Victorian archeologists, explorers, and missionaries whose imaginations he fired. For them, the empty sand wastes, exotic Bedouins, and oases of Arabia provided a setting against which the affairs of Empire were being played out, with a Kiplingesque White Man, not an Arab, in charge.

Sir Richard F. Burton, famed as a 19th-century traveler to India and other exotic lands, translated the harem tales known to most schoolchildren as *The Arabian Nights*. His original English text and notes on **The Thousand Nights and a Night** was privately printed for subscribers by London's Burton Club in 1905, a generation after Lady Burton's sanitized version "for household reading" (London: Waterlow, 1887) had achieved wide popularity. Among Sir Richard's many "true adventure" books, one describing Saudi cities is his sometimes fanciful, sometimes pedantic **Personal Narrative of a Pilgrimage to El-Medinah and Meccah**, also edited by Lady Burton (London: Longman, 1857; Dover, 1964, 2 vols., paper).

The 20th century's best known

literary descendant of the Victorian Arabophiles was an Oxford graduate, Thomas Edward Lawrence, who first went to the Middle East on an archeological dig in 1913. Already it was clear that Turkey might side with Germany against England in the event of war. Young T. E. Lawrence was recruited by British intelligence to reconnoiter places where fighting might occur. He wore Arab dress, learned local dialects, sympathized with the tribal societies' desire for freedom from the Turkish Ottoman Empire. Soon after the outbreak of World War I, he was employed in Cairo as an intelligence officer. His dramatic role in the fierce hit-and-run fighting against the Turks, after the Arab Revolt of 1916 began, gave him his lifelong identification as "Lawrence of Arabia."

Much has been written about the man, including U.S. broadcaster-travelogist Lowell Thomas's highly colored, out-of-print **With Lawrence in Arabia** (London: Hutchinson, 1924, cloth; Popular Library, 1971, paper). Richard Aldington's debunking **Lawrence of Arabia: A Biographical Enquiry** (London: Collins, 1955; Greenwood reprint, 1976) helps to correct the record, although Aldington gives Lawrence less credit and credibility than is his due. Neither author notes the homosexuality that Lawrence hints at in his own powerful **Seven Pillars of Wisdom: a triumph** (London: Cape, 1935, cloth; Penguin, 1976, paper).

"I was sent to [the] Arabs as a stranger," Lawrence writes, "unable to think their thoughts or subscribe to their beliefs, but charged by duty to lead them forward and to develop to the highest any movement of theirs profitable to England in her war. . . . In my case, the efforts for

these years to live in the dress of Arabs, and to imitate their mental foundation, quitted me of my English self, and let me look at the West and its conventions with new eyes; they destroyed it all for me."

Another Britisher involved in the desert intrigues and battles of World War I was Harry St. John Bridger Philby, seconded by his government in 1917 as political officer to King Ibn Saud, rival of the Sherif of Mecca for control of the territory wrested from the Turks. Out of Philby's experiences came several books, notably his *Arabia of the Wahhabis* (London: 1927 and 1977; New Jersey, Frank Cass, 1977), part of a trilogy, *The Heart of Arabia*. His *Arabian Jubilee* (London: Hale, 1952) is a colorful celebration of Ibn Saud's achievements over half a century. Part genealogy, part military history, part desert lore, part political analysis, it closes with the king's brother Abdullah gently quoting the Prophet: "The last hour will not come upon the world until the Island of the Arabs is transformed into a land of meadows and rivers."

British writers continued to recount their own adventures as the Saudis moved toward modernity. Freya Stark wrote *The Southern Gates of Arabia* (London: Murray, 1936; Transatlantic reprint, 1972) about her attempt to follow the old incense road across southern Arabia (where frankincense and myrrh are still produced) to the Yemen; she failed to reach Shabwa, the ancient capital. Bertram Thomas described his 1930 crossing on camelback of the "Empty Quarter"—a half-million-square-mile desert in the south that stretches 900 miles from the frontier of Yemen to the foothills of Oman—in *Arabia Felix* (London: Cape, 1938).

But the literature on Saudi Arabia soon changed as the result of the discovery of oil, in 1931, in the neighboring British protectorate of Bahrain. Today most of what little is written about the Saudis is highly specialized—economic, political, or sociological.

One British journalist's book, *The Seven Sisters* by *London Observer* correspondent Anthony Sampson (Viking, 1975), analyzes the politics of oil, the role of the major companies in international diplomacy, and the 1973 crisis when OPEC solidarity showed the companies (and their world customers) that economic power had been snatched from them by the Arab governments.\*

In passing, Sampson tells how St. John Philby, by the 1930s no longer a member of the Colonial Service but an anti-British Arabist who had embraced Islam, persuaded Ibn Saud to bring in an American geologist (who had already tried, unsuccessfully, to find new water sources) to prospect for oil. He found it in 1938.

*Discovery* (Beirut: Export Press, 1971), an Aramco-supported company history of the years 1933–45, by Wallace E. Stegner (better known as a short-story writer) provides additional background on the Americans who drilled the first wells and built the first pipeline in 120° heat—and on the wives who accompanied them to the old Red Sea port city of Jidda, which quickly became a frontier boom town.

Karl S. Twitchell, the Vermont

\*A special issue of *Daedalus* (vol. 104, no. 4, 1975) provides perhaps the best country-by-country account of the 1973–74 Arab oil embargo; as Western governments failed to coordinate their responses, the major international oil companies quietly reallocated available supplies and averted a more serious crisis.

Yankee geologist who found the king's oil, later wrote **Saudi Arabia, with an Account of the Development of its Natural Resources** (Princeton, 1947; Greenwood reprint, 3rd ed., 1969). Twitchell's book briefly covers his own part in the oil drama, but is largely an enthusiastic account of agricultural development, small industries (pearling, boat building), and the Saudi government's hopes for extension of the nation's limited water supply despite Bedouin resistance to irrigation. Even the revised edition is now partly out of date, but academics still recommend it as one of the few good overviews available.

Another is the U.S. Foreign Area Studies **Area Handbook for Saudi Arabia** (Government Printing Office, 1977), dry but complete through 1976. **Saudi Arabia** by Mahmoud Samir Ahmed (Chase World Information Corporation, 1976), a volume in Chase Manhattan Bank's series on the Middle East and North Africa, is keyed to the needs of corporate executives. It provides the same kinds of basic information as the *Area Handbook* with more on financial opportunities (including the sale of professional and consulting services) and on transport, communication, and other expenditures under the nation's two five-year plans. One example: specific building costs and funding (3,228.4 SR millions, or roughly \$920 million) for the transformation of a small private college into the full-fledged King Abd al-Aziz University, with five campuses in

Jidda and two in Mecca, supplementing the University of Riyadh and the University of Petroleum and Minerals in Dhahran.

Recent technical studies include **Saudi Arabian Development Strategy** by Donald A. Wells (American Enterprise Institute, 1976); **The Saudi Arabian Economy** by Ramon Knauerhase (Praeger, 1975); and **Saudi Arabia and Oil Diplomacy** (Praeger, 1976) by Sheikh Rustum Ali, a Bangladesh foreign service officer.

What modernity means to the tribes is the subject of **Bedouin Village, A Study of a Saudi Arabian People in Transition** by a Japanese sociologist, Motoko Katadura (Univ. of Tokyo, 1977). It was researched in the Wadi Fatima area in western Saudi Arabia—more liberal than the rest of the country. Author Katadura defines a village as any settlement where residents have built a mosque or a cemetery; it can range in size from as few as 5 tents or houses to as many as 600. Even before the massive post-1973 increase in oil revenues accelerated the process, she found former nomads and semi-nomads in the Wadi Fatima getting jobs as truck drivers and planting vegetables and melons for sale to markets as far away as Beirut. Their women, she discovered, traditionally enjoyed considerable independence (in one village, they initiated half of the divorces) that bodes well, she believes, for the Saudis' ability to cope with change ahead.

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