Ibn Saud meets FDR on the president's return from Yalta in 1945.

Truman presents Legion of Merit medal to Prince (later King) Saud in Washington.

Eisenhower with Crown Prince Faisal.

Saudi Arabia and the US

by Joe Stork

The close ties between the United States and Saudi Arabia, like all such relationships, operate on several levels—strategic and military, political, and economic. More than with any other US client or ally, though, the connection with Saudi Arabia rests preeminently on economic grounds, in particular the US stake in Saudi oil resources, described by the State Department in 1945 as "one of the greatest material prizes in world history."[1]

"The Jackpot of World Oil"

This oil-based relationship is almost as old as Saudi Arabia itself. The concession with Standard Oil of California, which later became the Aramco stake, was signed in 1933, the year after Abdul Aziz Ibn Saud formally bestowed his name on his conquered territories. Drilling began in 1935 and commercial fields were first discovered in 1938. Texaco bought in to the concession at this point, to help provide the overseas markets that Socal lacked.

Offical US government involvement soon followed. The outbreak of World War II interrupted two of the king's main sources of revenue—oil production and the Mecca pilgrimage. Wanting to come up with the $6 million demanded by Abdul Aziz, but not out of its own pocket, Socal pressed President Roosevelt to provide official US funds. In February 1943 FDR wrote the Secretary of State "that the defense of Saudi Arabia is vital to the defense of the United States," thus making Abdul Aziz eligible for $17.5 million in US funds between 1943 and 1946.

Socal and Texaco dubbed this joint venture the Arabian-American Oil Company (Aramco) in 1944, and by 1948 brought in Jersey Standard (now Exxon) and Mobil, with their extensive European markets and access to capital funds for projects like the Trans-Arabian Pipeline. US policy after the war, as formulated by corporate and government officials, had two primary goals. The first was to maintain and expand US control of Middle Eastern reserves, particularly against greatly exaggerated British competition. A second goal was to increase Middle East production and "to substitute Middle Eastern oil for Western hemisphere oil" in Europe and other "eastern hemisphere markets."

In order to "guard against political complications" that might threaten this tidy arrangement, the companies collaborated with the Treasury Department on a "profit-sharing" deal that would nominally give the producing regimes 50 percent of industry profits and deduct that amount from the companies' US tax bills. Former Assistant Secretary of State George McGhee recalled in 1974 that

> At this time, the principal threat to the Middle East lay in the possibility of nationalist leaders moving to upset regimes which were relatively inept and corrupt, and not attuned to the modern world . . .
>
> . . . in Saudi Arabia, there were special problems, over and above the general problems of the region . . . Finance Minister Abdullah Suleiman . . . was proving very difficult to deal with . . . Both the Aramco officials and the Department had, independently, reached the conclusion that something had to give . . . Every expert who had ever looked at it had said that this was the "jackpot" of world oil . . . We felt it exceedingly important from the standpoint of the stability of the regimes in the area and the security of the Middle East as a whole and the continued ownership of our oil concessions there and the ability to exploit them, that the Government of Saudi Arabia receive an increased oil income.

In the 1950s, Saudi Arabia accounted for nearly 40 percent of total oil industry investments in the Middle East, and nearly 30 percent of total production. Payments to the royal family in the 1948-60 period were nearly $2.9 billion. Aramco net profits were somewhat higher—nearly $4.2 billion. While the profit-sharing was not quite 50-50, it did succeed in solidifying the economic terms of the Aramco-Saudi relationship.

King Faisal and US-Saudi Relations

The political terms of the relationship were another matter. The venality and corruption of the Saudi regime under King Saud, when set against the crescendo of Arab nationalist politics after the Suez invasion of 1956, revealed con-

LBJ with King Faisal.

Nixon in Riyadh.

'arter and Crown Prince Fahd.

siderable political vulnerability. Paradoxically, the weakness of the regime permitted the emergence of a forceful and visionary director of petroleum affairs, Abdullah Tariki, who, along with his Venezuelan counterpart, launched OPEC in 1960. The power struggle between King Saud and Crown Prince Faisal was brought to a head by the republican *coup* in neighboring Yemen in September 1962. Within a month Faisal was effectively in charge, although he did not formally replace Saud for another two years. The US role in these maneuverings remains obscure, although its stake in the outcome was considerable. A letter of support from President Kennedy noted US reliance on Faisal's "firm and wise leadership." Tariki was removed from his position and banished from the kingdom. His replacement, Shaikh Ahmad Zaki al-Yamani, would play an equally large role in OPEC's formative years, but inflected it in a much different direction.

Although US policy in the Yemen conflict outwardly differed from that of the Saudis by recognizing the new regime in Sana'a, the purpose was to insulate Saudi Arabia from the contagion of anti-monarchist politics now implanted on the peninsula. Diplomacy was supplemented by a show of force when, in November 1962 and again in early 1963, USAF Phantom jets were dispatched from West Germany to Riyadh and Jiddah, US warships visited Jiddah port, and US paratroopers and C-130 transports participated in Saudi military exercises.

Faisal's consolidation of power after 1964, and with it the prospect of bureaucratic rationalization and political stability, marks the start of a new phase of Saudi-US relations. As a House Foreign Affairs Committee report noted in April 1965,

> After a generation in which oil revenues were not turned to proper account, Saudi Arabia, under King Faisal, now appears to be assuming a responsible attitude toward economic development.

US Army Corps of Engineers involvement in Saudi construction projects, and the provision of sophisticated arms to the kingdom, date from this period.* On the civilian side, a Central Planning Organization was set up by decree in 1965, but accomplished little until Hisham Nazer took it over in 1968 and brought in a team of US "experts" under contract with the Stanford Research Institute to work with US-trained Saudis (the so-called "California Mafia").

Saudi oil output climbed steadily through this period, continuing to represent just over 30 percent of total Middle East production (Libya excepted). Aramco profits in the 1960s averaged nearly $350 million per year, up somewhat from the $321 million average in the 1950s but at a greatly reduced rate per barrel. Of much greater importance for the large oil firms was the Saudi role in OPEC. In the person of Shaikh Yamani, Saudi Arabia went out of its way to undermine the struggle for national control of the industry, particularly as waged by Iraq. "I believe we in Saudi Arabia have set an example worthy of emulation as regards the establishment of a truly fruitful relationship with the oil industry," Yamani said in 1966. Speaking pointedly to the two Aramco partners, Exxon and Mobil, with a stake in Iraq, he added,

> I am sure that the oil companies operating in Saudi Arabia have no interest whatsoever in shaking our faith in this philosophy by showing us that other means are more rewarding in safeguarding our oil interests.

The June War of 1967 provided the opportunity for the Saudis to extend their conservative influence more broadly in the Arab political arena. The Arab defeat led to strikes and demonstrations in Saudi Arabia and elsewhere, resulting in numerous arrests and deportations, and some damage to Aramco property. These were easily contained. The Saudis moved quickly to use their financial leverage over President Nasser to terminate Egyptian support for radical nationalist activities on the peninsula. The Saudi role in financing Sadat's "American strategy" had its origins here. They lost no opportunity to remind the industrial countries that the oil producers like themselves had "incurred very heavy financial burdens" in maintaining the flow of oil to international markets "in the present political turmoil," and expected "a broad measure of understanding when it comes to their current drive for an increase in their oil revenue."

Rising oil revenues became, in the 1970s, a distinguishing characteristic of the decade. Saudi Arabia's importance as a market for US exports and as a source of investment funds grew commensurately. The quickening economic pulse of the region, meanwhile, became inextricably linked with its political dynamics, as reflected in Saudi Arabia's involvement in the October War and its aftermath. Politically the Saudi regime had become, by the time

* Including the sale of Raytheon's Hawk anti-aircraft missile system, and an Ordnance Corps Program to supply the Saudi army with some 9,000 tactical and general purpose vehicles and train 4,000 Saudis in their use and maintenance. A major contract for jet fighters was tossed to the British to help provide them with badly needed foreign exchange.

of Faisal's assassination in 1975, a state whose leverage within OPEC and the Arab regimes was an essential component of US policy.

This relationship was assiduously cultivated by Henry Kissinger, particularly after he became Secretary of State in 1973. James Akins, the State Department's energy expert and a vigorous advocate of closer ties with the Saudis, was sent to Riyadh as US ambassador. Kissinger had the National Security Council (which he still headed) develop a strategy to increase US exports to Saudi Arabia and insure the flow of Saudi investment income to the US. The explosion in oil prices and Saudi revenues after 1973 required and at the same time made possible a truly "special" relationship.

Financial and Commercial Aspects

Saudi Arabia is now the seventh largest customer for US exports in the world.* US commodity sales (not including military) increased from $442 million in 1973 to $4.9 billion in 1979 and a projected $6 billion in 1980[2]. Merchandise sales to Saudi Arabia, large as they are, have not compensated for the rising volume and cost of oil imports. However, if military sales and export of US services (chiefly fees for construction and engineering companies), oil company profits and dividends, and Saudi investment funds in the US are considered, the US has benefitted from a net capital inflow of $5.1 billion per year over the 1974-78 period, the latest for which figures are available.

Saudi contracts currently represent about 87 percent of total US contracts in the Middle East. According to Saudi officials, US firms and government agencies were awarded $23 billion in contracts through late 1978,[3] and another $7.6 billion through mid-1980. The Saudi government is responsible for the kingdom's internal and external investments, including selection of major contractors. Government spending totalled some $200 billion over the 1975-80 period, and is expected to double over the next five years. The respective Five Year Plans will go from $142 billion to $235 billion, leading the *Middle East Economic Digest* to comment that "the great investment and spending machine set up in 1975-80 has a momentum that is virtually unstoppable."

* Saudi Arabia now accounts for fully four percent of the exports of all the industrial (OECD) countries combined.

Recent pessimistic accounts of trends in the Saudi market reflect the decline of the US share from its historic one-fourth to about one-fifth of the total. This has been particularly acute in the construction sector (representing about 85 percent of the gross capital formation in the kingdom in recent years), where the US share of contracts has dropped from 9 percent in 1975 to 3 percent today.*

This picture, though, misrepresents the strategic place that US firms have secured in the Saudi economy, starting with the very formulation and supervision of the Five Year Plans. US firms are most frequently selected to supervise and manage the industrial infrastructure now being installed. Ralph M. Parsons Company is managing the huge Yanbu industrial city. Arabia Bechtel drew up the master plan for the even larger Jubail industrial city, and is responsible for its construction. Bechtel also has the $3.5 billion Riyadh airport job. Aramco is responsible for the $16 billion gas-gathering system that will provide fuel and feedstocks for these sites, and has let the major subcontracts to Fluor Corporation, Foster-Wheeler, Parsons and Santa Fe International. Of the multi-billion dollar petrochemical industries being set up as the core of Saudi Arabia's industrial future, most represent investments by US firms, including the Aramco partners (Exxon, Mobil, Socal and Texaco), Shell (US), Dow Chemical, Union Carbide, Texas Eastern and Celanese Corporation.** It is these large projects, undertaken in joint venture with the state-owned Saudi Arabian Basic Industries Corporation (SABIC), which carry with them entitlements to Saudi oil, currently projected at 500 barrels a day for each $1 million invested.

The predominance of US firms in the centerpiece projects of Saudi industrialization carries over into another major contract arena, for operation and maintenance of facilities once constructed. Maintenance costs at Yanbu are already $149 million per year. Observers on the scene think it is extremely unlikely that Saudis will ever be performing maintenance and service jobs themselves. One of the larger contracts in 1979 was $671 million for a California consortium to manage and operate the new naval base and headquarters at Jubail. Whittaker Corporation, a California conglomerate with a base in aerospace and metals technology, parlayed connections with the Saudi Ministry

* Even the share of US firms in contracts let by the Army Corps of Engineers has dropped from 35 percent in 1977 to 5 percent currently.

** Another petrochemical plant is contracted with a Japanese consortium headed by Mitsubishi. The Jubail steel plant is a project of West Germany's Korf, and a Taiwan firm is responsible for a large fertilizer plant.

US-Saudi Arabia Balance of Payments (in $ millions)

Year	US Payments for Saudi Oil[1]	Flow of Saudi Funds to the US: Total	Commodity Exports	Mil. sales,[2] Services	Oil Co. Profits and Dividends	Investment Funds
1974	1,671	8,486	835	629	1,802	5,220
1975	2,625	7,124	1,501	832	1,241	3,550
1976	5,213	10,589	2,774	1,498	1,840	4,477
1977	6,358	11,016	3,575	2,179	2,090	3,172
1978	5,307	10,060	4,370	2,141	2,010	1,539

Source: **Middle East Economic Survey,** *September 24, 1979.*

[1] The only other substantial source of US payments to Saudi Arabia is investment income. *Total* investment income on all Saudi foreign assets run from an estimated $1,305 million in 1974 to $5,750 million in 1978. The portion of this income which comes from the US cannot be determined from the available figures.

[2] The military sales component here is for goods and services actually delivered in the year in question. As noted elsewhere, US Foreign Military Sales agreements averaged over $5.3 billion per year for the period considered.

of Defense into a contract to manage several military hospitals, despite an utter lack of experience in this field. "Life sciences" now account for 17 percent of Whittaker's sales and 30 percent of its earnings.

It is chiefly in the labor-intensive construction sector that US firms are losing out, although the declining share of US employees among the expatriate workforce is a general phenomenon. The number of US citizens employed by US firms in Saudi Arabia dropped from 65 percent of the total in 1976 to 35 percent in 1980. In the expanding health care field, Filipino and other Asian doctors and nurses are recruited. Waste Management Corporation, a US firm that picks up Riyadh's garbage for $36 million a year, employs 2700 Indians, only 8 Americans.

Saudi procurement policies favor Saudi-owned firms and firms with at least 50 percent Saudi participation. Nevertheless, US and other Western expatriates are guaranteed key roles in the manufacturing, commercial and service sectors of the Saudi economy for the period ahead. Regulations banning foreign traders and insisting on the use of local agents has produced a superficial "Saudi-ization" of the economy. The largest and most prominent of the new Saudi bourgeoisie—Adnan Kashoggi, Gaith Pharaon, Ahmad Juffali—have made their fortunes by representing major multinationals as local agents for sales commissions ranging as high as 15 and 20 percent.[5] Joint ventures represent a legal cloak whereby Saudis—including the princes of the royal family—lend their names and often capital to operations that go on pretty much as traditional direct foreign investments. In the commercial sector, "salesmen and middle management executives . . . are the lubricant which keeps Saudi business going . . . expatriates make the vital decisions on purchasing." In banking and finance, "functional decisions about money management in many cases are still following the old pattern when the Saudi-ized banks were branches of foreign banks."

Another growing contract field for US firms is "manpower training." It is part of every major contract, and is frequently responsible for the repeated renewal of contracts. It represents a major concern of the US-Saudi Joint Economic Commission. Currently a boon to US companies, its future effectiveness is open to question. "Manpower training—what does it mean," asks US commercial attaché James Savery. "We are looking to sell well in teaching aids and that kind of thing, but how the overall plan will achieve the goals is unclear at this point."

Corruption

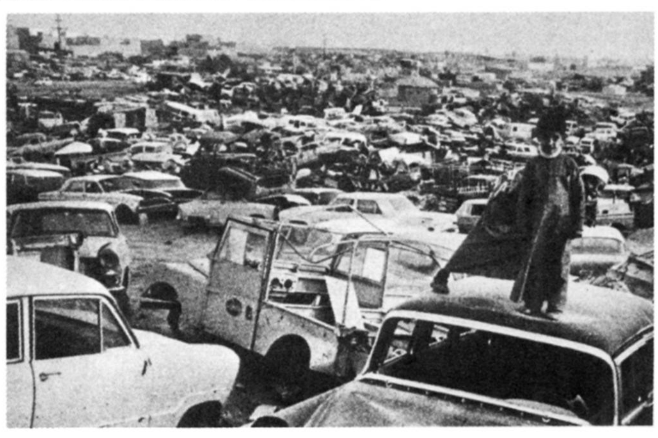
The question of joint ventures and Saudi Agents is closely related to the politically sensitive matter of corruption. The big Saudi bourgeoisie have achieved their present status primarily because of their close ties with the royal family—the fathers of both Kashoggi and Pharaon were personal advisors to the king, and Kashoggi is particularly close to Crown Prince Fahd and Defense Minister Sultan. It is this connection which has made him worth billions to Northrop and Raytheon, to name just two of his clients.

The rapid increase in government spending and the increasingly brazen involvement of the princes at the core of the ruling family have drawn special attention to the fact that corruption was a major grievance of the Mecca insurgents, and lend substance to the view of one US expert that "the royal family lives on a knife's edge" in this regard.[6] Crown Prince Fahd issues anticorruption decrees about as frequently as he announces new plans to broaden political participation, and with about as much effect. Fahd himself has been known to drop a few million in an evening at the gaming tables of Monte Carlo. His son, Prince Mohammad, probably holds the record for large payoffs and egregious influence peddling.* His ten percent equity in Arabia Bechtel certainly has not hurt that company's successful bids for the Jubail industrial city and Riyadh airport. Bechtel piously insists they cut Mohammad in only "because he looked like a reasonable fellow."[7] A recent interview in the Arab press with Fahd cited the instance of a new company formed by some cabinet ministers' sons, some barely nine years old.[8] The US government reportedly keeps a list of "questionable business practices" and the princes involved.[9]

The increased spending planned for the next five years is not likely to ease this particular dilemma. In addition to company payoffs in the form of commissions and fees, land speculation is another source of large and fast profits. One prince pocketed $2 billion for the land on which Jubail's factories are being built. The Riyadh airport site was worth a reported $8 billion to others. In the words of one Western businessman, "huge unnecessary construction projects are larded into the development blueprints, guaranteeing a

* Prince Mohammad's wheeling and dealing has even been a bit much for papa to swallow. A $7 billion telecommunications project was awarded to the Dutch company Phillips. When it came out that the bid had been awarded without competition and that Prince Mohammad would reap minimally $100 million from the deal, it was cancelled. It was subsequently won by a consortium that included Phillips, for less than half the original bid. Prince Mohammad received a commensurately smaller fee.

US trucks at Saudi port.



Junkyard in Riyadh.

steady flow of large capital projects that generate corrupt payments."[10] In Dammam and Jiddah, "desert sand laps against completed but vacant" high rises; in Riyadh some 23 tower cranes are erecting still another such complex.[11] All this has produced a rather rudimentary boosterism among the princes. "Wealth is not necessarily a bad thing," Prince Mohammad bin Faisal told the *Journal of Commerce*. "If you are good, the more good you can do with wealth."

The Saudi Oil Industry Today

Saudi oil now represents some 13.2 percent of the capitalist world's consumption. The regime's commitment to heavy spending in the period ahead locks it into a rate of production in the present 8.5-9.5 million barrel a day range.

Aramco produces more than 97 percent of Saudi output, and presently markets some 7 million barrels a day. Internal consumption and direct sales by the state company, Petromin, account for more than 2 million barrels a day additional. Most of Petromin's 1.5 million barrels a day in sales contracts have been arranged since 1979—France, West Germany, and Spain are the chief customers. The recently announced completion of the nationalization of Aramco could mean a further increase in Petromin sales, with less available for the Aramco partners.

For the moment, though, Aramco is doing quite well. The current profit margin of between $1.20 and $1.30 a barrel adds up to more than $4 billion per year at current rates of production.[12] Aramco's increased involvement in the industrialization projects has resulted in the expansion of its workforce by 25 percent, to 38,000.[13]

Petromin's activity in the oil market marks the direct involvement of the royal family in oil sales for the first time. Opportunities for graft, from which the oil sector had been relatively insulated, now abound. Princes sell entitlements to state-controlled crude in return for premiums per barrel over and above the official selling price. Exposure led to the cancelling of one such deal in December 1979—100,000 barrels a day to the Italian state-owned ENI, with a premium of $1.26 per barrel going into a Panamanian bank account. Reportedly in response to direct pressures from Crown Prince Fahd, Italian parliamentary investigations have restricted themselves to naming Italians involved in the scandal.[14] A recent Petromin contract with Denmark includes a clause giving Petromin "absolute discretion" to cancel the deal if the Danes bring the Saudi regime or royal family "into disrepute . . . in any manner whatsoever."[15]

These efforts to stifle charges of corruption seem to have only made the premiums more expensive. One recent deal carried a $4.17 premium, of which $2.40 went to "a leading second-generation prince," $1 to a Saudi business associate, and the remainder to European intermediaries.[16] The unprecedented publicity attending these deals reflects the scale of corruption in Saudi Arabia today. It may also be a result of Aramco's interest in heading off further cuts in the amount of oil it gets by exposing the dangerous complications when the Saudis get directly involved in marketing.

Military and Security Aspects

The military relationship of Saudi Arabia with the US is even more exclusive than the commercial and financial one. The US accounts for more than 80 percent of Saudi spending on foreign military equipment and services. In 1978 an estimated 675 US military personnel and 10,000 civilian defense contractor personnel were working in Saudi Arabia. Subsequent contracts for even more sophisticated weapons systems ensures the continued need for large numbers of US personnel in the Saudi military. The main features of the US-Saudi military relationship can be summarized as follows:*

- Sales of military equipment and services exceed commercial sales, averaging over $5 billion per year for the last seven years. As with commercial sales, Saudi businessmen and princes pocket handsome "commissions" on these deals.
- An estimated 50 percent of these military-related sales and contracts are for construction projects. Services, including maintenance and training, account for another 28 percent. Twenty-two percent is for actual hardware and munitions.
- These sales are the consequence of active promotional efforts by the US government as well as weapons manufacturers. While some programs date back to the late 1960s, most have their origins in the Pentagon survey mission of 1974.[17] These sales have the three-fold aim of absorbing and "recycling" Saudi oil revenues to the US economy, establishing a high degree of Saudi military dependence on the US, and providing the infrastructure and facilities for US military intervention if required.
- The US military presence is extensive, permeating all Saudi services: Army, Air Force, Navy and National Guard. It ranges from advisory and training personnel at the battalion and division level to a high-level Pentagon team reorganizing the Ministry of Defense. The US military mission is headed by a general responsible for coordinating US military activities throughout the kingdom, and who reports through the US Commander in Chief-Europe to the Pentagon.
- There appears to be close coordination between US military and civilian personnel working for military contractors. Many of these civilians have themselves recently left military service. Thus, the US Army training mission works with Vinnel Corporation employees (ex-Green Berets with Indochina counter-insurgency experience) in training the National Guard. The USAF group known as Detatchment 22 works with and reviews the activities of the Northrup Corporation connected with the squadrons of F-5 fighters purchased for the Saudi Air Force.
- The labor shortage which plagues the civilian economy is at least as severe in the Saudi military. The labor pool is small to begin with, and the attractions of the civilian sector, especially for skilled personnel, have resulted in severe shortages of trainees, high AWOL rates, and low morale for all the services. It is likely that US military contractors will continue to provide not only advisory and training services, but actually

* For additional information and analysis, see *MERIP Reports* #90, pp. 4-5, 10-11.

fill voids in operations and maintenance for the indefinite future.[18]

- The extent and pervasiveness of the US military presence, and the military and intelligence background of many of the contracted civilian employees, provides the US with an extensive intelligence network throughout the Saudi military. This presence makes any potential *coup* attempt against the regime all the more difficult and unlikely, unless the US were to favor such a move.

The Saudis have made some efforts to supplement their military relationship with the US by entering into specific, relatively specialized agreements with other states. The British Aircraft Corporation has some 2,000 persons working with the Saudi Air Force in training and maintenance. The French have made strenuous efforts since 1973 to carve out a place in the Saudi weapons market, causing the indignant editors of the *New York Times* to insist once that Washington "demand that France call off its Mirage peddlers."[19] From all appearances, the Europeans have managed to lessen Saudi military dependence on the US hardly at all, but have contributed to the segmentation of the Saudi military on the basis of training and supply relations with particular weapons manufacturers. According to the *Financial Times*, the army's strength is concentrated in two heavily armored units, one equipped with M-60 battle tanks, the other with French AMX-30s, "each with its own distinct support group." The air force is "still to a large extent a collection of units built around different aerospace companies, and has no solid administrative base or corps of ground officers."[20] Since the Mosque attack in November, the Saudis have talked with France and West Germany concerning assistance to develop a Saudi counter-terrorist commando unit that could cope with similar incidents in the future.[21]

Other states in the region sell their military services to the Saudis in the form of troops. There have been plausible but unconfirmed reports of Jordanian troops involved in the final seige of the Great Mosque. Sources in Washington recently disclosed that a division of 10,000 Pakistani troops are or soon will be stationed in Saudi Arabia in return for some $1 billion in military and economic aid to Zia ul-Haq's regime.[22] Saudi denials are quite unconvincing, and in any case they pointedly fail to mention the number of Pakistanis already serving in military capacities in Saudi Arabia, particularly in the Air Force.

South Korea is also playing a role in Saudi internal security. Most of the 75,000 or more Korean contruction workers in the kingdom are recently demobilized soldiers and officers, still comporting themselves in a most disciplined fashion.* Saudi Interior Minister Prince Nayef led a high-level delegation of military and security officials to Seoul in July 1979 for a six-day visit. "Security issues common to the two countries" were a major topic of discussion. Although no details were provided, the visit ended with the Koreans agreeing to supply equipment and training programs for Saudi security personnel.[23]

* See Nigel Disney, "South Korean Workers in the Middle East," *MERIP Reports* #61 (Oct. 1977).

Brzezinski visits Fahd in Riyadh, February 1980.

Political Complications in US-Saudi Relations

In late January 1980, a CIA analyst called in two reporters from *Newsweek* and the *Washington Star* to confirm that the Agency had recently warned the Carter Administration that the survival of the Saudi regime "could not be assured beyond the next two years."[24] Crown Prince Fahd, the analyst reported, might well be replaced by Prince Abdullah, head of the National Guard and regarded in Washington as "a tough ultra-nationalist."[25] The fact that the briefing was initiated by the CIA suggested that someone inside the Agency wanted it publicized.

National Security Advisor Brzezinski definitely did not share this interest. He was about to leave for Riyadh (via Pakistan) to drum up support for the Carter Doctrine and US bases in the Middle East. A hastily arranged lunch with *Newsweek*'s editors kept the story out of its pages except for a guarded reference weeks after Brzezinski's return. The *Star* never did publish the story. This was the second time in less than a year that high-level US concern with differences inside the ruling family came embarassingly to the fore. Stories written from Washington in April 1979 concerning Fahd's "declining influence" led to Saudi expulsion of the CIA station chief in Riyadh.[26]

The political complications in US-Saudi relations have grown more acute as regional and internal pressures on the regime have mounted. A greater degree of polarization within ruling circles, precisely over the balance between Saudi Arabia's Washington connection and ties with its Arab neighbors, has followed on US impotence in dealing with the revolution in Iran and Washington's sponsorship of the separate Egyptian-Israeli peace treaty. This is obliquely reflected in the latest source of irritation, the Saudi demand for bomb racks and other equipment that would accent the offensive capabilities of the F-15 fighter-bombers already contracted for.

This request follows directly on Brzezinski's talks with

Saudi leaders on his way home from posing with Afghan tribesmen at the Khyber Pass. While Brzezinski sat in Riyadh, some 200 miles to the east, near the key oil production points, shops were closed and streets empty in the wake of fresh popular unrest directed at the ruling family and its relationship with the US. Brzezinski reportedly told Saudi officals that "for the defense of Saudi Arabia, we will do anything."[27]

Official Saudi arguments that this new equipment is needed to cope with new threats following the Soviet intervention in Afghanistan are specious. The general incapacity of the Saudi military to cope with threats to the regime was made transparent by its feeble response to the fighting in Yemen in early 1979, and again by the weak performance during the Mosque takeover.

Rather, the request is a test of the US connection, a gauntlet thrown down by the regime under pressure from those within it who doubt the wisdom and viability of the "special relationship." Both Saudi officials and US diplomats in the kingdom anonymously assert that the request is in response to pressures "within the military leadership."[28] In Saudi Arabia, the military leadership is indistinguishable from the officer-princes within or close to the center of power. Since the US is unable to produce an acceptable Palestine settlement, the question of arms supplies is made to bear extraordinary political weight. "We will do anything," Brzezinski boasts. "Put up or shut up," the skeptical princes reply.

The present intersection of political contradictions in Saudi Arabia and the US concerning the nature and extent of the "special relationship," fatefully and irreversibly intertwined as it is with the Palestine question, produces a US policy more than a little reminiscent of policy in Iran in the last years of the Shah. Even the code-words are the same: Saudis committed to the US connection are regarded as "modernizers;" the skeptics are lumped together as "traditionalists." Those Saudis most committed to the "special relationship" are still dominant, but under challenge as never before. They have endeavored to shift the weight of the relationship to the less sensitive arena of military supplies. The consequences will likely include a superficial defeat for "the Zionist lobby" in the US, but no solution to the dilemmas posed by Shi'i unrest. It only complicates further the social and political stresses that led to the Mosque insurgency.

FOOTNOTES

[1] *Foreign Relations of the United States,* 1945, VIII, p. 45. The information and analysis in the following discussion is provided in more detail in my *Middle East Oil and the Energy Crisis* (New York, 1975).

[2] Figures and quotes in this section, unless otherwise noted, are from *Middle East Economic Digest,* Special Report on Saudi Arabia, July 1980. Hereafter cited as *MEED* Special.

[3] *MEED,* December 22, 1978.

[4] *New York Times* (NYT), February 25, 1980.

[5] Tewfik Mishlawi, "The Empire Builders," *The Middle East* (October 1978), pp. 86-93; *Business Week,* December 7, 1974.

[6] *NYT,* April 16, 1980.

[7] *Ibid.*

[8] *Washington Star,* January 9, 1980.

[9] *NYT,* April 16, 1980.

[10] *Ibid.*

[11] *MEED* Special.

[12] *Middle East Economic Survey,* May 26, 1980.

[13] *MEED* Special.

[14] *Saudi Arabia Newsletter* (London), January 28-February 10, 1980.

[15] *Financial Times* (FT), May 23, 1980.

[16] *FT,* April 9, 1980.

[17] *NYT,* November 2, 1974; *Washington Post (WP),* November 7, 1974.

[18] House Foreign Affairs Committee, Staff Survey Mission Report, *US Arms Policies in the Persian Gulf and Red Sea Areas: Past, Present and Future,* December 1977, pp. 17-49.

[19] May 16, 1979.

[20] *FT,* April 28, 1980.

[21] For example, see *Foreign Broadcast Information Service,* May 9, 1980, p. C5.

[22] *NYT,* August 20, 1980.

[23] *Korean Herald,* July 13, 18, 1980.

[24] *WP,* July 22, 1980.

[25] This description is offered in *Fortune,* March 10, 1980.

[26] *WP,* April 15, 1980.

[27] *Washington Star,* July 18, 1980.

[28] *Ibid.*