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### Excerpts from

### *Thicker than Oil: America's Uneasy Partnership with Saudi Arabia*

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#### From pp. 2–3

Few relationships are as vital, under as much pressure, and as poorly understood as that between the United States and the Kingdom of Saudi Arabia. The 865,000-square-mile kingdom, equivalent in area to more than one-fifth of the United States, sits astride one-quarter of the world's proven oil reserves and neighbors two of America's foreign policy hot spots, Iraq and Iran, and one of its closest friends, Israel. Every devout Muslim turns toward its holy city, Mecca, five times a day to pray.

Traditionally the United States' relationship with Saudi Arabia has been characterized as a basic bargain of "oil for security." For its part, since the mid-1970s, Saudi Arabia has ensured the free flow of oil at reasonable prices. The kingdom's ability to put oil on the market quickly during times of crisis is the most obvious benefit the United States gains from good relations. Immediately after September 11, for example, Saudi Arabia increased oil shipments to the United States in order to keep prices stable. It also augmented oil production just before Operation Iraqi Freedom commenced, a time when political strife in Venezuela and Nigeria threatened to elevate oil prices dramatically. In return for this, the United States extends to Saudi Arabia's leadership a security umbrella, including a commitment to its territorial integrity. Since 1950 the United States has explicitly vowed to help defend the kingdom against external threats—including, over the years, the Soviet Union, Yemen, Egypt, Iran, and Iraq. Since the fall of the shah of Iran in 1979, this commitment has evolved into implicit support for the Saudi regime against internal challenges, including today's al-Qaeda.

Although the notion of oil for defense is a compelling shorthand for describing the relationship between the United States and Saudi Arabia, it ignores overlapping strategic interests that drove together successive Saudi kings and American administrations. A critical, if often overlooked, aspect of the U.S.-Saudi relationship has

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been the shared interest in combating the Soviet Union. After all, who better for the United States to partner with in its fight against “godless Communism” than a religiously motivated state such as Saudi Arabia? Successive Saudi leaders were similarly concerned about the ideological threat posed by the atheistic Soviet Union and its proxies in the region. Their concern was driven by the fact that the ruling family’s domestic legitimacy was based on a long-standing bargain with religious clerics. Saudi Arabia and the United States’ mutual fear of the Soviet Union’s expanding global influence, predicated on strategic and religious realities, provided a protective political layer that enveloped oil and defense interests. It also left behind a legacy that today enflames the Middle East.

### **From pp. 6–7**

As it pursues its war on terror America faces the central and difficult question of what policy to build vis-à-vis Saudi Arabia, especially as the Cold War justification has fallen away. New issues, including counterterrorism, political reform, and stability in Iraq, populate today’s political agenda and are rarely interpreted the same way by both capitals. Saudi Arabia’s religious credentials, something Washington once deemed a strategic asset, are today a much more obvious, controversial, and potentially dangerous issue. At the same time, the kingdom poses one of the toughest challenges to the George W. Bush administration’s political reform agenda, one of the administration’s highest priorities. The kingdom lags behind on almost every indicator of political openness, and reform there would have an immediately positive effect throughout the region. Yet because the kingdom figures so prominently on issues such as oil, Iraq, and counterterrorism, there are limits to how hard the United States can push. Reformers inside the kingdom also worry that a frenetic push toward reform will backfire and result in increased religious radicalism, as occurred in Iran and Algeria, or outright chaos, as in Iraq.<sup>15</sup>

For its part, Saudi Arabia is no longer the impoverished insular country that American oil companies and diplomatic representatives first engaged nearly seventy-five ago. It has emerged as a major regional player and a significant global one, able to influence the price of oil—one of the world’s most important commodities. Demand from

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oil-hungry states such as China and India, not just the requirements of traditional markets such as Europe and the United States, now influences Saudi decisions. Religious institutions that were constructed four decades ago, today serve as powerful political transmission belts for Saudi Arabia's influence across the globe.

With the end of the Cold War, economic, political, and geographical circumstances have changed so dramatically that neither the U.S. nor Saudi leadership should expect the continuation of the same kind of relationship that existed for more than half a century. Still, there is good reason for each to work to ensure that the relationship does not collapse entirely, nor becomes so strained that cooperation on existing problems becomes impossible.

### **From pp. 21–24**

Oil, of course, is a significant factor in the U.S.-Saudi relationship, as it is in all other Saudi dealings. It can hardly be otherwise for a country that sits astride one-quarter of the world's proven oil resources and relies on oil exports for 90 to 95 percent of its total export earnings. But while oil explains a good portion of America's interest in the kingdom, it does not explain the strength of the relationship. After all, America's relationships with other major oil-producing states such as Russia, Iran, Iraq, Libya, and Venezuela have been exceedingly troubled. Politically and militarily, the United States and Soviet Union were at odds for the entire Cold War period. For thirty of the thirty-six years between 1967 and 2003, the United States had no official political relations with Iraq, a country whose oil holdings are estimated at 115 billion barrels of proven reserves, second only to Saudi Arabia. Iran, with 10 percent of the world's oil, has lived under U.S. sanctions for twenty-five years. Libya experienced nineteen years of American-led sanctions. In 2002 the Bush administration quietly encouraged an unsuccessful extralegal effort to remove Venezuela's president, Hugo Chávez. In the fall of 2004, the United States actively encouraged international sanctions against Sudan's oil exports in response to egregious human rights abuses taking place in that country. Successive administrations have shown a clear willingness to bear the costs of poor relations with oil-rich states.

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It is true that Saudi Arabia's ability to bear the cost of maintaining spare oil capacity and its willingness to put oil onto the market in times of crisis give it a unique standing among producers. It is the world's "swing producer" and has a disproportionate influence over global oil prices. Saudi Arabia holds around 85 percent of OPEC's spare capacity, which, given problems in Iraq, Venezuela, Nigeria, and elsewhere, has come to mean about 85 percent of the world's spare capacity. If any single problem hits a big producer elsewhere (Iraq descends further into chaos, Nigeria's political situation devolves, Venezuelan oil workers strike, hurricanes damage U.S. oil facilities), the only place that has been able to quickly make up those volumes is Saudi Arabia. Still, American policies of sanctioning and cutting off relations with other oil producers have reinforced Saudi Arabia's position. Good U.S.-Saudi relations have given Washington decision makers the latitude to curtail the production of others. This then begs the question of why relations were so good in the first place.

When it comes to the Middle East, America's relationship with Saudi Arabia is more similar to its relationships with Egypt (after 1973), Jordan, and even Israel (politically friendly but oil-poor) than to its ties with Iran, Iraq, or Libya (traditionally hostile but oil-rich). Thus when Thomas Friedman states in the pages of the *New York Times* that the United States has treated Arab oil-producing states "like big, dumb gas stations, and all the U.S. cared about was that they kept their pumps open and their prices low," he misses a good portion of the politics and political context of the past half century. Oil by itself does not explain why, in the late 1950s, the United States sought to transform the Saudi king into a globally recognized Muslim leader. The Saudi leadership's claim to Mecca and Medina and the importance this had for America's anti-Communist agenda is a more powerful explanation. Oil hardly explains why relations between the two countries became exceptionally close during in the 1980s, even as Saudi debts began to mount and oil prices fell dramatically. Mutual interest in countering Soviet expansion provides a better accounting. Most importantly, oil alone does not anticipate the kingdom's spending billions of dollars on anti-Communist activity around the globe, decisions that were not preordained by its resource holdings but were greatly valued in Washington. As *Newsweek* reported in 1978:

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It is the Saudis using their oil money as an ideological weapon, who have scored the most significant foreign policy successes in recent years. By funneling \$2.5 billion into the Egyptian economy each year, Saudi Arabia has been able to rid a key Arab country of Soviet influence. By pumping large doses of cash into Morocco, Riyadh's rulers helped check a Marxist movement in the Maghreb and enabled the Moroccans to help Zaire, another Saudi client state, turn back an invasion launched by the Communist rebels.

That Saudi Arabia had money to spend is directly attributable to oil. How it chose to spend it is not. "God help us if we couldn't count these people among our closest allies," said one senior American diplomat in Riyadh during this time. Riyadh's willingness to invest its revenue in American supported causes earned it considerable favor at the highest levels in Washington.

To understand why and how the United States and Saudi Arabia became such close partners over the course of the last half century, two factors other than oil must also be considered: strategic location and religious identity. Saudi Arabia's claim to speak for Muslims worldwide and the legitimacy the Saudi leadership derived from its own religious establishment ensured that anti-Communism figured prominently in the Saudi decision calculus, something U.S. leaders greatly appreciated. Saudi Arabia's strategic location and religious identity, especially the latter, conditioned how American policy makers came to define their oil interests and the policies that emerged from them.

A singular focus on oil misses the way in which a broader convergence of interests helped to cement the relationship between the United States and the Saudis during the Cold War. It also overlooks the genesis of a number of problems that decision makers are grappling with today. Until the Berlin Wall came down in 1989, Saudi Arabia's extensive proselytizing of a fundamentalist interpretation of Islam – commonly referred to as Wahhabi Islam outside of Saudi Arabia -- was not a source of considerable concern because it had an anti-Communist justification. For Saudi Arabia, America provided security, markets, and a shared antipathy toward Communist expansion—something that threatened Saudi borders directly, indirectly through proxies such as Egypt and Yemen, and through subversion of the population. Mutually supporting interests gave leaders on both sides opportunities to weave their way through complicated international situations and benefit from the support of the other. The U.S.-Saudi

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relationship became a testing ground for how Washington would apply varying Cold War policies in the Middle East.

### **From pp. 232–233**

On August 27, 2001, at a White House meeting with Condoleezza Rice, President George W. Bush's national security advisor, Prince Bandar relayed what he recalls as "the hardest message I've had to deliver between our two countries since I started working in this country, in 1983." It was a grave communiqué from Saudi Arabia's Crown Prince Abdullah. "We were your friend when it was not fashionable to be your friend," Bandar began. "We stood in the fifties and sixties with you in the region when nobody was. The biggest challenge, of course, to the two of us was Saddam Hussein's invasion of Kuwait." But now, Bandar continued, the crown prince was deeply disturbed by the escalating violence between Israeli and Palestinians, and America's apparent decision not to intervene. "In light of all that, the Crown Prince feels that he cannot continue dealing with the United States. We feel that since you have taken such a decision, then we also are obliged to take our own decision."

Bandar did not specify exactly what the crown prince meant. The message left open possibilities ranging from a renewed oil embargo to reduced funding for different U.S. pet projects. The message's solemnity and open-endedness focused the administration's attention, as it constituted one of the most serious threats issued by a Saudi leader against the United States. Belying the conspiracy theories linking the House of Bush and the House of Saud, George W. Bush presided over one of the worst moments in the history of U.S.-Saudi bilateral relations.

President Bush responded to the crown prince's threat with a letter promising to reexamine U.S. policy toward the Israeli-Palestinian crisis. The fighting was beginning to wear on America's relations with Arab states, and European ones as well. The two sides arranged for a high-level meeting to take place on September 13, 2001, to salvage what remained of the U.S.-Saudi relationship. When Prince Bandar met with President Bush on September 13, two days after the worst terrorist attack on American soil, the context

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was far more horrific than either could have imagined when the meeting was first scheduled.

For years the royal family had manipulated Saudi domestic politics to manage Cold War challenges. To build domestic legitimacy and rebuff external aggression, Saudi leaders had catered to the most radical elements of the kingdom's religious establishment. It was not that Washington had ignored Saudi Arabia's proselytizing, but rather that Washington accepted, and at times actively encouraged it to secure shared geo-strategic ends. There was a long-term price to pay for such policies. On September 11 those costs came due.

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America has a strategic choice to make. It can choose to distance itself from the Kingdom deciding that the regime is corrupt, morally bankrupt, illegitimate and irredeemable. This may earn the United States public relations points in the region as many will applaud America's disassociation. However, the pragmatists inside the kingdom would immediately lose any standing they currently have. Even if the royal family was able to maintain power, it would likely adopt more religiously intransigent policies and reactivate its religious channels to undermine American interests in the region and beyond. Saudi defense officials would look to China for sophisticated weaponry. China would likely sell it. The American armed forces would be denied efficient transportation routes to the Persian Gulf and the small Arab countries that abut it. Oil prices would rise, although not catastrophically unless the royal family actually fell from power.

A second option is to find a way to engage the royal family to encourage more moderate policies. This option will be hard, complicated and might fail. But even if it does fail, Washington would be no worse off than if it pursued the first option.

Engaging Saudi Arabia does not mean appeasing it, but rather defining what matters most and building appropriate policies around it. One of the most important things Washington needs from the kingdom is for its leaders to aggressively monitor and shut down Saudi-based funding streams that underwrite mosques, schools and other institutions promoting intolerance, xenophobia and anti-Americanism. In this light,

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Congressional hearings like the ones called by Senator Shelby and demands that Saudi Arabia establish better financial controls made by Congresswoman Kelly, U.S. Treasury Department officials and others are entirely appropriate.

What is not appropriate is the general Saudi bashing that has manifested itself in opposition to all things Saudi. For example, a congressional petition circulated in May 2005 calling Saudi Arabia's World Trade Organization (WTO) accession "premature" was shortsighted and counterproductive. Not only is it distracting to the focus on financing issues, but WTO accession will benefit Saudi pragmatists in their fight against more conservative elements in the kingdom. It is not a gift but a weapon. The logic for WTO support is found in an article by Condoleezza Rice in 2000 when she wrote on a related topic that, "Although some argue that the way to support human rights is to refuse trade with China, this punishes precisely those who are most likely to change the system . . . trade in general can open up the Chinese economy and, ultimately, its politics too." The same reasoning applies to Saudi Arabia's entering the WTO. Joining the WTO would benefit those in the kingdom advocating for increased transparency and accountability. It would also provide King Abdullah the cover he needs to take some very difficult and potentially explosive actions at home, such as reducing subsidies to and restricting corrupt practices among royal princes.

Other gratuitous anti-Saudi measures include a congressional amendment stipulating that no funds be "obligated or expended to finance any assistance to Saudi Arabia," which specifically targets a paltry \$25,000 International Military Education and Training grant for Saudi military training. The amendment seeks to keep Saudi military officers from training in the United States and interacting with their American counterparts. Although politically popular, such measures are strategically counterproductive and if enacted would impede Saudi Arabia's ability to conduct its fight against terrorism.

If the U.S. chooses to engage the kingdom, it will have to offer something in return. There needs to be a reason for Saudi leaders to work with the United States. A key Saudi interest lies in stabilizing Iraq. Chaos in Iraq draws young Saudis to fight. It also increases Iranian influence on Saudi Arabia's border. In Riyadh, as well as elsewhere in the region, Iran's growing confidence is sparking concern about a rising Shi'a crescent. A



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fear of encirclement has driven the kingdom's foreign policy since its inception when it was concerned with British and then Soviet activity. Iran's presence in Iraq, Lebanon and its ability to influence politics in Saudi Arabia's small Gulf neighbors is profoundly troubling to Riyadh. Washington should enter active discussions with Riyadh about its Iraq strategy and its eventual military withdrawal. Saudi decision makers should be integrated into America's planning and explained the underlying justification for on-going decisions. In return, the kingdom has levers of influence that it can pull in Iraq that U.S. planners may want to consider.

Saudi Arabia's other main concern is American engagement in the peace process. The Bush administration's early avoidance of the subject greatly undermined those in the region Washington most wants to help. Engaging in the peace process does not mean Washington must cater to every Arab demand. But active involvement, even if it does not produce final resolutions, will allow for greater Saudi cooperation. The violence associated with both Iraq and Palestine directly undermines Saudi Arabia's domestic stability. A reduction in violence is something that the Saudis will expect from the United States, if it is going to undertake controversial actions that the United States desires.