Durham University

Durham E-Theses

Saudi-Iranian relations, 1977-1997

Chang-Cheng Liu

How to cite:

Liu, Chang-Cheng (2003) Saudi-Iranian relations, 1977-1997. Doctoral thesis, Durham University.

Use policy

The full-text may be used and/or reproduced, and given to third parties in any format or medium, without prior permission or charge, for personal research or study, educational, or not-for-profit purposes provided that:

- a full bibliographic reference is made to the original source
- a https://etheses.durham.ac.uk/id/eprint/1731/ is made to the metadata record in Durham E-Theses
- the full-text is not changed in any way

The full-text must not be sold in any format or medium without the formal permission of the copyright holders.

Please consult the full Durham E-Theses policy for further details.

Academic Support Office, The Palatine Centre, Durham University, Stockton Road, Durham, DH1 3LE
e-mail: e-theses.admin@durham.ac.uk Tel: +44 0191 334 6107
https://etheses.durham.ac.uk

SAUDI-IRANIAN RELATIONS, 1977-1997

CHANG-CHENG LIU

A copyright of this thesis rests with the author. No quotation from it should be published without his prior written consent and information derived from it should be acknowledged.

THESIS SUBMITTED FOR THE DEGREE OF

DOCTOR OF PHILOSOPHY

2003

INSTITUTE FOR MIDDLE EASTERN AND ISLAMIC STUDIES

UNIVERSITY OF DURHAM

- 2 JUN 2004

ABSTRACT

This thesis examines the relationship between Saudi Arabia and Iran through several pertinent case studies, throughout the timeframe between 1977 and 1997. The researcher draws upon the arguments and assumptions of the neo-realist international relations school to explain the two countries' foreign policy behaviour towards each other.

The thesis sets out to understand how certain factors (oil, religion, Iraq, regional conflicts, and the superpowers' involvement) shaped their relations. Although, each factor has played a significant role in determining the foreign policy behaviour of both states thus dictating the course of their relationship, each factor has assumed different degrees of importance, at different periods of time. The changing importance of each factor was influenced by three key events (the Iranian revolution, the Iran-Iraq war, and the Iraqi invasion of Kuwait). In addition each factor is also shown to be inextricably interlinked to the other. The two countries have manipulated these factors to attempt to influence the balance of power in the region to their advantage.

The researcher demonstrates that the abovementioned factors are likely to remain the key issues in affecting their relations in the foreseeable future. Based on neo-realist thinking, which perceives the international system to be characterized by anarchy where states compete for 'security, markets, and influence', both Saudi Arabia and Iran will remain competitive in regional affairs. However, both countries are also interested in maintaining a degree of co-operation to keep a balance of power in the region, as the ultimate goal for both countries is to protect their own national interests.

DECLARATION

I, the author of this thesis, declare that none of the materials in this thesis has been submitted in support of an application for another degree qualification in this or any other university.

STATEMENT OF COPYRIGHT

The copyright of this thesis rests with the author. No quotation from it should be published without their prior written consent and information derived from it should be acknowledged.

ACKNOWLEDGEMENTS

Producing this academic work has been a very significant step in my life, although I had already published a few guidebooks back in Taiwan. I would like to express my ever-lasting gratitude to my supervisor, Professor Anoushiravan Ehteshami, for his perceptive remarks, useful guidance, and treating me as his friend. As Shakespeare states in his play, Richard II: 'I count myself in nothing else so happy, as in a soul remembering my good friends'. Alejandra, Ali, Declan, Emma, Hazel, Huichi, Jon, Lichun, Louise, Maggie, Micheala, Mohamed, Omar, Paola, Peggy, Tariq, and Warwick, and numerous other friends have all supported me throughout this major period in my life. Without all of them holding my hands whilst I navigated these uncharted waters I can not image how I would have survived the dark days. Their encouragement and assistance has made my research and the writing up of this thesis an enriching experience.

Particular appreciation should go to my parents, brother and sisters who believe in me and share their sense of pride in me. Their understanding and continuous support has been crucial for the completion of my studies, without all of them this thesis would not have been possible.

CONTENTS

Abstract i
Declaration ii
Copyright ii
Acknowledgements iii
Table of contents iv
Chronology ix
Maps xiv
Abbreviations xvii
List of tables xviii

PART I: HISTORICAL BACKGROUND AND THEORETICAL FRAMEWORK

INTRODUCTION

1.0 Objectives 1
2.0 Methodology 1
3.0 Significance of the study 3
4.0 Outline of thesis 3

CHAPTER ONE

THEORETICAL FRAMEWORK

1.0 Introduction 8
2.0 The paradigms of international relations 9
2.1 Realism 9
2.2 Neo-realism 16
2.3 Pluralism 19
2.4 Globalism 22
3.0 Conclusion 29

CHAPTER TWO

HISTORY OF THE SAUDI-IRANIAN RELATIONS PRIOR TO 1977

1.0 Introduction 32
2.0 The period prior to the establishment of both countries until WWII 33
2.1 The establishment of Saudi Arabia and Iran 35
3.0 From the end of WWII to 1967 40
3.1 The Cold War extended into the region 40
3.2 The common threats from Egypt's Pan-Arabism 42

3.3 Oil emerged as an important factor 47
4.0 1968 to 1977, Saudi Arabia and Iran emerge as regional powers 51
4.1 The Iraqi religious factor and its affect on Saudi-Iranian balance of power 51
4.2 The regional territorial disputes 52
4.2.1 The 'Twin Pillar' policy 53
4.2.2 The independence of Bahrain 57
4.2.3 The Abu Musa dispute and the formation of the UAE 63
4.3 The rise of oil as a source of friction 70
4.3.1 Rise of Saudi Arabia and Iran as major oil exporters 71
4.3.2 The 1973 oil embargo 73
4.3.3 World recession intensified the competition 75
5.0 Conclusion 78

PART II: FACTORS AFFECTING SAUDI-IRANIAN RELATIONS
CHAPTER THREE
THE OIL FACTOR
1.0 Introduction 83
2.0 Saudi oil-based economy 87
3.0 Iranian oil dominated economy 91
4.0 The history of OPEC and OAPEC 93
4.1 The establishment of OPEC 93
4.2 The establishment of OAPEC 94
5.0 1977 to the Iranian revolution: the prelude of the volatile oil market 95
6.0 The 1980s: Saudi Arabia became the unassailable power within OPEC 98
7.0 The 1990s: The politics overcame the difficulty of economics between Saudi Arabia and Iran 110
7.1 1990: The Iraqi invasion of Kuwait 110
7.2 1993: The short-lived cooperation 114
7.3 1994: Fighting for influence within OPEC 119
7.4 1995: The political situation dominated Saudi-Iranian relations again 120
8.0 Conclusion 123

CHAPTER FOUR
THE RELIGIOUS FACTOR
1.0 Introduction 128
2.0 The division of *Sunni* and *Shi'a* in the Islamic world 129
2.1 *Sunna* and *Sunni* 129
2.2 *Shi'ism* and *Shi'a* 130

3.0 The development of *Sunni* and *Shi'a* in both countries 132
3.1 *Sunni* in Saudi Arabia 132
3.2 *Shi'ites* in Saudi Arabia 134
3.3 *Shi'a* in Iran 136
4.0 Struggling for religious leadership 138
4.1 The Iranian Revolution in 1979 138
4.2 The Mecca riot and the Saudi *Shi'ite* demonstration 142
5.0 Clashes between Saudi Arabia and Iran 145
5.1 The *Hajj* 145
5.1.1 The importance of the *Hajj* for the Saudi regime 146
5.1.2 Conflicting interpretations of Islam and *Hajj* 147
5.2 The annual *Hajj*, the yearly clash 148
5.2.1 The 1987 riot in Mecca 149
5.2.2 Introducing the quota system 152
5.2.3 The 1990s reconciliation over the *Hajj* issue 153
6.0 The competition within Islamic organisations 156
6.1 The Muslim World League 158
6.2 The OIC 159
6.2.1 Iran boycotts OIC summits 162
6.2.2 1990s Iran returned to OIC as an active member 164
7.0 Conclusion 167

CHAPTER FIVE
THE IRAQ FACTOR
1.0 Introduction 173
2.0 The effects of the 1979 Iranian Revolution 177
3.0 The Iran-Iraq War 180
3.1 The roots of conflict 180
3.2 The beginning of the war 182
3.3 The war began to affect Saudi-Iranian relations in 1981 186
3.4 The first attempt of ceasefire 188
3.5 The second attempt at a ceasefire 190
3.6 The first direct conflict between Saudi Arabia and Iran 192
3.7 The third attempt at a ceasefire 193
3.8 The Iran-Contra event 194
3.9 The invasion of Fao Peninsula 195
3.10 The Mecca riot 197
3.11 The 1988 ceasefire 199
4.0 After the ceasefire 203

5.0 The Iraqi invasion of Kuwait 205
5.1 Historical and territorial claims 206
5.2 Domestic social factors 208
5.3 Economic incentives 210
5.4 Geostrategic factor 212
6.0 The reaction of Saudi Arabia 217
6.1 The impact of the Kuwait crisis on Saudi Arabia 220
7.0 The reaction of Iran 223
7.1 The impact of the Kuwait crisis on Iran 227
8.0 The impact of invasion on Saudi-Iranian relations 231
9.0 Conclusion 235

CHAPTER SIX
THE REGIONAL SECURITY FACTOR

1.0 Introduction 240
2.0 The Bahraini case 240
2.1 Historical background of the establishment of Bahrain 240
2.2 1981-1990 period, minor events caused by the Iranian Revolution 241
2.3 Post Iran-Iraq War, Bahraini domestic unrests 243
2.4 The 1994 marathon event 245
2.5 How the Bahraini issue has affected Saudi - Iranian relations 248
3.0 The UAE islands' issue 250
3.1 The location of the disputed islands 251
3.2 The impact of the Iranian Revolution 253
3.3 Abu Musa and the Greater and Lesser Tunbs' issue revisited 254
3.4 The negotiation between Iran and the UAE on the Abu Musa dispute 257
3.5 How the UAE issue has affected Saudi - Iran relations 261
4.0 Conclusion 265

CHAPTER SEVEN
THE SUPERPOWER FACTOR

1.0 Introduction 268
2.0 Superpowers' interest in the Middle East 269
2.1 Soviet interests in the Middle East 271
2.2 US policy towards the Middle East 274
3.0 The impact of superpowers involvement on Saudi-Iranian relations 279
3.1 The foreign policy of Saudi Arabia in response to the superpowers involvement in the region 279
3.2 The foreign policy of Iran in response to the superpowers penetration in the

region 281
3.3 1977-1979: The dramatic changing in the region 284
3.3.1 The Iranian Revolution 286
3.3.2 The American hostage crisis 288
3.3.3 The invasion of Afghanistan 289
3.4 1980-1988: Iran-Iraq War 293
3.4.1 The establishment of the GCC 293
3.4.2 The superpowers' initial ambivalence towards the warring parties 294
3.4.3 The AWACs deal 297
3.4.4 Banning the Tudeh party in Iran 298
3.4.5 The effect of the Iran-Contra Affair 300
3.4.6 The 'Tanker War' 303
3.4.7 The Mecca riot 308
3.5 1990-1997: The decline of Soviet influence in the region and US emergence as the unipolar power 311
3.5.1 How the end of the Cold War affected the regional balance of power 311
3.5.2 The Iraqi invasion of Kuwait 313
3.5.3 The regional defence pact: 'six plus two' 315
3.5.4 The 'Dual Containment' 317
3.5.5 The Comprehensive Iran Sanctions Act 318
3.5.6 Saudi domestic problems 319
4.0 Conclusion 323

PART III: CONCLUSIONS

CHAPTER EIGHT

SUMMARY AND CONCLUDING COMMENTS

1.0 Introduction 327
2.0 Thesis revisited 327
3.0 The role of factors in Saudi-Iranian relations 330
4.0 The limits of neo-realist theory applied to Saudi-Iranian relations 339

Bibliography 343

Chronology of Events in the Relationship between Iran and Saudi Arabia

1902	Abd-al-Aziz Bin-Abd-al-Rahman Bin-Faisal Bin-Turki Bin-Abdallah Bin Muhammad Al Sa'ud (often known as Ibn Sa'ud) takes control of Riyadh bringing the Al Saud family back into Saudi Arabia.
1908	Discovery of oil in Iran, foundation of the Anglo-Persian Oil Company (APOC).
1912	The Ikhwan (Brotherhood) is founded based on Wahhabism; it grows quickly and provides key support for Abd-al-Aziz.
1925 12 Dec.	The Persian Parliament (Majlis) deposes the Qajar dynasty; elects Reza Shah as first king of new Pahlavi dynasty.
1926	Abd-al-Aziz is proclaimed King of the Hijaz in the Grand Mosque of Mecca.
1926 Jan.	Britain recognises the independence of the Kingdom of the Hijaz and the Sultanate of Najd (together with their dependencies of Asir and Ahsa) in 27 May.
1932 18 Sept.	'Abd al-'Aziz unifies the territories under his control and proclaims them as the Kingdom of Saudi Arabia.
1935	Iran becomes the official name of the country that was known as Persia.
1937 04 July	Iraq-Iran Frontier Treaty is concluded under strong British pressure due to need for safe oil facilities. Iraq concedes navigation rights to all countries in the Shatt al-Arab waterway.
1938	Oil is discovered in Saudi Arabia and production begins under the US controlled ARAMCO (Arabian American Oil Company).
1941 25 Aug.	Iran is occupied by Russia and British troops, and the Shah is deposed in favour of his son, Muhammad Reza Pahlavi (installed on 16 Sept).
1945 23 Mar.	Arab League formed.
1947 12 Mar.	Anti-communist Truman Doctrine proclaimed.
1950 25 May.	Britain, France, and US adopt Tripartite Declaration on regulating the supply of arms to the Middle East.
1951 30 Apr.	Dr. Musaddiq becomes Prime Minister of Iran, and Oil Nationalisation is ratified.
1953 16-19 Aug.	Coup '28th Mordad': Dr. Musaddiq deposed by UK/US-backed the Shah.
1953 Nov.	'Abd al-Aziz Al Sa'ud dies; his eldest son, Sa'ud ibn 'Abd al-'Aziz takes over as king of Saudi Arabia, with his brother, Faisal, as Crown Prince.
1955 24 Feb.	Iraq Turkey, Britain and Iran sign the Baghdad Pact.

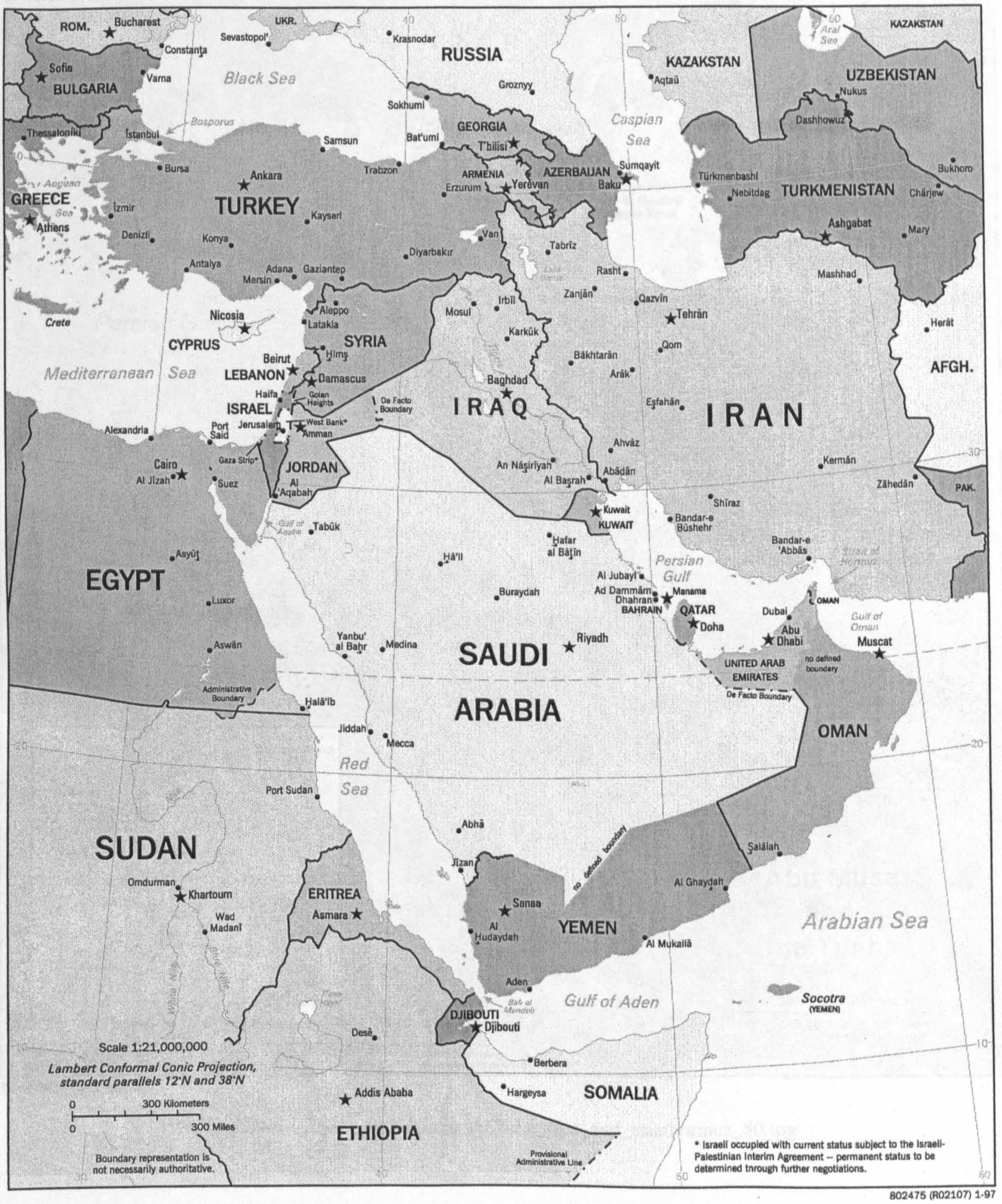
1956 29 Oct.-7 Nov.	The Suez War.
1957 05 Jan.	Anti-communist Eisenhower Doctrine is proclaimed.
1958 05 Mar.	Sa'ud's alleged attempts to bribe Syrian leaders to assassinate Nasser are revealed by Nasser & serve to discredit Sa'ud; Crown Prince Faisal takes over effective authority in Saudi Arabia, and implies rejection of the Eisenhower Doctrine (Aug).
1959 Mar.	Iraq withdraws from the Baghdad Pact, leaving the way open for Iran to sign a military cooperation agreement with the US, providing for American defence of Iran (which in turn leads Iran to reassert its claim that the Shatt al-Arab *thalweg* constitutes the international boundary).
1960 10-14 Sept.	Saudi Arabia and Iran are among the founding members of OPEC (Organisation of Petroleum Exporting Countries).
1963 26 Jan.	Shah of Iran begins westernising 'White Revolution', for economic modernization & land reform.
1964	Revolt in Dhofar against rule of Omani government. Revolt continues until 1976.
1964 Nov.	King Sa'ūd is deposed by his brother, the Crown Prince, Faisal Bin-Abd-al-Aziz Al Sa'ud.
1967 5-10 June	The Six-Day War.
1968 09 Jan.	The establishment of OAPEC (Organisation of Arab Petroleum Exporting Countries).
1969 25 Sept.	The OIC (Organization of the Islamic Conference) is founded in Jiddah, Saudi Arabia.
1969 19 Apr.	Iran unilaterally abrogates the 1937 Frontier Treaty with Iraq, claiming that the *thalweg* principle applies for the whole Shatt al-Arab waterway.
1970 May.	Iran renounces its claim to Bahrain, after UN report shows inhabitants want an independent State.
1971 1 Dec.	British withdraws from the Gulf territories. UAE (out of 6{from Feb 72, with Ra's al-Khaymah joining, 7} emirates) formed as a federation on 2 Dec.
1972	For the first time, Saudi Arabia gains control of a proportion (20 percent) of ARAMCO, lessening the control of the Americans over Saudi's oil.
1972 July	Sadat expels Soviet military advisers.
1973 06-26 Oct.	The Yom Kippur War.
1973	Saudi Arabia leads an oil boycott against the Western countries that supported Israel in the October War against Egypt and Syria leading to the quadrupling of oil prices.

1975 Jan.	Iran sends 2 regiments into KDP-controlled areas of Iraq; war averted through Turkish, then Algerian mediation.
1975 06 Mar.	Under Algerian mediation during the OPEC summit, the Algiers Accord agrees to delimit territorial boundaries, according to the *thalweg* principle for the Shatt al-Arab in line with long-standing Iranian demands, and to end backing of subversive opposition groups. The Algiers Accord is incorporated into the Baghdad Treaty of International Boundaries and Good Neighborliness (signed 13 Jun; ratified 17 Sept) which creates a joint commission to demarcate the new boundaries.
1975 25 Mar.	King Faisal is assassinated; he is succeeded by his brother, Khalid Bin-Abd-al-Aziz Al Sa'ud.
1975 26 Aug.	Emir of Bahrain dissolves the National Assembly & rules by decree (until 2001).
1978 Sept	Iranian forces massacre around 1,500 people marching against the Shah on Jaleh square in Tehran.
1979 15 Jan.	Shah leaves Iran.
1979 01 Feb.	Ayatollah Khomeini returns; The Islamic Revolution in Iran.
1979 Aug.	*Shi'ite* revolt in Eastern Province of Saudi Arabia.
1979 04 Nov.	US Embassy in Tehran is occupied and US diplomats taken hostage; released on 20 Jan 1981, after 444 days.
1979 20 Nov.	250 Saudi *Sunni* dissidents seize Mecca's Grand Mosque.
1979 25 Dec.	The Soviet army invades Afghanistan.
1980	Saudi Arabia takes full control of ARAMCO from the US.
1980 Jan.	Carter doctrine proclaimed: protection of Gulf by force, blocking Soviet influence.
1980 25 Jan.	Abolhasan Bani-Sadr is elected 1st President of Iran, after new constitution is approved (1Dec79).
1980 22 Sept.	Outbreak of war between Iraq and Iran.
1981 25 May	Gulf Cooperation Council (GCC) formed by Kuwait, Bahrain, Oman, Qatar, Saudi & UAE to counter 'threats' of Iran and the Soviet Union.
1981 22 June	Bani-Sadr is dismissed as President of Iran.
1981 07 Aug.	Crown Prince Fahd of Saudi Arabia releases 8 point peace plan.
1981 27-29 Sept.	Iran retakes Abadan; the first sign of the reversal of the advantage in the war.
1981 13 Dec.	Bahrain blames Iran for failed coup by the Islamic Front for the Liberation of Bahrain; 73 people arrested.
1982 12 Apr.	Under strong Iranian counterattack, Saddam Hussein offers to withdraw from Iran in order to end the conflict. Iran makes peace

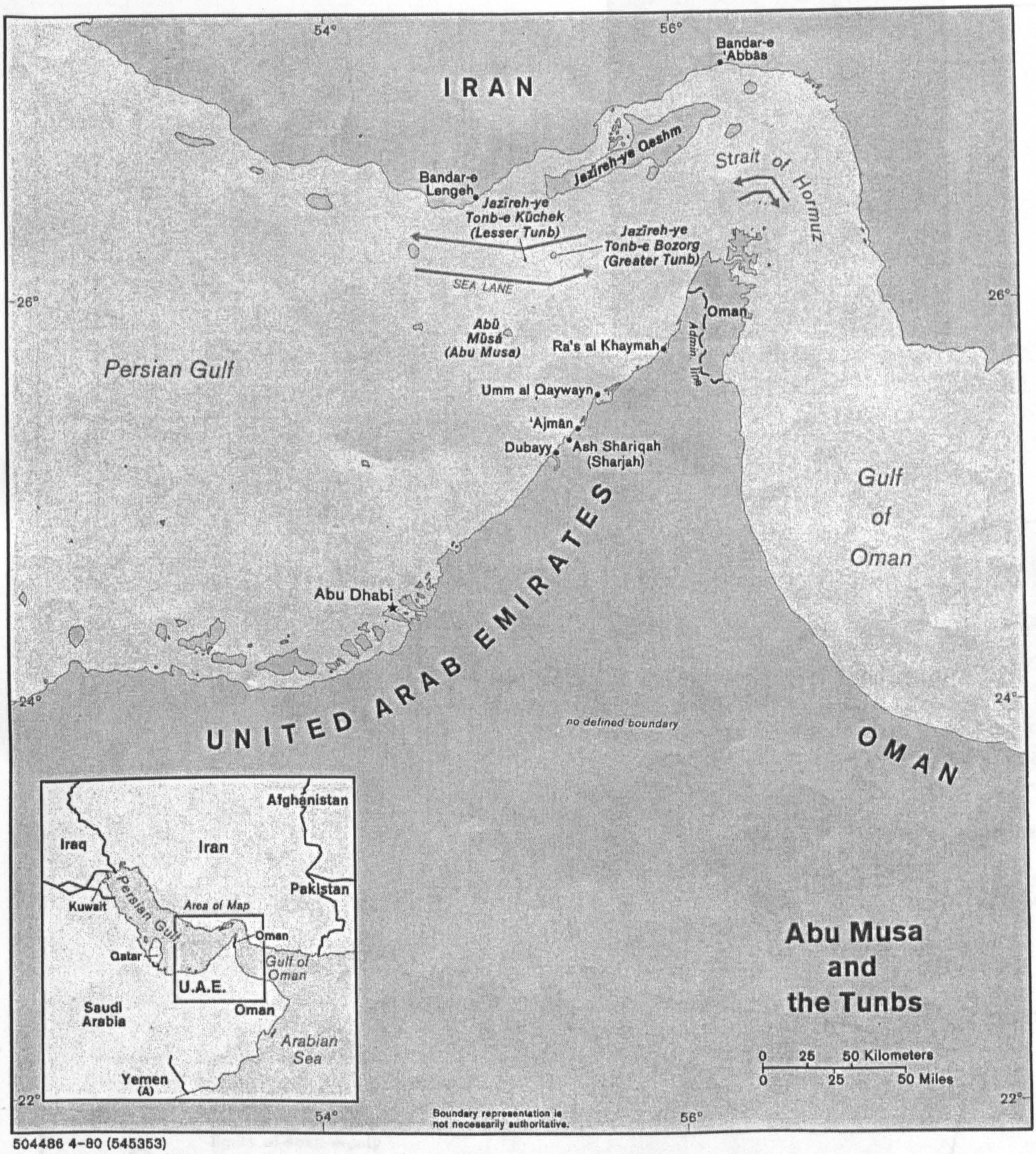
	conditional on payment of reparations.
1982 13 June	Saudi King Khalid dies of a heart attack in Ta'if; his half-brother Fahd takes over, with Abdullah as Crown Prince.
1983 04 May	Iran dissolves pro-Soviet Tudeh party and expels 18 Soviet diplomats, as Soviet Union turns more strongly pro-Iraqi.
1984 May	Iran captures Iraq's oil-rich Majnoon islands. Iraq turns to attacking Kharg Island oil terminal & Iranian ships in the Gulf. Iran retaliates with strikes on Saudi & Kuwaiti ships (13 May). UN condemns the shipping war.
1984 05 June	Saudi shoots down an Iranian jet fighter, allegedly in its airspace.
1985 July	Iraq peace overtures ignored by Iran.
1985 13 Sept.	Iran receives 508 US-made Tow missiles, as part of secret arms-for-hostages deal with US. 4000 more missiles authorised by Reagan on 17 Jan 86, supplied through Israel. The sales are finally revealed by al-Shira'a magazine (Beirut) on 3 Nov 86, creating the international "Irangate" scandal.
1986 Feb.	Iran captures Fao Peninsula, in Southern Iraq.
1986 Nov.	King Fahd adds the title "Custodian of the Two Holy Cities" to his name.
1987 17-25 Jan.	Iraq resumes the 'War of the Cities'; Moscow pressures Iraq to end war (18 Feb)
1987 Aug.	Mecca riot causes more than 400 deaths.
1988 Feb.	The Soviet Union announces its intention to withdraw from Afghanistan.
1988 16-18 Apr.	Iraq recaptures Fao Peninsula.
1988 18 Apr.	US blows up 2 Iranian oilrigs, destroys an Iranian frigate and immobilises another.
1988 26 Apr.	Saudi Arabia severs its diplomatic relations with Iran.
1988 03 July	USS Vincennes shoots down an Iranian Airbus passenger aircraft, killing 290.
1988 18 July	End of Iran-Iraq War.
1988 20 July	Iran accepts ceasefire after UN-brokered agreement in Geneva.
1988 20 Aug.	Formal ceasefire in Iraq-Iran war.
1989 Feb.	Soviet withdrawal from Afghanistan.
1989 03 June	Khomeini dies. Ali Akbar Hashemi-Rafanjani becomes the new president (17 Aug.).
1990 02 Aug.	Iraqi forces invade Kuwait.
1990 12 Aug.	Iraq offers to withdraw if Syria withdraws from Lebanon & Israel from 1967 territories. Another offer to withdraw (23 Aug.) if given

	guaranteed access to Gulf & full control of Rumailah oil field. SCR678 (29 Nov.) authorises military action to liberate Kuwait, & imposes deadline of 15 Jan for Iraqi withdrawal.
1991 16 Jan.-28 Feb.	The Second Gulf War.
1991 06 Mar.	'Damascus Declaration': Syria and Egypt agree to protect GCC militarily for economic aid.
1991 19 Mar.	Saudi Arabia re-establishes its diplomatic relations with Iran.
1991 25 Dec.	Dissolution of the USSR.
1992 20 Apr.	Abu Musa issue re-emerges.
1993 Apr.	GCC Foreign Ministers claim UAE sovereignty over 3 Gulf Islands.
1993 18 May	Martin Indyk, Special Assistant to the US President on Near Eastern & South Asian affairs, announces a policy of 'Dual Containment' of Iran and Iraq.
1993 11 June	Rafsanjani re-elected as President in Iran.
1994 05 Dec.	Bahrain arrests Shi'ite leaders, and widespread Shi'ite protests follow, with attendant government crackdown.
1994 08 May	Clinton signs executive order banning US companies from trading with Iran; had been announced at meeting of the World of Jewish Congress in New York on 30 Apr.
1996 09 Mar.	Iranian Parliamentary election: pro-Rafsanjani faction gains.
1996 03 June	Bahrain's Interior Ministry accuses Iran of organising uprisings against the government through "Hizbullah-Bahrain" group; recalls ambassador to Iran.
1996 25 June	Huge bomb explodes at al-Khobar, residential complex for US personnel stationed at Dhahran airbase in Saudi Arabia.
1997 23 May	Election of Seyyid Muhammad Khatami to the Presidency of Iran.
1997 09 Dec.	Organisation of the Islamic Conference meets in Tehran, adopting the Tehran Declaration which considers D'Amato bill void.

Middle East

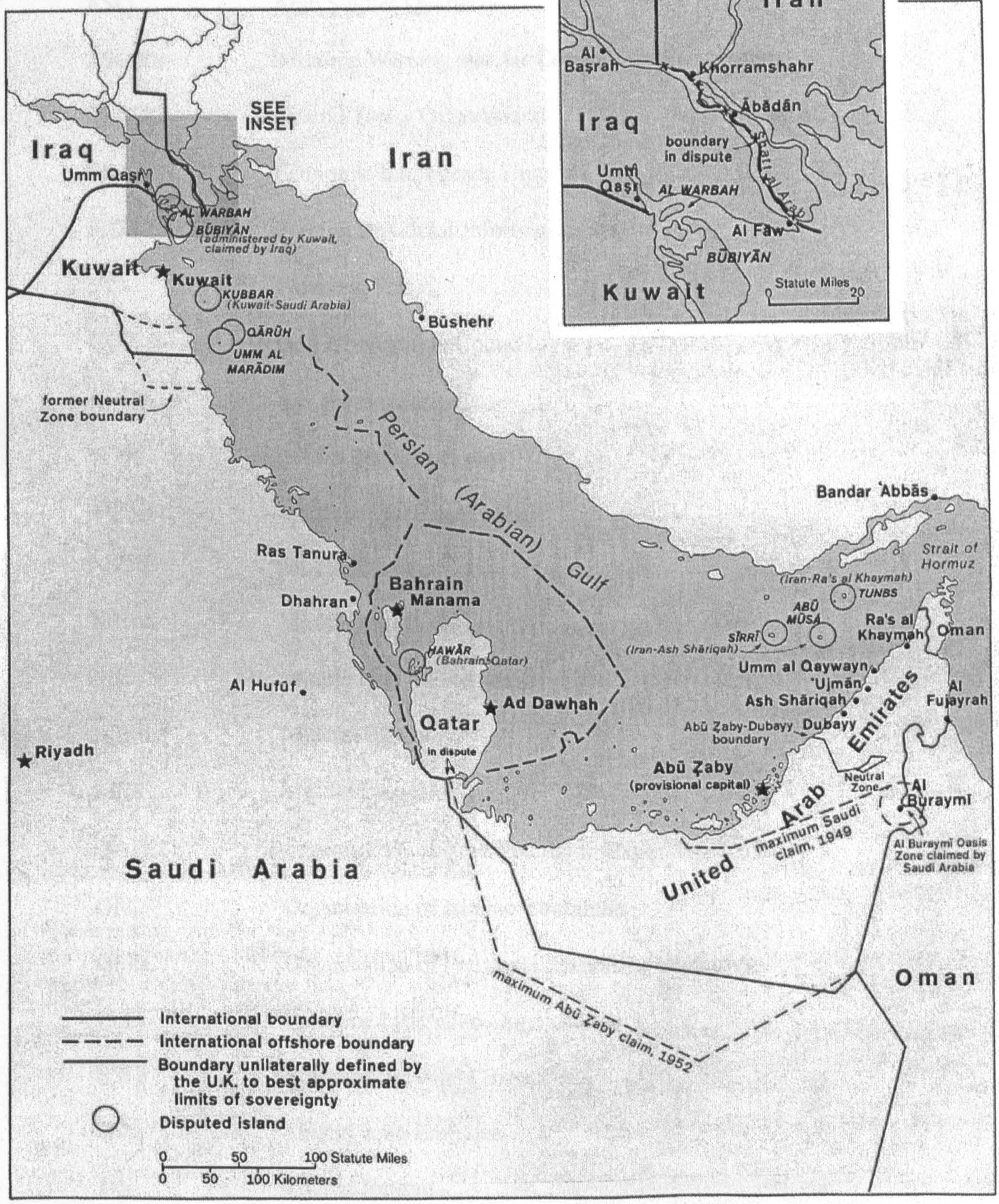


http://www.lib.utexas.edu/maps/middle_east_and_asia/middle_east...



504486 4-80 (545353)

http://www.lib.utexas.edu/maps/middle_east_and_asia/hormuz_80.jpg



http://www.lib.utexas.edu/maps/middle_east_and_asia/persian_gulf...

LIST OF ACRONYMS AND ABBREVIATIONS

ASQ	Arab Studies Quarterly
AWACs	Airborne Warning and Air Communications System
CENTO	Central Treaty Organisation
EIU	Economic Intelligence Unit
FBIS	Foreign Broadcast Information System
FT	Financial Times
GCC	Gulf Cooperation Council
LDCs	less developed countries
mbd	million barrels per day
MNCs	multinational corporations
MEED	Middle East Economic Digest
MEES	Middle East Economic Summary
MEI	Middle East International
MEM	Mideast Mirror
MER	Middle East Report
OAPEC	Organisation of Arab Petroleum Exporting Countries
OIC	Organisation of Islamic Conference
OPEC	Organisation of Petroleum Exporting Countries
PLO	Palestine Liberation Organisation
SWB	Summary of World Broadcasts
UAE	United Arab Emirates
UN	United Nations

List of Tables

Table2.1	Land/Air Force of Iran, Iraq and Saudi Arabia	55
Table2.2	Combat Aircraft Inventories in the Persian Gulf	56
Table2.3	Naval Vessels in the Persian Gulf	56
Table2.4	Military Statistical Summary of Iran, Iraq and Saudi Arabia in 1977-78	56
Table 3.1	Oil Exports As A Percentage of Total Exports of Saudi Arabia, Iran, and Total OPEC States, 1961-1980	85
Table 3.2	Saudi Employees by Economic Activity	85
Table 3.3	Iranian Employees by Economic Activity	86
Table 3.4	Crude Oil Production and Revenues in Iran and Saudi Arabia since Commencement	89
Table 3.5	Oil Price Indication, 1970-1997	98
Table 3.6	World Oil Exports, 1977-1997	99
Table 3.7	OPEC Crude Oil Production Ceiling Allocations	103
Table 5.1	Proven Crude Oil Reserves, 1977-1997	174
Table 5.2	Iran, Iraq and Saudi Arabia Estimated Mid-Year Population, 1973-1996	175
Table 5.3	Land/Air Force of Iran, Iraq and Saudi Arabia	176
Table 5.4	Combat Aircraft Inventories in the Persian Gulf	176
Table 5.5	Naval Vessels in the Persian Gulf	177
Table 5.6	Military Statistical Summary of Iran, Iraq and Saudi Arabia in 1979-80	178
Table 5.7	Values of Petroleum Exports of Iran, Iraq, Saudi Arabia and Total OPEC, 1961-1997	209
Table 7.1	Evolution of the Principal Gulf Powers, 1970-1980	280

INTRODUCTION

1.0 Objectives

This study focuses on the relations between two of the most important and influential states in the Gulf regional system, Saudi Arabia and Iran; it attempts to assess the development of their relations through a number of case studies. The thesis identifies and explores different factors and variables which have impacted on their relations from 1977 to 1997. This particular timeframe is chosen because it spans a period of momentous change in Iran; it encompasses the last two years of the Shah's reign, prior to the revolution, until the beginning of a new Iranian era under President Khatami. The Iranian Revolution marks a watershed for the Saudi-Iranian relations and, therefore, is critical for comprehending the fluctuations of their relations from the late 1970s to the beginning of the new era in the mid-1990s. The study attempts to establish and develop a comprehensive understanding of Saudi-Iranian relations and how they have been affected by various issues. Such an understanding is crucial to predict the factors that are likely to influence the future course of Saudi-Iranian relations.

The research question the study aims to answer is: how certain factors, namely oil, religion, Iraq, regional disputes (Bahrain, Abu Musa, the Greater and Lesser Tunbs), and superpowers (the US, and the Soviet Union/Russia) have affected the relations between Saudi Arabia and Iran during the timeframe under study?

2.0 Methodology

The research has been conducted on a number of levels. The thesis is grounded in

international relations; the main theories of international relations, namely realism, neo-realism, pluralism, and globalism, are outlined in order to distil the theory that best explains the behaviour of Saudi Arabia & Iran towards each other. As will be illustrated, it is believed that neo-realism offers the most useful theoretical framework because it allows us to consider the state as a unitary actor. Since this thesis does not attempt to deal with all aspects that impact on Iranian and Saudi foreign policy-making (domestic or external), it is more useful to consider the end-product of policy in terms of the holistic actions of the state itself. Thus, the state needs to be dealt with as a unitary actor.

Neo-realism also offers a context for a relationship between two states – the international and regional systems – which have been fundamental to the relationship between Saudi Arabia and Iran. Within that context, the concept of balance of power presents an understanding of how states align themselves in their relations with others, whether this is through competition or co-operation. Finally, neo-realism offers the notion that regime survival is the ultimate goal of states in the international system, and that – while other interests such as economic considerations are relevant – they are ultimately subordinate to this primary objective.

The researcher highlights the different factors impacting on relations between Saudi Arabia and Iran. The researcher has chosen the most important issues, namely oil, religion, Iraq, Bahrain, Abu Musa and the superpowers, as the main themes for the chapters, in tracing developments in Saudi-Iranian relations. The researcher has relied mainly on published secondary sources, including books, articles and journals. Although some primary sources have also been used, assessing the nature of the political systems in the two countries has meant that access to official information has

often been unavailable. Where necessary, sources such as Mideast Mirror and SWB, which replicate primary commentaries, have been utilised. Moreover, while the researcher conducted some fieldwork in Iran in 1998, being Taiwanese, the researcher found it impossible to personally visit Saudi Arabia to conduct fieldwork there.

3.0 Significance of the study

A few systematic studies of Saudi-Iranian relations have been undertaken by Amirahmadi, Badeeb, Chubin, Furtig, Haass and Tripp. But none have dealt comprehensively with such important issues such as oil, religion, regional disputes, and the superpowers and their impact on relations between Saudi Arabia and Iran. The fact that oil intensified the competition between Saudi Arabia and Iran has so far been neglected. Also, the religious factor has played a prominent role since the Iranian revolution, and regional factors such as Iraq, Bahrain and the Abu Musa issues have all been critical in the Saudi-Iranian quest for dominance in the region. Thus, the major contribution of this study is that it is the first comprehensive attempt at exploring Saudi-Iranian relations concerning the above mentioned key factors from 1977 and through the revolutionary period in Iran.

4.0 Outline of thesis

This thesis is divided into three main parts. Part one comprises of the theoretical framework and the history of relations between Saudi Arabia and Iran since the early twentieth century. The first chapter introduces the international relations theories and concepts used throughout the study. The researcher uses the main paradigms of international relations of realism, neo-realism, pluralism, and globalism, highlighting

each theory's strengths and weakness when applied to the study of relations between Saudi Arabia and Iran. One could argue that none of the paradigms could properly explain the impact of the forces which affected the relations between Saudi Arabia and Iran. However, one should bear in mind that theories are put forward after events happen and theorists attempt to find the most suitable theory to describe the phenomenon between the relations among states. The neo-realist theory of international relations, as developed by Waltz, has been chosen to be the principle guideline for the research, as the researcher argues that domestic factors play less significant part in determining states', in the case of this research Saudi Arabia and Iran's, foreign policy than external determinants.

The second chapter traces the relations between Saudi Arabia and Iran from the early twentieth century to 1977, and assesses the changing nature of their relations by looking at their geographical significance in world politics. Superpower competition in regional affairs has raised the importance of both countries in the international political system. Further, the discovery of oil in the region altered the form of competition in the region from simple ideological competition, after WWII, giving it an economic dimension in the late 1950s onwards. In particular, the rise of oil, which led to the establishment of Organisation of Petroleum Exporting Countries (OPEC) and Organisation of Arab Petroleum Exporting Countries (OAPEC) in the 1960s, has influenced their relations in later periods. Regional conflicts emerged as a prelude to their competition for domination in regional affairs. Thus, studying the history of the relations between Saudi Arabia and Iran prior to 1977 is essential for producing a strong understanding of how the external factor has affected Saudi-Iranian relations.

The foundations laid in Chapter Two are built on in the second section. This part is

divided into five chapters and assesses factors (oil, religion, Iraq, regional conflicts, and the superpowers' involvement) affecting Saudi-Iranian relations. Although, each factor has played a significant role in determining the course of relations, at a certain stage, one should not be tempted to overemphasise the influence of any one factor over the others. The researcher emphasises that each factor has intertwined with other factors in different stages; and any attempt to attribute the improvement or worsening of relations during a particular stage to one factor or another is an oversimplification of the relationship and will probably be inaccurate.

Chapter Three focuses on oil. Despite having a common commodity base, oil, both states have adopted different approaches in utilising oil revenues to meet their development needs. By looking at how oil producing countries emerged as a cartel in the world market and competition for domination within OPEC, we are able to perceive how their confrontation has intensified.

Chapter Four examines religion's contribution to the reinforcement of competition between Saudi Arabia and Iran soon after the Iranian Revolution. Investigating the division between *Sunni* and *Shi'ite* in the Muslim world will help us understand the natural difference of both regimes regarding religion. This difference was sharpened by the change of regime in Iran in 1979. The Iranian regime attempted to export its ideology into the region. This aroused the fear of the Saudi regime of an attempt to impose the Iranian style revolution in Saudi Arabia. Confrontation was intensified as the Iranian regime challenged the Saudi regime for its leading position in the Muslim world. The Saudi regime, ever since the establishment of the Kingdom, has based the legitimacy of Saudi leadership in the Muslim world on the location of the two Holy Cities, Mecca and Medina, within its territory. Saudi Arabia has, therefore, always

considered itself as the centre of the Muslim world. This was questioned by the Iranian clergy, especially Ayatollah Ruhollah Khomeini, who described the Saudi ruling family's behaviour as being 'un-Islamic'. Consequently, religion has had an adverse impact on the Saudi-Iranian relations after the revolution in 1979. Religion has been considered in this thesis, not as a literal or domestic identity-related input into foreign-policy making, but as a political tool of the regimes.

Chapter Five discusses the influence of the Iraqi factor over Saudi-Iranian relations during the periods of the Iran-Iraq War between 1980-88 and the Iraqi invasion of Kuwait in 1990. During the Iran-Iraq War, Iraq acted as one main reason behind the deterioration of Saudi-Iranian relations, as Saudi Arabia had supported Iraqi war efforts against Iran. This support was inspired by Saudi fear of Iran emerging as the dominant state in the region. This would have threatened Saudi's own security. However, the Iraqi invasion of Kuwait reversed the trend of their frosted relations, as Tehran took a neutral stance in the conflict.

Chapter Six also accesses the impact of regional issues on Saudi-Iranian relations by discussing the Bahraini factor, Abu Musa and the Greater and Lesser Tunbs disputes. The reaction of both Saudi Arabia and Iran towards these two issues is highlighted in the chapter. Each issue elicited a different response from both countries. The Saudi regime closely monitored events in Bahrain to guard its own security interests. In contrast, the Saudi response to UAE's request for a confrontation with Iran regarding Abu Musa and the Greater and Lesser Tunbs disputes was lukewarm. Evidently, Saudi Arabia was unwilling to fight with Iran over these territorial disputes.

The penultimate chapter assesses the effect of superpower involvement in regional

affairs on Saudi-Iranian relations. After WWII, both superpowers sought to extend their influence and promote their interests in the region. Due to ideological reasons, as will be highlighted in the chapter, the US has been more successful than the Soviet Union in cultivating relations with Saudi Arabia and Iran at different stages, thereby exerting more influence on the course of their relationship. Soviet influence in the region further declined with the dissolution of the Soviet Union into the Russian Federation, plus its economic collapse, and the loss of its Central Asian Republics, and the eventual recession of its territorial boundary moving further away from the Middle East region. Hence, since the early 1990s, the US has become the unipower in regional affairs, and its impact on Saudi-Iranian relations has been amplified.

In the concluding chapter, the researcher presents a brief review of the arguments examined throughout the thesis. The contribution of each factor towards the improvement or worsening of relations between Saudi Arabia and Iran will be assessed. The contribution which neo-realism can make in understanding the Saudi-Iranian relationship will be assessed, as well as the limitations of this specific approach. Finally, the researcher evaluates the kind of role each of the key factors might play in the future of Saudi-Iranian relations.

CHAPTER ONE

THEORETICAL FRAMEWORK

The strong do what they have the power to do,

and the weak accept what they have to accept.

-Thucydides

1.0 Introduction

The change in the international political environment from 1977 to 1997, caused by the Iranian Revolution in 1979, the Iran-Iraq war (1980-88), the Iraqi invasion of Kuwait in 1990, the Second Gulf war in 1991, the collapse of the Soviet Union in 1991, and the emerging unipolar distribution of power, had significant implications for the relations between Saudi Arabia and Iran.

Saudi Arabia and Iran are the most important players in the Gulf region due to their strategic location, their resources of petroleum and natural gas, and their religious significance in the Islamic world. For their own benefit, external powers have been eager to play a role in their relations. Therefore, Saudi Arabia and Iran's relations have always been affected by international players.

Yet, there is still no single coherent theory in international relations which could precisely explain and predict both Saudi Arabia and Iran's foreign policy behaviour. Although many theoretical frameworks have been applied to explain and predict their foreign policy regarding specific issues, they do not explain everything. The author,

therefore, attempts to highlight different theories, to explain their strengths and weaknesses in order to demonstrate which theory is most able to clarify their foreign policy towards each other.

There are a variety of theories distinguishable within international relations literature. This chapter will elaborate on four main theories: realism; neo-realism; pluralism; and globalism. The researcher will present the main concepts, strengths and critique of each of the four theories. This will be then utilised as a tool to enable the author to analyse relations between Iran and Saudi Arabia from 1977 to 1997 within the international political system.

2.0 The paradigms of international relations

As already mentioned, in order to build up a theoretical and conceptual framework for this study, the author will highlight four theories: realism; neo-realism; pluralism; and globalism. The author highlights the main concept of each theory and at the same time identifying the theory's strengths and weaknesses. After a summary of the paradigms has been presented, the author will explain the reason for choosing neo-realism as a model to discuss relations between Saudi Arabia and Iran.

2.1 Realism

Realism is widely regarded as the most influential theoretical tradition in international relations. Realism's main foci are the state, power and the balance of power. It sees nation states as constituents of an international system which determines their

behaviour. It argues that the state of war is the regular condition of life within this international system.

Relations among states take place in the absence of a world government, and for realists, this means that the international system is anarchical. International relations are best understood by focusing on the distribution of power among states, and the uneven distribution of power means that the arena of international relations is a form of power politics (Griffiths, 1999:1).

The core elements of realism are:

1. The state is the principal or most important actor;
2. The state is a unitary actor;
3. The state is a rational actor;
4. National security is the most important issue for a state's survival. Military and political issues dominate the agenda and are referred to as high politics (Viotti and Kauppi, 1993:5-7);
5. Balance of power plays an important role in the anarchical world system.

The essential features of realism are statism, survival, and self-help. For realists, the meaning of the sovereign state is inextricably linked with the use of force which has two dimensions: internal and external. State in the internal sense is 'the monopoly of the legitimate use of physical force within a given territory. For the external dimension, a sovereign state coexists with other states in an anarchic system. The definition of anarchy does not imply chaos, but the absence of political authority. In anarchy, states compete with other states for security, markets, and influence' (Baylis and Smith, 1997:114-15). For realists, states are the only actors which really count, and the state's

first move is to organise power domestically, and secondly is to accumulate power internationally.

The second principle of realism is the state's paramount goal of survival, this being a precondition for attaining all other goals, whether these involve conquest or merely independence. Realists argue that international politics is a constant of the regularity of war and conflict. The key difference between domestic and international orders lies in their structure. In the domestic polity, citizens do not have to defend themselves, yet in the international system, there is no higher authority to prevent and counter the use of force. Waltz argues that states use external as well as internal means to achieve their goals – an important one of which is security, and self-help is necessarily the principle of action in an anarchic order. Security can only be realised through self-help, the third pillar of realist theory (Baylis and Smith, 1997:117), and through the operation of the balance of power, which refers to an equilibrium between states (Dunne, 1997:122). However, the balance of power is not natural or inevitable, it must be constructed (Baylis and Smith, 1997:118).

Realists believe that states, existing in an anarchic world, rely heavily on the concept of power, rationality, and the balance of power. International politics is, therefore, a struggle for power and ultimately state survival. Realists regard power as the fundamental concept in social sciences, and power is central to their understanding of how nation-states deal and interact with each other (Bin Huwaidin, 2001:60). Morgenthau states that international politics is a struggle for power; he perceives power not only as an instrument for the attainment of other ends in a competitive international system, but also as an end in itself (Morgenthau, 1967:5). Whatever the ultimate aims of international politics, power is always the immediate aim.

States then compete with each other within the anarchic international system. The nature of the international system, therefore, determines the basic foreign policy orientations of any particular state, whether this be a policy of status quo, or imperialism, depending on its location in the international power structure. Due to its centrality to explaining state behaviour in realism thought, international anarchy deserves more attention.

The concept of international anarchy:

There is no body above the state; states are the only bodies in international society with sovereignty. There is no central government, and the units operating within the international system are sovereign and autonomous states, responsible for their own fate even though they may not control it. Thus, international politics is said to be anarchical because no single state or coalition of states has absolute control or authority over the entire system. (Griffiths and O'Callaghan, 2002:3). They claim a right to be independent or autonomous from other states, and they claim a right to exercise complete authority over their own territories, but can not claim the right to dominate another sovereign state. Some states are clearly more powerful than others, but there is no recognised authority higher than that of any state.

The location of a state within a situation of anarchy imposes a security risk. There is no prospect of completely enforceable international law, or of a universal moral code to guide the actions of leaders. Might may not always be right, but unless it is met with equal might it may well prevail. Anarchy, therefore, can only be mitigated, not transcended. As long as the structure of the system remains anarchical, states must continue to ensure their own defences, and forces, or threats to it, will continue to be a

possible outcome of any international interactions.

Realists believe that governments act rationally, have consistent, ordered preferences, and calculate the costs and benefits of all available policies in order to maximise their utility in light of both those preferences and their perceptions of the nature of reality. Furthermore, they assume that decision-makers will try to achieve the best possible decision (Viotti and Kauppi, 1993:35-36).

In such an anarchic international system, balance of power is central for ensuring stability of the system.

Balance of power

The term balance of power indicates the relative distribution of power among states into equal or unequal shares, and realists believe that a balance of power is the best guarantee of security of states and peace of the world. However, great powers play the leading roles in influencing the balance of power in the international system, as well as sub-systems, because of their military force and their control of key technologies. In the end a great power reaps a disproportionate share of the benefits of the system, but they also bear a greater responsibility as its regulators (Griffiths and O'Callaghan, 2002:12-13).

As states in the anarchic system aim for survival, the balance of power plays a very important role within the realist framework.

Viotti and Kauppi state that balance of power is:

1. A policy aimed at a certain state of affairs;

2. An objective or actual state of affairs;
3. An approximately equal distribution of power; as when a balance of power existed between the US and the Soviet Union; and
4. Any distribution of power including a preponderance of power, as when the balance of power shifts in favour of either superpower (Viotti and Kauppi, 1993:64).

Balance of power theory is a theory about the results produced by the unco-ordinated actions of states. Coexistence is achieved through maintaining a balance of power; and limited co-operation is possible in interactions where the realist state stands to gain more than other states.

Criticisms

The key critique of realism's three principles are: statism is flawed both on empirical and normative grounds. There are no limits on the actions a state can take necessary to secure their survival. Nor is self-help an inevitable consequence of the absence of a world government; self-help is a game which states have chosen to play (Baylis and Smith, 1997:119).

In addition, realists saw power politics as a necessary and endemic feature of all relationships between sovereign states. Realists drew attention to the reality of conflict in international relations, and the lessons to be learnt from its recurrent patterns. However, realism is criticised for its failure to recognise how its contribution to international stability preserves social and economic inequalities within and between societies (Burchill, 2001:83-85). Furthermore, Waltz's theory of the balance of power encounters some difficulties. He does not identify precisely the conditions under

which coalitions will change; he only predicts that balances of power will periodically recur. He relies explicitly on the rationality principle to show that bipolar balances must be stable (Keohane, 1993:197).

Realism is regarded as providing a basic understanding of human nature. However, realism has been criticised by a number of theorists. Globalists, such as Wallerstein, argue that the theory does not account for the role of classes, societies, and non-state actors within the world capitalist system, and fails to address economic factors which play a very important role within the state. Holsti, writing from a pluralist perspective further adds that realism could not explain the role of multinational corporations, terrorist groups, transactional and international organisations within the state power struggle. Furthermore, realism fails to deal with the particular motives and values of individual decision-makers. Keohane criticised realism for leaving little room for the individual decision-makers to act, and for ignoring that economics had several related effects (Keohane, 1993:261).

Furthermore, Keohane argues that realism does not provide a satisfactory theory of world politics, and could not provide a set of plausible and testable answers to questions about state behaviour under specified conditions. Realism is particularly weak in accounting for change, especially where the sources of that change lie in the world political economy or in the domestic structures of states (Keohane, 1986:159).

Furthermore, the balance of power does not explain the particular policies of states, and has two problems:

1. The theory offers some predictions, but these are indeterminate. Because only a loosely defined and inconstant condition of balance is predicted, it is difficult to say

that any given distribution of power falsifies the theory.

2. Though states may be disposed to react to international constraints and incentives in accordance with the theory's expectations, the policies and actions of states are also shaped by their internal conditions.

2.2 Neo-realism

The essence of neo-realism is a more theoretically refined systemic or structural account of international relations which answers some of the criticisms of realism. Although, neo-realism accepts all the assumptions made by realists including the concept of power, here the concept of power is not defined only in terms of military might. Instead, neo-realism defines power according to a wide range of capabilities. Neo-realism has two main areas of concern: the first is an attempt to rectify realism's inability to deal with economic issues; and the second is the development of a more thorough and rigorous structural account of international relations.

Neo-realism accepts the basic assumptions of realism about the state being the main international actor in world politics and that states are mainly concerned with their own survival. However, co-operation is not impossible to achieve in the anarchical international system. States co-operate with each other in order to increase their own capabilities (Bin Huwaidin, 2001:64-65), and the measurement of a state's power in the international system is not just restricted to its military capability, but also to its performance in several different capabilities, like economy, religion and politics.

However, rather than locating human nature as the source of state behaviour, neo-realism emphasises the structure of the international political system. Neo-realism

identifies the natural state of anarchy, within which states exist, as the main determinant of state behaviour. Survival is the primordial reason for the state, where behaviour is governed by self-help in a system of states. However, the differentiation among states in terms of territorial size, their population, and the geopolitics factors, affects the power-ratio of relations (Quilliam, 1999:9).

Both realists and neo-realists agree that the internal dynamics of states, such as their domestic political systems, domestic economic development policies and religious legitimacy of regimes are relevant to the formulation of foreign policy, but when these clash with the objective of regime survival, the state puts the balance of power above economic and religious considerations. It can be argued that foreign policy should be based upon a rational set of objectives if the state is to survive in the anarchic arena. Therefore, to protect their sovereignty, states try to achieve a balance of power (Quilliam, 1999:9).

Neo-realists believe that states' national interests in the international system can be defined as securing their survival by increasing their economic, military and political capabilities in order to produce a balance of power. Therefore, balance of power becomes an important principle in guiding relations among states (Bin Huwaidin, 2001:69).

Therefore, the core elements of neo-realism can be summarised as follows:

1. Neo-realists recognise that states and non-state actors are both important in world politics, but recognise the role of non-state actors within the state decision-making procedure;
2. Neo-realism belongs firmly to the realist tradition, where the state is a rational actor;

3. Neo-realism believes that both economy and power are important factors for state survival, but when both of them clash, the state puts power above economic considerations (Keohane, 1993:110);
4. The political significance of interdependence varies depending on whether a realm is organised, with relations of authority specified and established, or remains formally unorganised;
5. Balance of power still plays an important part in the anarchical world.

Neo-realists see states as able to control international economic transactions in a way that restores explanatory power to realist assumptions about the role of those states that attempt to maximise the power. Within neo-realism international, economic regimes are incarnations of structural power in the international system, and their existence allows states to control one area of the international agenda that better explain the international system than realism. If an economic power can sufficiently dominate the international economy, it can provide a hegemonic stability which enables other states to co-operate with it and with one another.

Criticisms

Criticisms of neo-realism arose because it leaves little or no room for systemic change induced by the units themselves. Waltz is convinced that states are virtually powerless to alter the system in which they find themselves trapped, although he concedes that under certain conditions they can resist the constraints of structure. Waltz argues that the values, ethics and moral aspirations of states are frustrated by the systemic constraint of anarchy. Waltz denies that greater levels of economic interdependency amongst states pose a threat to the condition of anarchy (Burchill, 2001:92).

Neo-realism, due to its emphasis on recurrence and repetition in the international system, can not envisage a form of statecraft which transcends the calculus of power and control (Burchill, 2001:93). Furthermore, neo-realism is criticised as a problem-solving theory which accepts the prevailing social and political relations between states and the institutions into which they are organised, as the given framework for action. It also reduces international relations to power management by legitimating the very political order it is describing – one which favours the powerful and is hostile to change (Burchill, 2001:93-94).

2.3 Pluralism

The pluralist image of international relations is another approach to the study of domestic sources in determining foreign policy. Unlike realists who argue that balance of power and the international system are the most important factors in formulating foreign policy, pluralists emphasise the significance of internal factors in determining states' foreign policy. Pluralists believe power is not the most important factor in conducting states' foreign policy, but the role of different internal factors, mainly economic, shape states' foreign policy. Pluralism is more concerned with the notions of co-operation, coexistence, and interdependence.

The main assumptions of pluralism are:

1. State and non-state actors are important. Pluralists regard non-state actors as important entities in international relations that cannot be ignored, and play as important a role as states in international relations;
2. The state is not a unitary actor; it is composed of different actors that attempt to influence the formulation of foreign policy;

3. The state is not a rational actor, and the foreign policy decision-making is a complicated process which is the result of clashes, bargaining, and compromise between and among different actors;
4. Multiple agendas with socio-economic or welfare issues are as, or even more, important as national security questions. Pluralists argue that economic and social issues are important elements of foreign policy besides national security (Viotti and Kauppi, 1993:7-10).

The pluralist image is based on a different set of assumptions. First, non-state actors are significant entities in international relations. International organisations can be important independent actors in their own right. The organisation's own decision makers, bureaucrats, and other associated groups have considerable influence in areas such as agenda-setting, determining which issues are most important politically. Non-governmental actors such as multinational corporations (MNCs) can not be dismissed as being of merely marginal importance, as can be seen in the Third World countries, where Western companies may influence a country's policy. In pluralism, therefore, the transnational dimension of state and non-state actors operate across national borders (Viotti and Kauppi, 1993:7-8).

Second, for pluralists, the state is not a unitary actor. The state is composed of individual bureaucracies, interest groups, and individuals that attempt to formulate or influence foreign policy. Competition, coalition building, conflict, and compromise among these actors are the stuff of politics (Viotti and Kauppi, 1993:7-8).

Third, pluralists challenge the utility of the realist assumption of the state as a rational actor. This follows from the pluralist image of the disaggregated state in which the

foreign policy decision-making process is the result of clashes, bargaining, and compromise between and among different actors. However, misperception on the part of decision makers, as a result of incomplete information, bias, stress, and uncertainty about cause and effect, may result in an inability to produce the best or optimal decision (Viotti and Kauppi, 1993:7-8).

Finally, for pluralists, military or national security is not always on the top of a state's agenda. Foreign affairs issues may be influenced by economic and social causes that affect a state's decision making process (Viotti and Kauppi, 1993:7-8).

In relations between states, pluralists stress the possibilities for co-operation. Pluralists do not think that sovereignty is as important in practice as realists think it is in theory.

The strengths of pluralism in explaining international politics are:

1. Pluralists emphasise decision-making, transnationalism, and co-operation.
2. Pluralists approach to international relations is grounded in political economy.
3. Pluralists focus on a greater variety of actors.
4. The transnationalist tradition emphasises socio-economic or welfare issues.

Criticisms

Pluralism has been criticised by different schools, which conclude that pluralism can not explain conflict and compromise among different actors (i.e. interest groups, and individuals) influencing the decision making process. Furthermore, pluralists tend to downplay the role of anarchy and the security dilemma in explaining international relations. It has been argued by realists that no analysis of world politics is complete

unless the anarchical structure of the system is taken into account (Viotti and Kauppi, 1993:248-49).

At the same time, realists criticise pluralism because, by emphasising misperception and the role of bureaucratic politics, there is a danger in thinking that all conflicts result from essentially non-rational forces and that somehow better communication would reduce the amount of conflict in the international system. By contrast, realists argue that states often have fundamentally different interests than conflict, and the notions of 'slipping into war' and 'the war nobody wanted' are overused and misleading. Realists believe that pluralists are in danger of remaining in the realm of merely describing things as opposed to explaining why things happen the way they do (Viotti and Kauppi, 1993:248).

2.4 Globalism

Globalism shares some features with both realism and pluralism, but is distinguished in its perception of the world capitalist system. The essence of globalism can be found in its study of dependency. Dependency theories are about asymmetries in power relations, in particular in economic capability, which account for structural inequalities in global wealth and power. Dependency stems from the simple yet crucial factor of reliance, and can be identified in military, economic and technological terms (Evans, 1998:121). It refers to imposed conditions whereby the exposure of Third World states to foreign direct investment, unequal trade agreements, interest payments on debt, and the exchange of raw materials for high priced manufactured goods creates structurally unequal relations between the core and the periphery (Griffiths and O'Callaghan, 2002:71-72).

Foreign direct investment creates an out flow of wealth from Third World states, and the wealth is systematically transferred from the periphery to the core. The result is chronic underdevelopment, which in turn manifests itself in two ways. The first is uneven development. The second is the introduction of a Western class system into the Third World (Griffiths and O'Callaghan, 2002:72).

Wallerstein regards the world economy as coexisting with a multiplicity of political jurisdictions and was characterised by a new international division of labour between core and periphery. The core refers to most of Europe and the US, and is where capital is always concentrated in its most sophisticated forms. In contrast, the periphery, mainly Latin America, Africa, most Asian countries, and Eastern Europe, refers to regions lacking strong central governments, dependent on coercive rather than wage-labour, and whose economies depend upon the export of raw materials to the core (Griffiths, 1999:252).

Wallerstein also refers to semi-peripheries as well as external areas. Semi-peripheries are either regions that could be geographically located in the core but are undergoing a process of relative decline or rising economies in the periphery, such as Hong Kong, Taiwan, South Korea, and the Soviet Union. They are exploited by the core, but in turn take advantage of the periphery. Wallerstein argues that the semi-periphery is a crucial buffer between core and periphery (Griffiths, 1999:253).

Globalists believe that the structure of the world capitalist system is responsible for an inequitable relationship between the North and the South, i.e. the transnational class coalitions linking elites in industrially developed countries (the North) with their

counterparts (the South). Wallerstein divides the organisation of the global economy into the core and the periphery; and in his theory, the periphery serves the interests of the core and the inequitable level of exchange ensures that the core remains the dominant partner in their relations (Quilliam, 1999:10).

The main assumptions of globalism are:

1. The global context within which states and other entities interact, as well as classes, states, societies, and non-state actors, operate as part of the world capitalist system.
2. Views international relations from a historical perspective.
3. Focuses on patterns of dominance within and among societies.
4. Economic factors are the most important issues for states (Viotti and Kauppi, 1993:8-10).

Globalists use systems analysis as their mode of enquiry. They perceive economic relations between the North and the South as dependent, and typically assume that the starting point of analysis for international relations is the global context within which states and other entities interact. Second, globalists stress that historical analysis is not only useful but also imperative to view international relations. Third, globalists believe that mechanisms of economic domination keep Third World states from developing, and that contributes to uneven development worldwide. Globalists recognise the importance of states, international organisations, and transnational actors and coalitions as actors in international relations, the particular focus being on how these and other factors act as mechanisms of domination by which some states, classes, or elites manage to benefit from the capitalist system at the expense of others. More specifically, globalists are typically concerned with the development and maintenance of dependency relations among northern industrialised states and poor, underdeveloped,

or industrially backward Third World or less developed countries (LDCs) of Latin America, Africa, and Asia. As part of the world capitalist system, LDCs can not choose their own path toward economic, and political development; autonomous development in these circumstances is not possible. Finally, globalists emphasise the critical importance of economic factors when it comes to explaining the dynamics of the international system. Globalists start with the assumption that economics is the key to understanding the creation, evolution, and functioning of the contemporary world system (Viotti and Kauppi, 1993:449-50).

The strengths of globalism are:

1. The concept of dependency in a world capitalist context;
2. Approach to international relations grounded in political economy which could explain the situation in the world economy; and
3. Transnationalist tradition emphasises socio-economic or welfare issues.

Globalism requires a significant capability, particularly in the military and economic dimensions and the willingness to use such a capability to secure goals of the state, often at considerable cost. Globalists see the global actor as uniquely qualified to pursue interventionist behaviour.

Criticisms

Critics have argued that some globalists have reduced the operation of the international system to the process of capital accumulation and related dynamics. They argue that globalists have placed too much importance on the economic variable (Viotti and Kauppi, 1993:465). The economic criticism of globalism is that individual cases are

examined solely in terms of general theoretical constructs, such as dependency or the capitalist world-system. Furthermore, globalists use case studies only when they appear to provide evidence to support their line of argument (Viotti and Kauppi, 1993:465). Critics comment that globalists simply group all irregularity under the concept of the semi-periphery, which is a theoretically and empirically poorly defined concept. Critics also charge that much of the work is less about explaining underdevelopment than about uniting Third World nationalists and socialists against the West by providing a politically attractive doctrine packaged in social science terms that blames all LDC problems on outside powers (Viotti and Kauppi, 1993:466).

The essential problem for globalism is that from a purely systemic point of view, situations of strategic interdependence do not have determinate solutions. No matter how carefully power resources are defined, no power model will be able accurately to predict outcomes under such conditions.

In line with the approach of this study, the researcher draws on the neo-realist school of thought, and highlights that state, power, and national security are critical variables in international relations theory, and will form the basis of analysis for this study. However, these are working definitions for the purposes of this research and, as such, are not intended to be comprehensive definitions. In order to establish a theoretical framework for this study, it is first of all necessary to have an understanding of the definitions of state, power and security, and also to recognise that the these factors play an important role in shaping the relations between Saudi Arabia and Iran in the case studies discussed throughout the thesis.

The State

According to Dunne's definition, the state is a legal territorial entity composed of a stable population and a government; it possesses a monopoly over the legitimate use of force; its sovereignty is recognised by other states in the international system (Dunne, 1997:122). Griffiths and O'Callaghan define states as that which: govern people in a territory with boundaries. They have laws, taxes, officials, currencies, postal services, police and armies. They wage war, negotiate treaties, put people in prison, and regulate life in thousands of ways. The most important fact is that they claim sovereignty within their territory (Griffiths and O'Callaghan, 2002:209).

Power

Power is a key concept in understanding the behaviour of states. Power could be defined as a state's ability to control, or at least influence, other states or the outcome of events. For example, state A is able to get state B to act in a way which maximises the interests of A (Dunne, 1997:122). Furthermore, power could be defined within interstate relations as a state's ability to control, or at least influence, other states or the outcome of events. Two dimensions are important for examining power: internal and external. The internal dimension could be defined as a capacity for action. Generally speaking, the method determining whether a state is powerful or not is by measuring whether it is insulated from outside influence or coercion in the formulation and implementation of policy. The external dimension refers to a capacity to control the behaviour of others to force compliance (Griffiths and O'Callaghan, 2002:253). Such influence need not be actively exercised; it need only be acknowledged by others, implicitly or explicitly, to be effective.

Power has both military and non-military components, and realist theorists have developed frameworks for classifying the elements of national power. Such capabilities include not only military forces, but also levels of technology, population, natural resources, geographical factors, from of government, political leadership, and ideology. Power is instrumental, used primarily for achieving or defending other goals, which could include prestige, territory, or security. To achieve these goals, states can use various techniques of influence, ranging from persuasion or offering rewards to threats or the actual use of force (Griffiths and O'Callaghan, 2002:253).

Security

To be secure is to be safe from harm, and security issues in international relations deal with the survival, welfare and protection of a state. In broader international terms, security includes political, economic, societal, environmental as well as military aspects (Baylis, 1997:194). States use whatever means necessary to protect their integrity from the threats of instability. States' primary motive is to protect their sovereignty. Because states are worried about the prospect of going to war, security is a primary concern (Griffiths and O'Callaghan, 2002:290).

According to realists, security is a primary concern, because of the significance of the concept of power. Realists believe that threats to the security of state are usually posed by other states. Given the lack of an international authority with the power to curb others' aggressive ambitions, states must rely on their own capabilities for preserving their security (Linklater, 1995:176). From a realist perspective, security of the state is achieved defending itself against external dangers, which is to be realised by increasing

its military capabilities. Thus, states are endemically insecure, and this leads them to place a premium on military power. If states are to survive, they have to maintain large standing armies, they must be vigilant about their defence, never trust other states, and always act in the national interest (Griffiths and O'Callaghan, 2002:290).

3.0 Conclusion

In this chapter, the researcher highlighted the core of each theory by describing the most important factors which could properly be attributed to each theory. When comparing the different international relations paradigms to the nature of the interstate relations between Saudi Arabia and Iran, we can see that neo-realism is the most convincing theory. In examining Saudi-Iranian relations, one could identify the state as the principal actor; and economic, religious factors and power are important elements for states' survival. However, when all other factors clashed, both Saudi Arabia and Iran still put power above economic and religious considerations. Although non-state actors can influence the outcome of state foreign policy, due to the nature of Saudi Arabia and Iran, the actions of these non-state actors have been of minor importance. Therefore, the author has not considered domestic non-state actors or the structure of the world capitalist system in the analysis.

The most appropriate paradigm for this thesis is neo-realism because realism cannot explain the roles of economic and religious factors in the relations between Saudi Arabia and Iran. Pluralism is rejected here since the thesis is trying to analyse the relationship between two nation-states while pluralism as a model rejects the idea of the state as a unitary actor. This thesis will demonstrate that both Saudi Arabia's and Iran's foreign policy conduct is mainly based on the decisions taken by national governmental

(state) institutions; other actors are marginalised in the decision-making process. Additionally, the economic factor, which is emphasised by pluralists, has never played the major role in determining Saudi-Iranian relations: when economic interest clashes with state survival the latter has always taken precedence in their relations. Globalism also emphasises economic factors and regards these as the most important elements in international relations, again making it of limited utility in analysing Saudi-Iranian relations which are clearly shaped by political/strategic considerations.

The researcher argues that neo-realist theory is the most useful framework for the purpose of this study, as it best explains both Saudi Arabia and Iran's foreign policy behaviour towards each other. The relationship clearly takes place within the context of the international and regional systems. As subsequent chapters will show, the relationship has been profoundly affected by superpower engagement in the region, by the independent interactions of the range of regional states and by the inter-dependent interactions between those states. Within this framework, regime survival has been the ultimate objective of both states in their dealings with one another, and that this objective has superceded other interests such as domestic economic development or internal ideological (religious) consolidation. The thesis highlights a number of factors – oil, religion, Iraq, the regional environment and superpower involvement in the region – which have determined the behaviour of the states towards one another. These factors have been considered in terms of how the states have related to them within the international and systemic contexts (thus they are termed "external"), not in terms of how they contribute to policy-making at the domestic ("internal") level. Therefore oil and religion, which obviously play a major role in shaping the state itself, are not considered for this function so much as in terms of how they contribute to the states' efforts to relate to the regional and international systems, and their relations with

one another within those systems. In line with a Neo-realist perspective, the thesis examines the relationship between the two states as a relationship between unitary actors.

However, each empirical chapter will also demonstrate that there are nuances of behaviour which neo-realist assumptions cannot account for. It would be too simplistic, for example, to entirely ignore the domestic composition of political elites which, at times, can lead one to question the unitary nature of the state. Ultimately a more nuanced definition of the state – with less rigid understandings of it the boundaries between officialdom and *ulema*, for example, might be useful. Equally, issues of identity within the domestic arena are not wholly irrelevant when it comes to determining how states seek to legitimize their regional behaviour in territorial disputes.

The thesis, while asserting the usefulness of neo-realist assumptions, does not seek to be wholly bound by neo-realism but, instead, to acknowledge its limitations. Neo-realism is in this case a framework for interpreting the relationship, but not a complete explanatory theory. This is because the focus of the thesis is the role of the factors discussed in shaping the relationship, rather than proving a neo-realist explanation for the relationship.

However, in order to contextualise the analysis of Saudi-Iranian relations and understand the trends of their relations between 1977 and 1997, one should look at the historical background which highlights the factors shaping their relations prior to the time-frame of this study.

CHAPTER TWO

HISTORY OF THE SAUDI-IRANIAN RELATIONS PRIOR TO 1977

1.0 Introduction

In order to understand contemporary Saudi-Iranian relations one should look at the trends in both countries' foreign policy during the twentieth century. The purpose of this chapter is to show the evolution of both countries' foreign policy prior to 1977. This serves as the foundation for the more in-depth study regarding the impact of oil, religion, Iraq, Bahrain, the UAE and the superpowers on the relations between Saudi Arabia and Iran, and shows how regional and international events have influenced each country's policy towards the other. In particular, the chapter highlights how different phases of their foreign policy have been shaped by internal events and external powers.

For the purpose of this analysis the foreign policies of Iran and Saudi Arabia prior to 1977 is divided into three main eras. The first period, from the early twentieth century to the beginning of WWII, is distinguished by the establishment of both countries, and the change of both countries' position within the international arena. The second period begins from the end of WWII to 1967. During this period, three issues determined the balance of power between Saudi Arabia and Iran. The first issue was the Cold War, which extended into the region. Second, was the extension of the Cold War and the Nasser's emerging pan-Arabism, which threatened both Saudi Arabia and Iran, resulting in both countries co-operating with each other to withstand the Nasser threat. Third, oil emerged as an important factor, in the 1960s, due to the establishment of OPEC in 1960

and OAPEC in 1968. The third period from 1968 to 1977, began from when the British government announced its withdrawal from the region and consequently saw Saudi Arabia and Iran emerging as the most influential players in the regional political scene. In this period, three issues dominate the relations between Saudi Arabia and Iran. First, the Iraqi regime expelled the Shi'ite leaders into Iran which transferred the Arab Shi'ite centre from Iraq into Iran. Second, regional disputes played an important role in affecting Saudi-Iranian relations. The independence of Bahrain and the emergence of disputes regarding three islands in the Gulf water marked the beginning of regional territorial disputes that influenced Saudi-Iranian relations for the following four decades. Third, the rise of oil as a source of friction.

The rest of the chapter will be devoted to examining these three periods in order to understand Saudi and Iranian foreign policies towards each other during the period under investigation.

2.0 The period prior to the establishment of both countries until WWII

As a regional system, the Middle East has been highly penetrated by international actors and in consequence, remains, to date, vulnerable to external factors. Three main actors, the Soviet Union, Britain and the US, played an important role in shaping the Middle East region, and ultimately contributed to the formation of Iran and Saudi Arabia.

The Soviet Union has had a number of traditional interests in the Middle East, which even predate the Soviet era. Soviet interests had been shaped by the basic geopolitical factors that affected Russian policies since the days of the Tsars. Middle Eastern countries near or adjacent to Soviet borders formed a buffer zone to protect Russia's

southern border; by the same token, they constituted an obstacle to Russian expansion southwards (Joshua, 1970:1). For this reason, Soviet interests in the region, mainly Turkey and Persia, were in direct conflict with those of the British Empire. By the beginning of the nineteenth century, Britain was the only obstacle to Russia's access to the Mediterranean. Britain wanted to protect its empire on the Indian subcontinent, and was, therefore, determined to prevent Russia from controlling the straits or dominating land routes between the Mediterranean and the Persian Gulf. Thus, Britain assumed the role of ultimate guarantor of the Ottoman Empire's survival (Rubinstein, 2001:77).

At that time, the rivalry between the expanding Russian and British Empires had been played out in an arena that stretched from the Balkans to British India. The Middle East region was regarded as a so-called buffer zone and within this area, both countries mainly attempted to control Turkey, Iran and Afghanistan. For the Soviet Union, security and access to warm water were primary concerns; for the British, it was defence of its commercial route to India (the 'Jewel in the Crown').

From the beginning of the nineteenth century to the early twentieth century, the US paid little attention to the Middle East as it is geographically distant. Also the region was regarded as part of the British sphere or influence. The US did not wish to become involved in the competition between the Soviet Union, Britain, France, Germany and Italy.

US involvements in the Middle East region began from the early twentieth century. The British Empire and French governments control on the region was weakened by WWI which strained the resources of all countries. Furthermore, the defection of the Ottoman

Empire during this war created the opportunity for the US to penetrate the economic and political life of the region and share in the benefits with Britain and France.

With the rise of the Russian revolution, in 1917, and the overthrow of the monarchy, communism was embraced by the new Russian regime, which attempted to export its ideology into the Third World. Accordingly, the predominant concern of the US in the Middle East became the potential Soviet threat to the sovereignty and territorial integrity of its southern neighbours, and Soviet expansion into Eastern European countries consequently threatened Western interests in the region. To prevent the encroachment of the Soviet Union into the Middle East region, the US supported the Sa'adabad Pact of 1937, which was signed by Turkey, Iraq, Iran and Afghanistan in the Sa'adabad Palace in Tehran, and was directed against Soviet interference in these countries' affairs (Kuniholm, 1987:10).

2.1 The establishment of Saudi Arabia and Iran

Modern Iran was established in 1925 when the Persian Parliament voted to vest the crown on Reza Shah, displacing the Qajar dynasty. Saudi Arabia declared its independence in 1932. However neither country was a significant power in world politics at that stage. Oil, which allowed both countries to play an important role in world politics from the mid-twentieth century, was not found until 1908 in Iran and in 1938 in Saudi Arabia. At the same time, because of the dominant British influence in the region, the US and the rest of the world (with the exception of the Soviet Union in Iran) did not attempt to establish strong links with either country.

As Murden notes 'the foreign policy of Saudi Arabia has been fundamentally shaped by the conservative nature of the monarchy and the unbalanced portfolio of Saudi capabilities' (Murden, 1995:173-74). According to the US Secretary of State Dean Acheson, Saudi Arabia's main foreign policy is driven by the desire 'to survive, perchance to prosper ... under the al Saud dynasty' (Eilts, 2001:219). The most basic interest for the regime is the successful management of the status quo of the monarchical system in order to guarantee the continuity of the al Saud dynasty.

In order to analyse Saudi foreign policy towards the region and the world, one should understand the Saudi worldview, which profoundly affects the regime's decision-marking process. Because of the location and nature of Saudi Arabia, Long argues, Saudis have developed the so-called 'encirclement syndrome', the belief held by Saudis that they are encircled by enemies. Since WWII, most of the Kingdom's neighbours have been at one time or another considered enemies, namely, Hashemite Jordan and Iraq, and later radical republican Iraq; Zionist Israel; the monarchical Iran and later republican Iran, the PLO; Nasserist Egypt; the once pro-Communist and now Islamist Sudan; Communist Ethiopia under Mengistu; leftist Somalia under Siad Barre; Communist South Yemen; Oman (the Dhofari rebellion); the UAE (border disputes), and Qatar (border disputes) (Long, 1997b:110). Following the establishment of Saudi Arabia, the state was perceived to be faced by number of external threats. This 'encirclement syndrome' had a significant impact on promoting security as the primary driver of Saudi foreign policy. The growth of oil revenues enhanced Saudi's ability to purchase the guarantee of security from the West, in particular from the US. This view conforms to neo-realist thinking, where security concerns play a significant role in shaping states' foreign policy.

On the other hand, although Iran's foreign policy has been dictated by different factors, it also has been conducted within a neo-realist framework, where issues of security and survival were dominant. As early as the 19th century, Iran became entangled in the ambitions of the Russian and British powers due to its strategic location between Russia and the British colony in India. Russia regarded Iran as vital to its security, and the shortest route to both warm water ports and India. Britain found Iran increasingly important in the defence of its colonial (commercial) interests in India (the Jewel of Crown). The broad objective of the two powers was to consolidate the position of Iran as a buffer zone, so that neither would be able to threaten the other's security and interests directly. Therefore, Iran was informally divided into three spheres: the northern provinces around the Caspian Sea were under Russian (later Soviet) influence; the south was subject to British influence; and the central part, including the capital Tehran, was controlled by the Qajar dynasty and the Reza Shah (Saikal, 1991:427). Iranian foreign policy had largely been manipulated by both powers during the nineteenth and the early twentieth centuries and this affected the thinking behind later Iranian foreign policy. The policy was based on distrust of the imperial powers.

In spite of its defencelessness against Anglo-Russian rivalry, Iran remained a distinct political entity mainly because of the balance of power between Britain and Russia. However, the relationship between the Soviet Union and Britain with respect to Iran changed in the first two decades of the twentieth century due to two major developments. The first was the discovery of oil in southern Iran in 1908, which added a new economic dimension to the strategic significance of Iran, and consequently to Anglo-Russian rivalry. Secondly, the overthrow of the Tsarist regime in Russia in 1917 and the subsequent seizure of power by the Bolsheviks, together with the civil war,

provided Britain with an opportunity to strengthen its position and encroach upon the Russian zone of influence in Iran.

Nonetheless both Russia and Britain favoured a relatively stable Iran under an effective leadership in order to protect their interests. Therefore, they preferred a weak central Iranian government, which would remain neutral and could not challenge their interests. Their wishes were fulfilled when Reza Shah, trained in the Soviet Union, became Shah in December 1925.

Soon after Reza Shah had become leader of Iran, he faced inter-related internal and external challenges. Internally, he had no military means to control the different ethnic groups and tribes. External powers exacerbated this by supporting the tribes against Reza Shah, in order to keep his power base de-centralised and, therefore, very weak. A weakened central Iranian government enabled both Britain and the Soviet Union to influence developments within the country. Reza Shah was walking a tight rope and was constantly worried about a possible invasion from either or both Britain and the Soviet Union.

In contrast, Saudi Arabia was created in 1926 when Abdul al-Aziz bin Abdel-Rahman (Ibn Saud) (1880-1953) united the conquered Arabian Kingdoms, although independence was not declared until 1932. Saudi Arabia was first recognised by the Soviet Union in February 1926; however, due to its ideological differences, and the close relationship between the US and Saudi Arabia, Riyadh's response towards Moscow was lukewarm. Indeed, 1937 saw the cessation of all diplomatic relations between the Soviet Union and Saudi Arabia, when the Soviet ambassador K.A.

Hakimov was recalled to Moscow and executed. Following this, there had been no official links between the two countries (Vassiliev, 1993:334).

When Saudi Arabia declared its independence in 1932, it was still weak and financially not significant enough to draw Reza Shah's attention. There was, therefore, little interaction between Iran and Saudi Arabia during this period. The first formal diplomatic intercourse between Persia and what was then the Sultanate of Najd (formely an independent sultanate until 1932 when it united with Hijaz to form the Kingdom of Saudi Arabia) occurred in 1925. At that time, 'Persia unsuccessfully tried to mediate between Ibn Saud and King Ali of the Hijaz, when the Saudi conquest of the Hijaz brought the Islamic holy places in Mecca and Medina under Wahhabi control' (Wrampelmerier, 1999:203).

Saudi-Persian relations suffered the first setback on 20 May 1927, when Ibn Saud signed a bilateral treaty with the British in Jeddah in which he recognised the governments of Bahrain, Kuwait, Qatar and Oman and their special treaties with Britain (Badeeb, 1993:22). Persia regarded the British-Saudi treaty as a direct challenge to its sovereignty over Bahrain. In response, Reza Shah ordered his envoy in Cairo to submit a 'memorandum of objection' to the Saudi government; furthermore, he submitted a petition to the League of Nations demanding the restoration of Persian sovereignty over the island (Badeeb, 1993:30).

However, because both Saudi Arabia and Persia were politically weak in the international arena, both countries recognised the need to form better relations to counterbalance the threats from the external powers. The high point in Saudi-Persian political relations in the 1920s was the Friendship Treaty, signed in Tehran on 24

August 1929. This treaty set out the basic principles for developing political, diplomatic and commercial relations between the two countries (Badeeb, 1993:35).

Until 1932, relations between Persia and Saudi Arabia were limited mainly to commercial dealings surrounding the *Hajj*. However, the Great Depression of the 1930s, followed by the gradual expansion of hostilities leading to WWII, greatly slowed down commercial relations between the two countries. As the number of Iranian pilgrims decreased, trade between the two countries fell to its lowest level. However, at the end of the 1930s, both countries had very little interchange, either on the political or economic scene. Yet, changes in the international environment, due to WWII, brought fundamental changes in their relations.

3.0 From the end of WWII to 1967

3.1 The Cold War extended into the region

The position of Saudi Arabia and Iran in world politics changed when WWII broke out. The world was now divided into two spheres, and for the first time the US got involved in the region's affairs. The outbreak of the war disrupted oil production, which led to financial difficulty in Saudi Arabia. At the time, Saudi's annual income from the *hajj*, and oil concessions dried up due to the Great Depression and the war. The Saudi government sought emergency assistance from Britain in the form of foodstuffs and silver riyals to buy off the loyalty of tribes, but without a positive response from London (Eilts, 2001:221). Nevertheless, the US responded to Ibn Saud's needs with the $40 million Lend-Lease Aid package to save the Kingdom (Anthony, 1984:79), and from that time the US and Saudi Arabia began to consolidate their relations.

Across the Gulf, Reza Shah attempted to establish relations with a third party to counter the power of Britain and the Soviet Union. He made continual efforts to foster close ties with the US, by trying to persuade Washington of the value of Iran in the Middle East region. However, he quickly discovered that the US was not interested in developing such a relationship, as it considered Iran to be under British influence. He, therefore, approached Germany to establish the 'third power' to counterbalance the British and Soviet's influence. At this time Germany attempted to expand its sphere of influence through economic ties, facilitated by the establishment of trade links between the two countries during the German Weimar period; these links were extended throughout the Nazi period (Fatemi, 1980:15).

However, the situation changed when Germany attacked the Soviet Union in 1941. Although Reza Shah declared Iran's neutrality, he was not willing to sever relations with Germany, as Iran benefited from this economic link and Germany acted as a counter-balance against Britain and the Soviet Union. Hence, the Soviet Union collaborated with Britain to invade Iran in the same year. Subsequently, under pressure from Britain and the Soviet Union Reza Shah was forced to abdicate in favour of his son Mohammed Reza (Saikal, 1991:434).

In both political and military terms, WWII was a crucial test for the Saudi and Iranian regimes. The Saudi monarchy came out of the war stronger and more politically confident, and enjoyed a high degree of political stability in the post-war era. The Iranian monarchy had a more difficult time. As a result of the Allied occupation, by the Russians in the north and the British in the south, Iran emerged from the war with a damaged economy, a fragmented military force and the potential for domestic political

instability (Badeeb, 1993:41-49). Soon after the war, the superpowers supported Saudi Arabia; hence, the balance of power between Saudi Arabia and Iran changed, and Saudi Arabia became more influential in regional affairs.

Saudi-Iranian political relations remained cool but stable until December 1943, when the Saudi police arrested and executed an Iranian pilgrim for throwing excrement at the Ka'bah in protest at the discrimination against the Shi'ites. As a consequence, the two nations' recalled their representatives and broke off diplomatic relations in March 1944 (Badeeb, 1993:50-51). This 'estrangement' continued until 15 October 1946, when King Abd al-Aziz wrote a personal letter to the Shah, urging the renewal of Saudi-Iranian relations based on old and faithful ties, and following this, their relations were resumed in early 1947 (Badeeb, 1993:51).

Between 1947 and 1950, Saudi-Iranian relations strengthened, as the interests of both countries coincided in two important areas. First, Iran decisively aligned itself with Western, particularly US, interests; and second, as the two countries developed their oil industries, they often dealt with common issues. With rapidly expanding oil revenues in the 1950s, both countries experienced economic prosperity, and trade relations once again expanded as both countries pursued *laissez faire* commercial policies (Badeeb, 1993:105).

3.2 The common threats from Egypt's Pan-Arabism

Between 1950 and 1967, Saudi-Iranian political relations evolved around four major issues: regional politics, oil, religion and international security. The two countries had common interests in many of the region's political developments, such as the British

role in the Persian Gulf, the Nasserist movement in Egypt, the situation in Turkey and the political situation in the states of the Fertile Crescent. Moreover, they were bound by their common economic stakes in the oil industry, and at the international level, both countries strengthened their relations with the West in the period following WWII (Badeeb, 1993:51-52). Iran emerged as an important partner of the West in general, and the US in particular. The West forged very close relations with Iran; and, in consequence, Iran's importance was far greater than that of Saudi Arabia.

Prior to 1977, religion in Saudi Arabia and Iran played very different roles and served different functions. In Saudi Arabia, religion was the main pillar of its foundation, and every policy, including foreign policy, was formed by paying lip-service to the religious doctrines. In contrast, under the Shah, religion was based purely on personal belief and did not play an important role in the formation of Iran's internal and external policies.

However, in the 1950s during the 'Cold War' period when the Soviet Union extended its influence in the Middle East region, specifically with Egypt and Iraq, one of the main challenges of that period for the two monarchies, especially Saudi Arabia, came from Egypt. The collapse of the Egyptian monarchy, 'the largest Arab monarchy', disturbed the Saudi regime. Nonetheless, soon after the 1952 coup in Egypt, the Saudis preferred to maintain an appearance of friendship with the new military regime. Therefore, King Saud signed a mutual defence treaty with Nasser in 1955 (Eilts, 2001:226). Al-Rasheed argues that this move was aimed against Hashemite Iraq, which had joined the Baghdad Pact in 1955 (al-Rasheed, 2002:115), and signified an expression of Saudi displeasure at its exclusion from the pact.

Nasser embraced a reformist approach to Islam. Nasser identified reformist Islam with Arabism and the liberation of oppressed nations from the forces of imperialism and reactionary Islamic rule, namely Saudi Arabia (MacIntyre, 1981:20). Thus, "Nasser proclaimed himself as 'the voice of the Arabs'" (Piscatori, 1983:39), and he began to challenge Saudi Arabia in regional affairs.

As King Saud quickly discovered that Nasserism threatened his regime, he tried to use a counterbalancing doctrine proclaiming Islam and the *Shari'a* to be the only basis of the Kingdom's policy. The regime issued decrees prohibiting support of any ideology, such as socialism or communism (Safran, 1988:92-93). Therefore, it can be deduced that religion in Saudi Arabia acts as a tool to fulfil the needs of the Saudi regime.

At the same time, Saudi Arabia manipulated religion, and Pan-Islamism, as an anti-radical ideology to counter Nasser's Pan-Arabism during the so called 'Arab Cold War' (1956-67) (MacIntyre, 1981:19). King Faisal emphasised his commitment to Pan-Islamic co-operation. This initiative was launched exactly at a time when Saudi Arabia was under severe ideological attack from Nasser. In other words, Saudi Arabia's foreign policy of Islamic co-operation was induced for 'pragmatic considerations' in order to protect its internal and external security interests (Olsen, 1994:139, and MacIntyre, 1981:20).

To counterbalance Nasser's Pan-Arabist threat, Saudi Arabia allied itself with Iran, and there was the suggestion of a defence pact between the two countries to prevent threats from Egypt, even though hostility between the two countries was escalating. At the beginning of the Pan-Arab movement Saudi Arabia attempted to appease Nasser by accusing Iran of imperialist designs in the Gulf. This campaign aroused the anger of

Tehran because it was directed against its 'historical interests' in the region (Fuller, 1991:109). At the same time, Iran became aware of the significance of Saudi Arabia as a major player in the 'Arab equation' (Fuller, 1991:109).

Ties between the two countries were strengthened by the Shah's invitation to King Saud to visit Tehran in 1955. According to the neo-realist school, balance of power and regime survival play a very important role to conduct a state's foreign policy. The threat posed by the Nasser's Pan-Arabism, and forming a defence pact against the Soviet Union, drew Saudi Arabia and Iran closer to each other. The visit was the first of its kind between the two countries since their creation as fully independent sovereign states. However, the discussion of the Baghdad Pact caused some disagreement between them. Saudi Arabia was not included in the pact because King Saud believed, at that time, that the Pact included secret clauses in favour of Israel (Badeeb, 1993:52-53).

Despite the petty antagonisms that grew out of King Saud's visit, the two countries maintained co-operation in matters of mutual concern. Nevertheless, the differences between Iran and Saudi Arabia were never far from the surface, as was shown by the Suez crisis of 1956. Enraged by Nasser's nationalisation of the Suez Canal, France and Britain, joined by Israel, launched a military attack against Egypt. The Shah decided to remain on the sidelines even as the Arab world and many Islamic countries, condemned the invasion of Egypt. The Shah's decision was quite possibly motivated by the fact that he had only been restored to power in 1952, with British and American help. Iranian military power was only in the early stages of increasing its influence, and was reliant upon help from the US. Thus Iran was, as yet, insufficiently powerful enough on its own to risk standing in opposition to its Western allies. According to neo-realism,

the balance of power played an important role, since Nasser's influence grew in the region, beginning to threaten the Shah's own ambitions connected with the domination of regional affairs. This additional factor meant that the Shah was highly unlikely to have been opposed to the invasion of the Suez in any case. Thus, the Suez crisis resulted in a strain in the relations between Saudi Arabia and Iran. This strain was eased by the Shah's visit to Saudi Arabia in 1958 (Badeeb, 1993:53). During the visit, the issue of the Baghdad Pact was raised again. King Saud and the Shah also discussed the Shah's suggestion of a Saudi-Iranian Defence Pact, 'aimed particularly at detaching Saudi Arabia from Egypt and Syria and at improving the standing of the Baghdad Pact in the Arab World'; but in the end, this pact was never signed (Badeeb, 1993:54).

After the Shah's visit, Saudi-Iranian relations indeed witnessed a remarkable improvement. Both monarchs resisted Soviet attempts to infiltrate the Middle East and united their efforts to stand against Nasser's revolutionary slogans, as both regimes held him responsible for bringing the Soviet Union into the region. Moreover, the two monarchs were concerned about the situation in Iraq after the coup of 1958, which established a revolutionary republican regime (Badeeb, 1993:54-55). In sum, the Nasser's Pan-Arabism acted as a factor for the cooperation between Saudi Arabia and Iran, however, at the same time, it was a fore taste of the importance of religion in the relations between Saudi Arabia and Iran in the later period. However, the Iraqi factor became relevant to Saudi-Iranian relations only after the Iranian revolution in 1979 and the subsequent Iran-Iraq war in 1980 to 1988.

Iran's role in the Baghdad Pact gave it a more important regional role, which led to the rising resentment of Saudi Arabia. Another factor was the Arab-Israeli conflict in 1956 when the Saudis imposed an oil embargo without co-operation from Iran. At that time

Iran was one of the most important oil exporting countries, and without its co-operation the embargo hardly had any impact in the world oil market, and, was therefore, doomed to fail.

Thus, during the period, one could conclude that despite their differences over the Baghdad Pact and Arab-Israel conflict, Saudi Arabia and Iran maintained cordial relations due to common threats from Egypt, Iraq and communism. In the 1960s, the increasing importance of oil, which influenced and dominated the region, changed the course of their relations.

3.3 Oil emerged as an important factor

In the 1960s, signs of co-operation and competition deepened. This was first witnessed with the establishment of Organisation of Petroleum Exporting Countries (OPEC) in 1960. OPEC was created at the Baghdad Conference in September 1960 by Iran, Iraq, Kuwait, Saudi Arabia and Venezuela, to co-ordinate and unify petroleum policies among member countries, in order to secure fair and stable prices for petroleum producers; an efficient, economic and regular supply of petroleum to consuming nations; and a fair return on capital to those investing in the industry (www.OPEC.org).

Two factors have affected OPEC's behaviour: first, the global market needs the cartel as much as the cartel needs the global market. Second, the OPEC members' power stems from collective bargaining and maintaining a united front. These two fundamental factors are the catalyst behind OPEC's vitality (Dorraj, 1993:19), and at the same time are the cause of friction between Saudi Arabia and Iran.

Saudi Arabia strengthened its power by leading the formation of Organisation of Arab Petroleum Exporting Countries (OAPEC) in 1968, which transformed Saudi Arabia into a dominant player. This organisation played a crucial role in enhancing the Saudi's bargaining position vis-à-vis Iran. Created by Libya, Kuwait and Saudi Arabia, OAPEC acts as a regional Arab intergovernmental organisation; currently, it has ten Arab petroleum countries as members. The organisation's main concern is the development of the petroleum industry by fostering co-operation among its members (www.oapecorg.org). OAPEC serves as a collective force to unify the Arab petroleum exporting countries' support in its fight with Iran over oil prices.

In the 1960s, OPEC began to emerge as the leading cartel in the world oil market. The early 1960s were considered as being a buyer's market, characterised by an overabundance of oil and thus depressed prices; the OPEC nations saw no future change without some action on their part. In a market flooded with oil, the producing countries had to live with low prices. However, two events changed the face of OPEC forever. First, there was a shift towards a seller's market, which was triggered by the Arab-Israeli war in 1967 (Dorraj, 1993:19), and second, the amount of oil exports were reduced in 1970, due to leakage of the Saudi oil pipelines.

In June 1967, the Arab-Israeli war affected the transportation of oil from the region to the West and Asia. The closure of the Suez Canal during this time eliminated the shorter route to western oil markets and resulted in several side effects, the most important of which was the coming to power of the 'price hawks.' The price hawks, represented by such countries as Iran, Libya and Algeria, pushed for higher oil prices (Dorraj, 1993:20). This fall in supply to the West was exacerbated in 1970 by the accidental crack of the Saudi pipeline, closing it and cutting off a substantial amount of

the Saudi oil supply (Dorraj, 1993:20), further pushing up oil prices and increasing the importance of OPEC.

However the 1967 Arab-Israeli conflict did allow the oil producing countries to re-negotiate their contract with the foreign-controlled oil companies. The result was Saudi Arabia and Iran gaining control over their own oil companies, and emerging as leading players in the world oil market. This resulted in the inevitable frictions between both countries in later eras.

The rising importance of oil in world politics turned Saudi Arabia from a marginalised regional player in the 1950s, to an important international player. Furthermore, King Faisal managed to forge a cohesive foreign policy, utilising the Kingdom's resources, namely, its geo-strategic position, oil and petrodollars to achieve his goals. This is best illustrated by the Kingdom's oil policy at the time, which was tailored to meet the growing requirements of the US. During the 1960s, Saudi relations with the US continued to improve, especially in light of Nasser's threat to their common interests, and their desire to contain expanding Soviet influence in the region. Faisal's task of regional consensus building was made easier by the 'inflow of petrodollars that flooded the Saudi treasury in the aftermath of the 1967 Arab-Israeli war', enabling the Kingdom to buy friends (Wilson, 1994:98-99). Nonetheless, Saudi Arabia still needed an external power to guarantee its security and survival.

In the mean time, Iran was gaining stature in regional politics as the Shah managed to play the superpowers against each other. Within Iran, the Soviet inspired communist Tudeh party, which was strongly opposed to the Shah, was very influential among the poor peasants and lower middle classes. However, the Shah sought to reduce the

potential Soviet influence in his country by normalising relations with Moscow at the government level, while still opposing the ideology of communism. In January 1966, both countries signed an economic agreement, under which Iran was to supply the Soviet Union with more than $600 million worth of natural gas. In return the Soviet Union was to help Iran build a large steel complex in Esfahan and a machine-tool plant in Shiraz (Saikal, 1991:449).

Improved ties with the Soviet Union provided the Shah not only with a new source of technical assistance but also a bargaining chip with the West, especially the US, in the bipolar Cold War environment, to acquire more advanced weaponry. It also strengthened his position vis-à-vis Cairo and Arab radical forces in the region, improved his image with Afghanistan and India (which had developed close ties with the Soviet Union), and reduced the chances of co-operation between his domestic opposition and hostile regional forces. Thus, by the end of the 1960s, the Shah was in a stronger position to conduct Iran's external affairs with greater independence.

In regional affairs, the threats from the coup in South Yemen supported by Nasser and the communist-inspired Omani rebellion contributed to the competition and co-operation between Saudi Arabia and Iran. The competition between Saudi Arabia and Iran began because both countries wished to dominate all regional affairs. Riyadh regarded the Gulf region as being under its sphere of influence, and at the same time, the Shah considered that it was under Iran's dominance. Therefore both states paid very close attention to control regional affairs. Conflict and competition between Saud and Nasser moved to Yemen when the military coup there of 1962, supported by Nasser, overthrew the Zaidi Imamate and established a Yemeni republican regime. The Saudi regime was concerned about a similar Nasser-backed coup could occur in Saudi Arabia.

Thus, King Saud resisted Nasser and asked for US support to prevent a possible direct attack on Yemen by Egypt (Safran, 1988:92-96), and at the same time sought co-operation with Iran to prevent the threat spreading throughout the region. Neither Saudi Arabia nor Iran was willing to see Egypt emerging as a leading power in the region.

The Dhofari rebellion in Oman was another event which aroused Saudi resentment towards Tehran. Moscow supported the Dhofari rebellion in Oman, in conjunction with South Yemen. Initially this was a secessionist rebellion which began in 1965 under the Dhofar Liberation Front (DLF) (founded in 1962). However, Riyadh could not help the Omanis to crush the DLF, even though the Saudi regime was concerned that the communist movement in Oman would encourage its own Shi'ite minority to demand better treatment. The Saudi regime was aware of the limitation of its own military power; it mainly feared that if its military failed to quell the Omani rebellion it would spread to its own territory. Instead, the Iranian military moved in to crush the movement; Riyadh was helpless in the face of Iranian domination in the region. (Golan, 1990:32). However, the threat of Egyptian influence spreading into the Gulf region awakened both Saudi Arabia and Iran to the necessity of increased co-operation between them. Despite their competition for regional dominance, both states realised the need for containing the threat posed by Egypt.

4.0 1968 to 1977, Saudi Arabia and Iran emerge as regional powers

4.1 The Iraqi religious factor and its affect on Saudi-Iranian balance of power

The threats from Egypt subsided after the Six-Day war which started on 5 June 1967, as Egypt was weakened, and this afforded Saudi Arabia the opportunity to extend its

regional influence in the Arab world. However, the Iraqi revolution in 1958 brought the monarchical reign in Iraq to an end, and more importantly for the region the new regime embraced radical Arab nationalism (Fuller, 1991:109). Until the mid-twentieth century the Arab *Shi'ite* centre was located in Iraq because of its holy sites, Najaf and Karbala. After the Ba'athist party took over in 1968, under the leadership of al-Bahr, it encroached upon religious institutions. *Shi'ites* were persecuted, the freedom of inquiry was closed, and finally key *Shi'ite* clerics were forced to leave the country fleeing to Iran (Fuller, 1999:72). Thus, since the 1970s, Iran, and especially the city of Qom, became a major learning centre in the Muslim world for *Shi'ite* scholars.

However, the Saudis were particularly concerned about the gradual decline of the Iraqi holy *Shi'ite* cities, as this would eventually lead to the rise of the Iranian shrine cities, and ultimately a shift of the *Shi'ite* centre into Iran. One could argue that Saudi concern stemmed from the fact that any changes in the region to the *Shi'ite* balance of power could impact on Saudi's own *Shi'ite* minority. In addition, Saudi was naturally interested in any matters concerning Islam as its own foundation took its basis and legitimacy from the religion. However, as religion was marginalized in Iran, and because at that time the Shah was the most dominant power in the region, the Saudi regime did not confront the Shah over the religious domination in the regional scene.

4.2 The regional territorial disputes

A new regional environment was created in 1968 when the British announced the withdrawal of their military forces from East of the Suez Canal in 1971, creating a serious power vacuum in the region. Saudi Arabia and Iran had different reactions towards the British decision. For Saudi Arabia, the British withdrawal from the Gulf

put Riyadh in a dilemma. In public, they welcomed it, but in private, according to Safran, King Faisal requested the British to stay. Faisal was even willing to pay the British military expenses 'in the hope that Britain might relent or that the United States might take its place, and then to avoid involvement in a dispute between the British and the Shah over the future of Bahrain' (Safran, 1988:125-6). In addition, 'Saudi Arabia worried about potential instability of the Marxist or Arab Socialist variety spreading to the Gulf' (al-Alkim, 1989:113). In contrast, the Shah was delighted by the British withdrawal. Since the Shah had regained his power in 1953 with help from the US and Britain, Iran's military power increased through the sale of oil, which enabled Iran to build up its influence in the region. This decision represented a golden opportunity to the Shah to achieve his ambition of turning Iran into the dominant power in the region.

4.2.1 The 'Twin Pillar' policy

The emerging Persian Gulf Arab states were worried about their survival as none of them had the military or human resources necessary to perform Britain's traditional security role in the region. And, as the US was entangled in the Vietnam conflict, it was neither willing nor able to replace Britain directly. Therefore, in 1969, President Nixon announced his doctrine which resulted in the so-called Nixon Doctrine, by which the US relied on regional states to assume the primary responsibility for their own defence. With Nixon's 'Twin-Pillar' policy, the US sought to ensure stability in the Gulf through co-operation with Iran and Saudi Arabia (Kuniholm, 1987:16).

Therefore, Washington adopted Iran and Saudi Arabia as its proxies in the so-called 'Twin Pillar' policy, to fulfil the West's security policy in the Persian Gulf (Hunter, 1990a: 163). The framework for this policy was announced in the Nixon Doctrine in

June 1969. The Doctrine was a declaration of American retrenchment in global affairs, redefining the means whereby regional commitments and stability were to be maintained. Essentially the US was to keep its treaty commitments, furnish a nuclear shield for those states deemed vital to American interests, and be prepared to provide military and economic assistance to states suffering from aggression, though those states had to furnish the manpower for their defense. This policy further underscored the importance of military sales and assistance programs to regimes friendly to American interests, therefore the American administration chose Iran and Saudi Arabia as the regional policemen. The perception of Iran as the main protector of Gulf security was reinforced by the American reluctance to fill the power vacuum left by Britain as a result of its historic decision to withdraw forces in 1971 from the area 'east of Suez', including the Persian Gulf.

In the case of Iran, it was not only able to pay for its weapons, but it was also willing to assume responsibility for its own defense and that of the Persian Gulf. However, although Saudi Arabia was an important player among the Arab Gulf states, it lacked the population and military power necessary for playing a major security role in the Gulf region, which reduced its importance in its position as the policeman in the region.

By endorsing Saudi Arabia and Iran as regional powers, the US supplied the two countries with arms in an open commitment, (the only exception being nuclear weapons). It allowed Saudi Arabia and Iran to buy nearly unlimited weapons with their newfound wealth from oil, and for the US this was the best way to recycle their petrol-dollars.

The 'Twin Pillar' policy allowed the Shah to safeguard three vital interests, mainly: to ensure the maintenance of free navigation in the Gulf (as the Gulf is the main transport route for Iranian oil exports); to protect vulnerable and costly oil installations from

damage and sabotage; and to guard against the entrenchment of unfriendly regimes in the nearby Gulf states (Chubin, and Zabih, 1974:200). Thus, the Shah struck a number of agreements with the Gulf Arab states to resolve territorial disputes. The long time dispute between Saudi Arabia and Iran, regarding the continental shelf boundary in the Gulf, was delimited (October 1968). He also made agreements with Qatar (September 1969); Bahrain (June 1971); Oman (July 1974); and with the UAE (August 1974) (Calabrese, 1994:46).

Although there was no major competition between the two countries during the 1960s, the balance of power certainly favoured Iran because Tehran possessed more manpower which enhanced its military muscle (see table 2.1-2.4). Only when Saudi Arabia emerged as a world financial power after the 1973 oil crisis, did it seem for a time to be regarded as the key player of American policy in the Persian Gulf. The Carter Administration in particular, seemed to have some preference for the financial power of Saudi Arabia as contrasted with the military power of Iran.

Table 2.1 Land/Air Forces of Iran, Iraq and Saudi Arabia

Country	Total armed forces(after mobilization)	Number of tanker in service	Total of strike aircraft	Total of interceptor aircraft	Defence budgets ($ million)
Iran	180,000	400	-	75	197
Iraq	82,000	320	12	75	142
Saudi Arabia	55,000	-	6	12	106

Source: Arms in the Persian Gulf, 1974, p.23.

Table 2.2 Combat Aircraft Inventories in the Persian Gulf

Country	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74
Iran	166	202	188	158	151	160	159
Iraq	170	213	213	229	220	189	224
Saudi Arabia	20	39	43	75	55	71	70

Source: Arms in the Persian Gulf, 1974, pp.4-5.

Table 2.3 Naval Vessels in the Persian Gulf

Country	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74
Iran	37	39	39	45	30	51	41
Iraq	-	-	-	25	25	19	30
Saudi Arabia	-	-	-	7	14	31	20

Source: Arms in the Persian Gulf, 1974, pp.16-17.

Table 2.4 Military Statistical Summary of Iran, Iraq and Saudi Arabia in 1977-78

Country	Population (1000)	Total armed forces	Percentage of armed forces to population	Defence budget (billion $)	Gross National Product (billion $)	Defence budget as % of GNP
Iran	34,756	342,000	0.98	7.9	56.8	13.9
Iraq	11,800	188,000	1.59	1.66	14.2	11.7
Saudi Arabia	7,500	61.500	0.81	7.53	37.2	20.2

Source: The Military Balance, 1977, pp.35,36, 40.

One could argue that the 'Twin Pillar' policy was the main cause of competition between Saudi Arabia and Iran because both countries attempted to play the role of

dominant partner, despite being tied to a common US ally. The ultimate failure of the Twin Pillar policy could have derived from the tensions between Saudi Arabia and Iran and their inability to co-operate with each other in the regional issues.

However, the announcement of the British withdrawal from the region had a side-effect on the relations between Saudi Arabia and Iran with the emerging issue of Bahrain's independence, and the Abu Musa, and Greater and Lesser Tunbs dispute between the UAE and Iran.

4.2.2 The independence of Bahrain

The 1968 British decision to withdraw their forces from East of the Suez Canal in 1971, created two serious problems between Saudi Arabia and Iran. One was the issue of Bahrain's independence, and the other was the Abu Musa and the Greater and Lesser Tunbs dispute between the UAE and Iran.

Saudi Arabia and Iran were not the only contributors to the early history of the Gulf states' formations. As Schofield notes, political and territorial control in the Lower Gulf region before the British arrival was marked by its fluidity (Schofield, 1997: 144). The history of the Gulf is a history of rivalry among powers for control of the region. Bahrain and the Omani Coast Emirates had been part of the Islamic empire between the 7th and 11th centuries and had been thereafter ruled by various local Muslim dynasties until they were occupied by the Portuguese, in 1522, for eighty years (Allocock et al, 1992:363). Following the Persian occupation of 1602 to 1783, the Dutch, French and British and lately the US and the Soviet Union have all shown an interest in the area. However, Persian claims to Bahrain continue to arise from time to time, but usually

only on those occasions when an opportunity presents itself. Examples of these opportunities are whenever Bahrain signed treaties with other powers, or other countries signed treaties regarding the Bahraini status, such as when the Saudi regime signed a treaty with the British government in 1927, or when internal pressures arose in Persia itself as the regime wished to distract attention from these events. Occasionally, claims have been made when there has been unrest in the internal politics of Bahrain itself (Rumaihi, 1978:7). Therefore, in February 1968, when the British announced their withdrawal from the region by the end of 1971, Iran's claim over Bahrain was rekindled.

Although, since the end of the eighteenth century, Persia had never been able to control Bahrain as its own territory, Persians never abandoned their claim over Bahrain but without any physical occupation of Bahrain. From the early nineteenth century the British government controlled the Omani coast, which included Bahrain. Although Iran was not willing to relinquish its claim on Bahrain, it was not able to challenge the British government until 1968, when the British government announced its intension to withdraw from the region. This rekindled Iran's ambition to control Bahrain.

From the sixteenth century to the mid twentieth century, Iran consistently claimed their sovereignty over Bahrain, but because of its weak political position in the international arena (until the 1960s) this claim was never realized. However, after the Shah had emerged as the winner during the 1950s power struggle between him and the Iranian Prime Minister, Dr. Musaddiq, the Iranian oil income rapidly increased. This was because the Shah was selling Iranian oil to the American market, and this increase in the Iranian income allowed the Shah to pursue social and economic changes and permitted increased spending on the Iranian military, which increased its power in the region. From the 1960s, the Shah built up his influence in the regional affairs, and he was

involved in the crushing of the Omani rebellious movement. Therefore, with the announcement of the British withdrawal from the region and that Iran had been chosen by the US and Britain to be the 'policeman' of the region, the Iranian position in world politics was significantly enhanced.

Prior to the British withdrawal from the Gulf region, the British government attempted to settle the Bahraini and the Omani Coast Emirates problems by encouraging Bahrain, Qatar, and the seven Omani Coast Emirates to sign an agreement establishing a federation to take effect in March 1968. The signing of the federation agreement aroused strong Iranian opposition on two accounts. One was Iran's claim to sovereignty over Bahrain, going back to the eighteenth century; the other was the Shah's ambition to succeed Britain as the leader of the Gulf states and become the guarantor of peace in the region, to the exclusion of any outside power (Safran, 1988:134-5). However, the Shah's announcement of his claim to Bahrain had a significant impact on the progress of the federation negotiations (al-Alkim, 1989:10).

In the case of the independence of Bahrain, one can notice that Bahrain was the first case to affect the relationship between Iran and Saudi Arabia. In 1927, when Saudi Arabia and the British government signed the 'Jeddah Treaty' related to the Bahraini status, the Persian government protested that the British government had violated its rights regarding its sovereignty. However, the Persian government was weak at that time and the protest did not bring about any significant change.

Later, Saudi Arabia made a very broad move to antagonise the Shah by supporting the 'recognition' of Bahrain as an Arab country in 1954 and 1957 during Arab League meetings (Rumaihi, 1978:8). To counter-balance Riyadh's move, the Iranian *Majlis*

(Parliament) passed a law including Bahrain as its 14th province of Iran, and kept two seats of congress for the Bahraini representatives.

The close relations between Saudi Arabia and Bahrain were demonstrated by the signing of the Saudi-Bahraini continental shelf boundary delimitation agreement in 1958. This agreement gave the Abu Safa oilfields, (long disputed by Saudi Arabia and Bahrain), to Saudi Arabia, although the income from them would be divided equally between the two countries (Zahlan, 1998:143-44).

After the British government had announced its withdrawal from the Gulf region at the end of 1971, King Faisal was caught in a dilemma as mentioned above. On the one hand, this was an opportunity for Saudi Arabia to become the dominant power in the region, and on the other hand, they did not wish to get involved in the dispute regarding Bahrain. Therefore, King Faisal kept a very low profile on this matter, and this cautious approach proved justified in two respects. First, by the end of 1969 the British succeeded in inducing the Shah to renounce his claim to Bahrain, and second, by that time, it had become apparent that the US, (paralysed by its Vietnam burden,) was not prepared to take over the British role and was willing to rely on the Shah to be guardian of the Gulf and of Western interests there (Safran, 1988:135).

Safran claims that, from 1970, King Faisal reached an understanding with the Shah on a tacit division of spheres of influence in the Gulf which left the Gulf Emirates in the Saudi sphere but allowed Iran to seize the Abu Musa and the Greater and Lesser Tunbs belonging to Sharjah and Ras al-Khaimah respectively (Safran, 1988:126). In return, Saudi Arabia acknowledged Iran's primary role as guardian of the Gulf waters. This understanding was underscored by a declaration issued by Saudi Arabia, Iran and

Kuwait in July 1970 (Safran, 1988:135), which is confirmed by Holden (Holden and Johns, 1981:275). However, this understanding between the Shah and King Faisal has never been ratified in any documents.

Both the British government and Riyadh were in favour of forming a federation consisting of nine Emirates, including Bahrain and Qatar. Because Iran at that time was militarily stronger than Saudi Arabia, Saudi Arabia avoided a direct confrontation with Iran by keeping a low-key profile and waited for the British and the Shah to settle the issue of Bahraini independence. Saudi patience paid off as Bahrain gained independence in 1970, and Saudi Arabia and Iran were chosen by the US as regional policemen under the Nixon's 'Twin Pillar' policy, which enhanced Saudis importance in the region.

In 1968, the British government launched its own highly sensitive and secret diplomatic initiative to solve the issue of Bahrain. Led by Sir Geoffrey Arthur and Sir Denis Wright, the task was to find a face-saving formula for the Shah and persuade him to accept it (Holden and Johns, 1981:275).

The Shah accepted their suggestion of a UN fact-finding mission in Bahrain but warned that the talks would be broken off if any information was leaked out. Any publicity would make it impossible for him to recognise Bahrain's independence after British withdrawal from the Gulf. This secret deal was maintained until after the deposition and later, the death of the Shah. The compromise, involving the Shah's acquiescence to Bahrain's independence, was reached just before the end of 1969 (Holden and Johns, 1981:275). In exchange for this, King Faisal turned a blind eye when the Shah occupied Abu Musa and the Greater and Lesser Tunbs in 1971, which belonged to Sharjah and

Ras al-Khaimah respectively. According to Safran, Holden and Jones, King Faisal was informed of the whole plan in 1969 (Safran, 1988:135, Holden and Johns, 1981:275). Considering the British passive reaction to the Shah's invasion of Abu Musa, and the Greater and Lesser Tunbs, one could argue that Iran and Britain struck a deal whereby the Shah would willingly relinquish his claim over Bahrain, in exchange for the British government to turn a blind eye on the issue of these islands.

This secret negotiation between the Shah and the British government regarding the status of Bahrain never existed on paper. The researcher of this study interviewed with the former British diplomat, Chris Randal, who was based in Tehran for a few years, who confirmed that he was never aware of the existence of such documents. However, according to the former Harvard University professor, Nadav Safran, who accepted the CIA and the Israeli government funding to conduct a research on the history of Saudi Arabia, in his book 'Saudi Arabia: The Ceaseless Quest for Security', he concluded that the written contract did exist. Furthermore, Holden, the assassinated journalist, in his book, 'The House of Saud', indicated that various contracts between the Shah and the British government did exist prior to Bahrain gaining independence. For the nature of such a sensitive subject, although both authors failed to provide concrete evidence then surely, the Shah's willingness to abandon his claim to Bahrain would have caused such a cloud over the whole issue.

The UN fact-finding report published on 11 May 1970 was ratified by Iran's Senate on 18 May 1970, thereby relinquishing its claim on Bahrain and enabling Bahrain to declare its independence in that same year (Mojtahed-Zadeh, 1994:51-52).

In Riyadh, King Faisal had initially favoured a comprehensive federation of nine Gulf Emirates as a means of filling the vacuum that would be created by the British withdrawal. However, when the Shah insisted on his claim over Bahrain and rejected any American or British security role in the Gulf, he decided to keep a low profile until the situation became clearer. The King was keen to ensure that Iran would not gain control over Bahrain, due to its strategic location just a few miles from the Saudi coast and the oil region. However, he did not overtly challenge Iran and he left the Bahraini issue for the British to settle. He also tried to manipulate the general Arab public opinion by portraying the Shah's ambition over the Gulf region with his aim to dominate the regional affairs (Safran, 1988:135).

In the end King Faisal's policy seemed to pay off, as Britain and Iran negotiated a settlement, and Riyadh emerged as a leading power in the Arab Gulf subsystem. At the same time, cordial relations were preserved between Saudi and with Iran; and in July 1970, the two countries issued a joint statement opposing a continued British military presence in the Gulf (al-Alkim, 1989:113).

4.2.3 The Abu Musa dispute and the formation of the UAE

The Abu Musa issue coincided with the Bahrain issue in 1968, as the British had just announced their withdrawal from the region. Both the British government and Riyadh were in favour of forming a federation consisting of nine Emirates, including Bahrain and Qatar. However, the Shah's announcement of his claim to Bahrain had a significant impact on the progress of the federation negotiations (al-Alkim, 1989:10). The Omani Coast Emirates, aware of their vulnerability to Iranian pressure, were extremely concerned about Bahrain's participation in the federation while its status was still

unresolved (al-Alkim, 1989:10-11). In the end, this caused disputes among the signatories of the federation agreement and only seven Emirates, (Abu Dhabi, Ajman, Dubai, Fujairah, Ras al-Khaimah, Sharjah, and Umm al-Qaiwain), formed the federation.

The Bahraini problem was solved through an understanding between the two regional powers, Iran and Saudi Arabia, based on their conviction that the future security of the region depended on the maintenance of the *status quo* (al-Alkim, 1989:11). In exchange King Faisal turned a blind eye when the Shah occupied Abu Musa and the Greater and Lesser Tunbs in 1971, which belonged to Sharjah and Ras al-Khaimah respectively. According to Safran, Holden and Jones, King Faisal was informed of the whole plan in 1969 (Safran, 1988:135, Holden and Johns, 1981:275). Safran claims that, starting in 1970, King Faisal reached an understanding with the Shah on a tacit division of spheres of influence in the Gulf which left the Gulf Emirates in the Saudi sphere but allowed Iran to seize the Abu Musa and the Greater and Lesser Tunbs (Safran, 1988:126). In return, Saudi Arabia acknowledged Iran's primary role as a guardian of the Gulf waters. The Shah insisted that he absolutely needed the control of these islands in order to secure Gulf navigation, and the Saudis unreservedly gave in to his demand.

Iranian claims to the islands

Iranian claims to these three islands have traditionally been based upon its boast to have controlled and administered them before Britain intervened in the Lower Gulf during the first half of the nineteenth century, in order to impose its own maritime order.

According to Schofield, in the minds of most Iranians, these islands were taken by Britain in the nineteenth century and rightfully returned to Iran on Britain's departure from the Gulf waters in 1971. Therefore, the islands question has become inextricably linked to the mind of most Iranians so the regime could not easily abandon its claim over these islands, for fear that the Iranian population would then regard their government as relinquished Iran's historical rights, threatening the Iranian regime's legitimacy (Schofield, 1997:155).

Iran first claimed the ownership of these islands in the mid-1840s when the Persian Prime Minister, Mirza Aghassi, claimed all of the waters and islands of the Gulf region as being Persian. However, it was not until 1877 that Persia formally declared sovereignty over the Greater and Lesser Tunbs and in 1888 Tehran made claims for Abu Musa (Schofield, 1997:144). According to Schofield, until 1873, the British Residency at Bushehr had generally believed that the Tunbs belonged to Persia, because of their geographical proximity to Persia (Schofield, 1997:144).

Iran laid great stress on a British War Office map produced in 1886 in which Abu Musa and the Tunbs are shown clearly in Persian colours. This was presented to the Qajar Shah as a gift by the British Minister during the summer of 1888 on the instructions of Lord Salisbury, the British Foreign Secretary at that time (Schofield, 1997:145).

The UAE's evidence of ownership of these islands

Sharjah's claims to Abu Musa are based upon the uninterrupted possession of the island over a long and continuous period. It claimed that sovereignty was gained by a process of historical consolidation. Pearlers and fishermen visiting Abu Musa paid annual dues

to the ruler of Sharjah from 1863 onwards and Britain has actively defended the claims of Sharjah to the islands since the 1870s (Schofield, 1997:145).

Various territorial trade-offs were debated during the period of the unsuccessful Anglo-Persian Treaty negotiations. On several occasions during the 1920s and 1930s, the Iranian Foreign Ministry offered to drop its claim to Bahrain if Britain would recognise its sovereignty over Abu Musa and the Tunbs. On other occasions Britain played with the idea of leasing Abu Musa and the Tunbs to Iran in a bid to move along the hindered treaty negotiations. Sharjah resisted any suggestions that Abu Musa should from part of these plans (Schofield, 1997:146).

Britain's attitude towards the islands question was not consistent with its earlier policy. In the early twentieth century, the British had resisted Iran's claim to the islands; but as a result of the British decision to withdraw, Tehran's public claims ensured that maximum attention was focused on these islands.

When the British announced their withdrawal from the Gulf region in 1968, the Shah sought to trade off London's acquiescence to his take-over of Abu Musa and the Tunbs for his abandonment of Iran's historical claim to Bahrain (MEI, 1 May 1992:9).

Nonetheless, the Abu Musa and the Tunbs disputes brought a lot of problems to the British government. They appointed Sir William Luce, the British Resident in the Gulf during the mid-1960s, and 1970-71, as a special envoy to the Gulf to reconcile the differences. In his shuttle diplomacy, Sir Luce proposed that Sharjah and Ras al-Khaimah lease the disputed islands to Iran (al-Alkim, 1989:141). However, neither Iran, Sharjah nor Ras al-Khaimah were willing to abandon their sovereignty over these

islands. However, once it became clear that they were unable to work out a settlement acceptable to any party, and soon after the trade-off the issue of these islands for the settlement of Bahrain between the Shah and the British government, changed the British attitude towards them to become favourable with Iran (al-Alkim, 1989:141).

The Shah then reached an understanding with the British that he would occupy the islands after the termination of their treaty commitment to the Sheikhdoms. The British were in a hurry to get out of the region, and were therefore, unwilling to have a conflict with Iran. At the same time, Iran had already been chosen as a policeman in the region to safeguard the West's interests. Therefore, the British government changed its attitude towards the islands issue.

Under both pressure from the British government and the threat from the Shah, who publicly announced he would use military force to enforce Iranian historical rights on these disputed islands, the ruler of Sharjah, Sheikh Khalid al-Qasimi, finally gave in. On 2 November 1971, the Sheikh announced a final settlement of the longstanding dispute between Sharjah and Iran over the island of Abu Musa (al-Alkim, 1989:139). On 29 November 1971 both countries signed the Memorandum of Understanding (MOU) as follow:

-- Sharjah agrees to the stationing of Iranian troops in certain areas of Abu Musa, Iran having full jurisdiction over them. The Iranian flag will fly there.

-- Sharjah will maintain jurisdiction over the rest of the island, with the Sharjah flag flying there.

-- Revenue derived from oil exploration, on and offshore, will be divided equally between Sharjah and Iran.

-- Iran will pay Sharjah 1.5 million pounds a year, until the emirate's annual receipts from oil total 3 million pounds a year.

-- Both Iran and Sharjah recognise a 12-mile limit of territorial waters around the island (Arab Record and Report, 1971:599, and al-Alkim, 1989:142).

The Abu Musa and the Tunbs dispute burst onto the international spotlight on 30 November 1971, when Iranian troops stationed on Abu Musa, and took the Greater and Lesser Tunbs by force as British troops withdrew from the Gulf region. Although an agreement had already been reached between the ruler of Sharjah, and Iran, no similar understanding was ever reached with Ras al-Khaimah over the Tunbs (al-Alkim, 1989:142-3). On the same day that Ras al-Khaimah requested the British to defend the islands, the British government declared that the majority of their forces had already been withdrawn, and therefore could not get involved (al-Alkim, 1989:143).

Iran took this action on the day before Britain terminated its treaty relations with the rulers of the Turcial states on 1 December 1971. Safran argues that the Shah chose this date in order to demonstrate that he took the islands from Britain rather than from the weak Sheikhdoms (Safran, 1988:136). This action spared Riyadh from the embarrassment of not being able to protect its Arab Neighbours, and in doing so Saudi Arabia only received minimum blame. At the same time, King Faisal merely expressed his opposition towards the Shah's occupation of these islands because this did not threaten its own regime survival, although to a certain degree, it did affect the balance of power in the region. On 2 December 1971, the federation of the United Arab Emirates was officially proclaimed (Schofield, 1997:147). Soon after the establishment of the UAE, the issue of Abu Musa and the Greater and Lesser Tunbs receded for nearly a decade, until the Iranian Revolution began in 1979.

Al-Alkim believes that the Shah was determined to seize the islands in 1971 for four main reasons:

1. Freedom of navigation in this waterway at all times was essential for Iran as the Gulf is the only outlet for its oil exports.
2. Iran needed to exploit its offshore oil resources and to protect not only its extensive oil installations at Kharq Island and elsewhere but also its oil cargoes for the entire length of the waterway.
3. The preservation of the *status quo* in the Gulf was necessary to counterbalance communism, which was perceived as threatening the survival of the Gulf regimes, and the Shah himself.
4. The Shah's insistence on the annexation of the islands by any means emanated not so much from their strategic value or Iran's historical rights, but more, perhaps, from the Shah's desire to save face at home after he had relinquished his claim to Bahrain. This made it difficult for him to sacrifice the islands for better relations with the Arabs in general, and with the Arab rulers of the Gulf in particular (al-Alkim, 1989:140-41).

However, after the formation the UAE, the UAE did not file a formal complaint to any international body, because it needed to maintain good relations with Tehran to encourage the Shah to recognise the UAE as a state rather than as a number of individual Emirates. Second, the UAE rulers' decision to freeze their claim to regain sovereignty was because of the Shah's military superiority. The Shah believed that he could offer them protection against any outside invasion or threat from within (al-Alkim, 1989:60-61). Third, at that time Abu Dhabi still had a territorial dispute with Saudi Arabia. Riyadh withheld its recognition of the UAE until 1974 when Abu Dhabi finally

gave in to Saudi demands (interview with Bin Huwaidin, 5 March 2000). Therefore, when the 1971 Abu Musa and the Tunbs dispute erupted Riyadh merely expressed regret over the incident, but did not take any action. Without the support of Saudi Arabia, the UAE could not afford to challenge the other dominant regional player. Only after the settlement of the islands dispute was the UAE able to declare its independence, on 2 December 1971.

In summary, the Bahraini and Abu Musa issues happened simultaneously soon after the British government announced its intention to withdraw from the region. The Shah claimed sovereignty over Bahrain, and occupied Abu Musa and the Greater and Lesser Tunbs, complicating the relations between Saudi Arabia and Iran. Yet, one can easily identify that the Saudi reaction towards the two events was different. Because of religious and strategic factors, Riyadh paid more attention to Bahrain compared to Abu Musa. However, because the Shah was militarily and politically dominant in the region, Saudi Arabia did not confront Iran on either issue.

4.3 The rise of oil as a source of friction

In the 1970s, oil dominated relations between Saudi Arabia and Iran due to its growing importance in world politics. The 1970s witnessed the change from being co-founders of OPEC to confrontation due to different opinions on how to utilise their oil resource.

In this era, three developments dominated relations between Saudi Arabia and Iran. The first one was Saudi Arabia and Iran's emergence as the principal oil export countries after gaining control of their own oil resources in 1971. Second, the oil embargo of 1973 divided the oil exporting countries into the so-called hawks, led by Iran, and doves,

led by Saudi Arabia. This forced both countries into competition for control of OPEC and the world oil market. Third, the recession in 1975 led Saudi Arabia and Iran to fight over their market share.

4.3.1 Rise of Saudi Arabia and Iran as major oil exporters

Soon after the 1967 Arab-Israeli conflict, Libya was the first country to negotiate terms and conditions in favour of the government controlling its oil company. Both Saudi Arabia and Iran soon followed. At a meeting in Tehran in February 1971, Western oil companies operating in the Gulf signed an agreement with their host governments agreeing to terms similar to those obtained by Libya. This agreement marked the transfer of control over oil prices and production rate from oil companies to oil producing countries in OPEC. At the same time, oil producing countries were acquiring ownership of their oil resources from the companies through concession agreements. Most countries like Saudi Arabia accomplished this through nationalisation (Long, 1997b:67). Prior to the nationalisation of its oil companies, Saudi oil policy was almost entirely controlled by ARAMCO, a consortium owned by four American multinationals – Socal, Texaco, Exxon, and Mobil (Golub, 1985:2-3).

At that time, Saudi Arabia played a crucial role in a number of negotiations that were significant for the emergence of OPEC as the price-setting cartel (Ahrari, 1989:72). For both Iran and Saudi Arabia, the Tehran negotiations of January 1971 served as an important landmark, enabling them to control oil prices within OPEC, therefore enhancing their position in world politics. Resolution XXI.120, which was passed by the Twenty First Conference of OPEC, became the basis for a unified pricing strategy, the framework of the strategy being 'regionalisation' or a regional co-operation

approach. The principle was to treat the price problems of each region within OPEC jurisdiction separately. The negotiated increases in the price of oil in one region would serve as the basis for ensuing negotiations aimed at incorporating these increases in the other regions (Ahrari, 1989:72). Three regional committees were established to deal with the price issues: the Gulf states committee, made up of Iran, Iraq and Saudi Arabia; the Mediterranean committee, including Saudi Arabia, Libya, Algeria, and Iraq; and a third committee comprising Venezuela and Indonesia (Ahrari, 1989:72). Both Iran and Saudi Arabia wanted to lead the Gulf committee and thereby attain a greater influence, and this was the main cause of friction between the two countries.

During the early 1970s, within OPEC, Saudi Arabia was the force behind those countries that wanted to ensure moderate price rises and stable prices. Iran was one of the price hawks that wanted to boost the price as high as it would go. As Badeeb argues, for the Shah, leadership of OPEC was in great part a reflection of his imperial ambitions (The neo-realist framework rejects the significance of individuals and focuses on systematic variables. One might argue, therefore, that neo-realism has a rather limited use in explaining this situation). Moreover, Iran had been the world's leading oil-exporting country until it nationalised its oil in 1951. Although it never again became the dominant supplier, it continued as a leading exporter and the Shah's aspirations dominated OPEC policy as the swing producer in the 1970s. In the meantime, Saudi Arabia had risen to be the leading exporter from only minimal production at the end of WWII. With smaller domestic oil needs and far more reserves than Iran, it had more productive capacity and could afford to export a greater percentage of its production. Thus, Saudi Arabia and not Iran became the swing producer in OPEC in the 1970s (Badeeb, 1993:109).

Short-term political disruptions had a profound effect on the oil market. The 1973 Arab-Israeli war for example, led to the Arab oil embargo, which was more successful than that attempted during the 1967 war.

4.3.2 The 1973 oil embargo

In September 1973, OPEC's demand for higher oil prices in response to an increasingly tight market had little success. However, the whole situation changed within one night due to the eruption of the Arab-Israeli war on 6 October. Following this, the majority of Arab countries thought that Riyadh should use its huge oil resources to force the West in general, and the US in particular, to abandon its aid to Israel. Prior to King Faisal's granting his approval to use oil as a political weapon, Saudi Arabia succeeded in securing an agreement with the states bordering Israel to help end the long-standing impasse in the Arab-Israeli conflict by attacking Israel. Only after gaining this assurance did he agree to use oil as a political weapon (Ahrari, 1989:82). At the same time, King Faisal felt personally betrayed by the US that had failed to fulfil its promise to give Egypt aid if he could persuade Cairo to expel its Soviet military personnel. Thus, King Faisal instituted an oil embargo on 20 October 1973, which lasted until March 1974. The embargo had two parts: an absolute embargo on the US and the Netherlands, considered especially friendly to Israel; and a cutback in production to ensure that embargoed countries would not simply shift purchasing patterns for a replaceable worldwide product (Long, 1997b:68-69). However, Iran, whose interests were elsewhere, used the oil shortage to raise its oil output and accordingly to increase its financial gain. At the same time, the Shah sought to reduce the initial impact of the embargo; hence, an open confrontation between Saudi Arabia and Iran emerged soon after.

During this period, Saudi-Iranian relations were dominated by oil and influenced by differences of opinion over OPEC production policies and its pricing system. The price increases demanded by Iran within OPEC, and the reluctance expressed by the Saudis to accept this, defined the parameter of conflict between Iran and Saudi Arabia in the 1970s (Ahrari, 1989:70-71).

The shortage of oil supplies worldwide and the growing importance of OPEC best suited Saudi objectives (Ahrari, 1989:81), and at the same time allowed Iran to accumulate huge oil wealth. The Saudi success in implementing the Arab oil embargo was the ultimate transformation of economic power into political prestige. In addition, from 1974, Saudi Arabia emerged as the leading force for price moderation within OPEC. The decision to adopt this role stemmed from the fact that Saudi Arabia had the largest quantities of proven oil reserves, and in this capacity its economic prosperity was linked to the economic stability and a healthy growth of the Western industrial economies (Ahrari, 1989:74).

Although the 1973 oil embargo made Saudi Arabia the most important oil producing country in the world, it also effectively caused the friction between Saudi Arabia and Iran within OPEC. Saudi Arabia was inclined to adopt a strategy of a prolonged, steady supply of oil to the market. This would most benefit Saudi Arabia as it has the largest oil reserve, a smaller population within which to divide the oil wealth, and no other sustainable human or natural resource to develop its own industries other than those related to oil. In contrast, although Iran enjoyed a huge oil resource, the population growth, and its desire to establish stronger industrial bases, forced Tehran to decide it

needed a quick return from the oil resource to invest into industry. Therefore, Saudi Arabia and Iran were on a collision course regarding oil policy.

Rivalry between Iran and Saudi Arabia became significant in the 1970s as oil emerged as a potent weapon along with the growing effectiveness of OPEC to impose increases in oil prices (Ahrari, 1989:70). Since the beginning of 1974, OPEC meetings were marked by in-fighting between the price hawks (led by Iran, Libya, and Algeria, which were frequently joined by Iraq and Nigeria), and the price doves (led by Saudi Arabia and often joined by the UAE, Kuwait, and Qatar). The OPEC price hawks exploited the artificial shortage the embargo created to maximise their fortunes (Long, 1997b:68-69).

However, soon after the oil embargo in 1973, the world recession hit. The cartel began to introduce unilateral price escalations, which resulted in accelerating inflation around the world. This situation eroded the buying power of the oil-producing states; and consequently, OPEC introduced further increases to counterbalance the erosion of its purchasing power. This in turn led to a higher rate of inflation, thus creating a vicious circle in price setting policies (Dorraj, 1993:20).

4.3.3 World recession intensified the competition

The OPEC countries finally faced the consequences of their subjective price escalations. Since petroleum is a politicised commodity and pricing is as much determined by the law of supply and demand as it is by political factors that remain outside the world oil market, it is not surprising that political decisions can have a direct bearing on the price (Dorraj, 1993:20).

In 1975 the Saudis, as the major leader of OPEC, attempted to unify the price of all OPEC states, although two major factors frustrated these attempts. First, the price hawks continued to be disobedient, selling their oil for a higher price. Second, major oil companies disliked the Saudi lower prices, and continued to sell their own oil for $2 to $3 more per barrel, rendering the Saudi's strategy self-defeating (Dorraj, 1993:20-21).

The world recession of the mid-1970s, was a consequence of the huge oil deficits incurred by the consuming countries, and the sluggish oil market. Ironically this threatened to undermine the new higher oil prices, as it led to a reduction in demand for oil. The more populous oil-producing countries, particularly Iran, Venezuela and Nigeria, were reluctant to cut back on supply as they did not want to sacrifice the revenue which was needed for development projects. Saudi Arabia took action to conserve supplies to keep the world price steady. This action was inspired by political as well as economic motives (Wilson, 1979:50).

Towards the end of 1976, however, the magnitude of disagreement on the amount of price increase between these two groups of countries was quite divergent (Ahrari, 1989:75), and confrontation between Saudi Arabia and Iran increased rapidly. From 1976 to 1977, the oil exporting states continued to try to cope with the erosion of their purchasing power, but the dwindling of oil surpluses and the continued downward pressure on the price of crude oil put them in a difficult position (Dorraj, 1993:20).

As a tactical manoeuvre aimed at applying pressure on the price hawks, Saudi Arabia and the UAE announced the removal of their self-imposed production ceiling, thereby raising their combined production from the prevailing rate of 11.1 mbd to 12.5 mbd or about 42 per cent of the total OPEC production, which remained at 32-33 mbd (Ahrari,

1989:75). The Saudis hoped that the surplus thus created would produce downward pressure on the price scales adopted by the eleven other oil states and that the latter would be forced to realign their prices with those of Saudi Arabia and the UAE. The OPEC majority was equally determined to back their higher price tier, with coordinated production cutbacks if necessary, rather than succumb to the Saudi pressure (Ahrari, 1989:75-76).

By July 1977, Saudi Arabia decided to unify prices by rising its own by a maximum of 5 per cent, which divided the oil price within OPEC between two tiers. The two-tier price system caused little damage to OPEC price hawks. Iran learned to defy Saudi Arabia despite its role as a swing producer, and the Saudis had to choose another occasion to demonstrate the potential power of their enormous oil reserves as a modifier of the pricing behaviour of other OPEC members (Ahrari, 1989:76).

The Shah, in the wake of the Saudi estimate that the production of the eleven OPEC price hawks might drop by more than 25 per cent because of lower Saudi prices and increased production, stated that any attempt by the Saudis to use escalated production as a pressure tactic would be equivalent to an act of aggression (Ahrari, 1989:76). The in-fighting raged on in 1977 and relations between Saudi Arabia and Iran deteriorated.

In sum, in the 1970s the oil issue changed the balance of power between Saudi Arabia and Iran. The natural differences regarding oil policy, and the 1973 oil embargo were the main factors causing their relationship to become fractious. Prior to 1973, Iran was the most dominant power in the region, but the embargo made Saudi Arabia the most important oil producing country in the world, and gave it confidence to challenge Iran's position in the Gulf region.

The most dramatic change during the 1970s was the role of Saudi Arabia in regional and international affairs. Saudi Arabia evolved from a country whose interests lay almost exclusively in preserving its domestic political stability and territorial integrity, into a powerful regional actor whose influence extended well beyond the Persian Gulf into the entire Middle East, as well as into Africa and Asia (Dawisha, 1998:129). However, the oil issue became the perennial problem which caused frictions between Saudi Arabia and Iran and was a prelude to their confrontation during the 1980s and 1990s.

5.0 Conclusion

This chapter highlights the evolution of the relations between Saudi Arabia and Iran from the early twentieth century prior to 1977, and presents an understanding of the factors that affected their relations throughout the period of this study. It demonstrates that the factors of oil, religion, Iraq, Bahrain, the UAE and the superpowers gradually became important issues and this chapter acted as a sign-post to understand the trends in their relations. It also discussed how each individual factor played a different role in affecting the relations between Saudi Arabia and Iran. In subsequent chapters, all of the above mentioned factors will be assessed as being deep rooted issues since the early stage of their relationship. However, it is clear that only the Iraq factor was a 'new issue' post-1977.

The early period of Saudi-Iranian relations was mainly shaped by the superpowers' geopolitical ambitions, both Saudi Arabia and Iran emerging as independent countries

lacking prominence in world politics. Both countries' main goal in this period was regime survival.

The position of Saudi Arabia and Iran in world politics changed when WWII broke out. In both political and military terms, WWII signified a crucial test for the Saudi and Iranian regimes. The Saudi monarchy came out of the war stronger with western backing, more politically confident, and enjoyed a high degree of political stability in the post-war era. The Iranian monarchy had a more difficult time, as a result of the Allied occupation. In the period prior to WWII both Saudi Arabia and Iran fell under the influence of the Soviet Union, Britain and the US, and neither developed a foreign policy towards each other; they only reacted to events.

In the aftermath of WWII, because the Shah decisively aligned himself with the West, particularly US interests, and both Saudi Arabia and Iran dealt with common oil issues; the end of the 1940s witnessed cordial relations between the two countries.

During the 1950s, Saudi-Iranian relations began to evolve around three major issues: regional politics, oil and international security. Saudi Arabia and Iran were bound by their common threat from the Nasser's pan-Arabism. At the same time, oil began to gain prominence in the world; and economic stakes in the oil industry began to enhance their significance to the West. At the international level, both countries strengthened their relations with the West in the period following WWII, and during the 'Cold War'. Although, Iran managed to cultivate closer links with the West. The Baghdad Pact excluded Saudi Arabia and aroused its resentment. Nonetheless, the increasing importance of oil, which dominated the region in the 1960s, changed the balance of their relations.

In the 1960s, signs of co-operation and competition deepened. The rising importance of oil turned Saudi Arabia from a marginal regional player, in the 1950s, into an effective international player from the 1960s onwards. At the same time, oil became a central factor in shaping Saudi-Iranian relations in the years to come.

In regional affairs, threats from communism dictated co-operation between Saudi Arabia and Iran. Although, the Dhofari rebellion demonstrated Tehran's dominance in regional affairs. Saudi Arabia sought to accumulate the means and power to compete with Iran from the 1970s onwards in order to contain Iranian influence in the region.

The 1968 British announcement to withdraw their military forces from East of the Suez Canal in 1971, enhanced the position of both Saudi Arabia and Iran as regional policemen. Nonetheless, it also led to the rise of the issue of Bahraini independence and Abu Musa disputes between the UAE and Iran. Indeed, this was a prelude for the confrontation between Saudi Arabia and Iran in the 1990s when both issues re-emerged. The Nixon's 'Twin Pillar" policy allowed Saudi Arabia and Iran to become the most powerful states in the region. Yet because of the differences in their natural and human resources, this policy created an unequal partnership between Saudi Arabia and Iran.

The 1970s witnessed a dramatic change in world politics because oil emerged as decisive factor by transforming economic power into political power. The implication of this was a change in the balance of power between Saudi Arabia and Iran. In this era, Saudi Arabia and Iran emerged as the principle oil exporting countries, and, accordingly, increased their importance within OPEC. Saudi Arabia, with its huge oil reserves, emerged as the most dominant power within OPEC, and gained the confidence to

confront Iran. The oil embargo of 1973 allowed Gulf Arab states to manipulate their economic power, represented in oil, to influence political decision-making, but also divided the oil exporting countries own pricing policy. This led to both countries competing for domination of OPEC and the world oil market. The late 1970s witnessed an intensified confrontation between Saudi Arabia and Iran over the oil issue.

Thus, this chapter shows the background of the evolution of relations between Saudi Arabia and Iran. From the early twentieth century both countries struggled for surviving in a volatile international system. But through time, the importance of oil in the world transferred both countries from minor players into dominant regional powers. However, the superpowers and regional events affected their relations in different ways. In the 1950s, Western interests mainly amounted to preventing the spread of communism, which resulted in the West and the US supporting Iran more than Saudi Arabia. This enabled the Shah to build up his power base and become the dominant regional power. In the following decade, both Saudi Arabia and Iran utilised their oil wealth to consolidate their influence in the region. However, the Saudi regime was unable to challenge the Shah. Until after the 1973 oil embargo, imposed by Saudi Arabia, which totally changed the position of Saudi Arabia in the world and consequently brought confrontation with Iran.

The regional system demonstrated clear signs of significant penetration by international superpowers, to which both Iran and Saudi Arabia had to respond and which shaped their relations with one another. Equally the regional system was shaped by an emerging local balance of power which saw Iranian military and resource might combined with external support balanced by Arab solidarity in the early post-independence era. As time progressed, oil became a major determinant of regional

balance of power, assisting Saudi Arabia's rise to regional prominence and causing a regional competition between Iran and Saudi Arabia. However, this competition was counter-balanced by a number of common interests – a shared alliance with the West, common fears of radical anti-monarchical forces (Nasserism/Communism) and the economic and strategic rise of an Iraqi regional player.

This chapter demonstrates that each of the factors identified in the Introduction plays a contributing role in shaping relations between Saudi Arabia and Iran, although some were significantly more important during these early years than others. During this period the religious factor did not play a particularly significant role but signs were certainly there of the confrontations that were to come later. Likewise, Iraq and regional conflicts only served as a minor cause of direct friction but the potential for a greater impact was clearly evolving. Within this period one could argue that the involvement of superpowers (the penetrated nature of the regional system) was the single most important factor which shaped the relations between Saudi Arabia and Iran and affected the balance of power between them.

From 1977 onwards, oil, religion, Iraq, and regional disputes (Bahrain, Abu Musa, the Greater and Lesser Tunbs) became as significant as the intervention of superpowers (the US, and the Soviet Union/Russia) in shaping the course of Saudi-Iranian relations. Each of these factors will be discussed individually in the following chapters.

CHAPTER THREE

THE OIL FACTOR

1.0 Introduction

This chapter analysis how oil – and the struggle for the leadership of OPEC – has affected Saudi-Iranian relations. In particular, we will illustrate how both countries have utilised their oil in order to maximise their own fortunes in the world oil market, and the impact of this on their relationship. Oil has been an important dimension of the Saudi-Iranian relationship mainly because 60% of world oil comes from the Middle East region; and around 25% comes from Saudi Arabia. Saudi Arabia and Iran have also adopted different views on how to utilise their oil resources which has affected their short and long term policy on oil. This has resulted in a conflict of interest that dictates their relations. Furthermore, this chapter shows how the quest for dominance in the Gulf region between both countries was transferred into dominance for OPEC leadership.

The key to understanding Iranian and Saudi economies is in examining the opportunities and constraints of their main source of revenue, oil. This is because all modern sectors of the Iranian and Saudi economies are dependent on earnings from oil (Amirahmadi, 1990:70). Thus, the most appropriate economic theory that could explain Saudi and Iranian economic activity is the rentier state theory, which first appeared in 1970 when Mahdavy used the concept of rentierism in the context of the Middle East.

Adam Smith defined rent as a component of price of commodities different from wages and profit. 'High or low wages and profit are the cause of high or low price; high or low rent is the effect of it' (Smith, 1960:412). When applied to an economy, rent is generally a reward for ownership of all natural resources. A rentier economy is characterised by the following features:

1. One where rent situations predominate.
2. An economy, which relies on substantial external rent (Mahdavy, 1970:428).
3. The government is the principal recipient of the external rent in the economy (Bablawi, 1987:52).

In a rentier state only a few people are engaged in the generation of this rent (wealth), the majority being only involved in the distribution or utilisation of it. In the case of the oil-producing countries, the role of oil revenues is so overwhelmingly obvious that it can be approximated to be the cause of other activities. Saudi Arabia and Iran are the best examples of explaining the rentier theory, because, according to their statistical yearbooks, both countries are heavily depended on the oil revenue, which counts to more than 91% of Saudi's total income in the early 1960s. This income increased to 99.9% by exporting crude oil in the 1980s. In the case of Iran, the income increased from 85% in the early 1960s to more than 95% in the 1980s (see table 3.1). However, both countries' oil industry has only employed a very small part of their entire labour force. In the case of Saudi Arabia the oil industry only employed no more than 15,800 Saudis in 1979 which only stood for 0.539% of the Saudi population (see table 3.2). Also in the case of Iran, in 1974 only 15,000 Iranians were employed, which comprised 0.00047% of the total Iranian population (see table 3. 3).

Table 3.1 Oil Exports As A Percentage of Total Exports of Saudi Arabia, Iran, and Total OPEC States, 1961-1980

	1961	**1962**	**1963**	**1964**	**1965**	**1966**	**1967**
I.R. Iran	84.8	85.8	86.9	88.6	87.2	87.7	90.6
Saudi Arabia	91.7	90.8	91.3	91.9	90.8	90.5	89.7
Total OPEC	75.3	77.3	77.8	79.0	80.8	82.0	83.1

	1968	**1969**	**1970**	**1971**	**1972**	**1973**	**1974**
I.R. Iran	89.7	88.4	89.9	91.3	90.0	90.8	96.9
Saudi Arabia	99.8	99.7	99.6	99.7	99.7	99.6	99.7
Total OPEC	85.3	85.1	85.2	88.1	87.9	88.1	95.0

	1975	**1976**	**1977**	**1978**	**1979**	**1980**	
I.R. Iran	97.1	97.5	97.2	98.1	96.0	94.5	
Saudi Arabia	99.6	99.7	99.8	99.6	99.8	99.9	
Total OPEC	95.2	94.7	94.1	93.1	93.2	94.3	

Sources: OPEC Annual Statistical Yearbook, 1980, p. XX

Table 3.2 Saudi Employees by Economic Activity

Economic activity	Total
Mining and quarrying	15,825
Manufacturing	15,385
Electricity, gas and water	4,740
Construction	11,489
Wholesale and retail trades, restaurants and hotels	54,703
Financing, insurance, real estates and business services	6,882
Community, social and personal services	8,714
Total workforce	117,738
Total population	8,930,000

Source: Kingdom of Saudi Arabia Statistical Yearbook, 1979, p.481, and OPEC Annual Statistical Yearbook, 1997, p.2.

Table 3.3 Iranian Employees by Economic Activity

Major industry group	Total	
	Male	Female
Agriculture, forestry, hunting and fishing	3,616,000	83,000
Mining and Quarrying	15,000	--
Manufacturing	931,000	489,000
Construction	533,000	2,000
Electricity, gas, water and sanitary services	45,000	2,000
Commerce, banking and insurance	707,000	10,000
Transportation, storage and communications	293,000	3,000
Services	720,000	165,000
Activities not adequately described	21,000	1,000
Total workforce	6,881,000	755,000
Total population		31,645,000

Source: Statistical Yearbook of Iran, 1973-1974, and OPEC Annual Statistical Yearbook, 1973, p.2.

Being a depletable source, oil is a double-edged sword for oil producing countries like Iran and Saudi Arabia when they plan their annual expenditures. Sharp declines in oil output and oil revenues play havoc with development plans of individual countries and put the weakest countries under considerable strain, whilst sharp increases in oil output can cause problems of a different nature. They encourage governments to make spending commitments that may not be sustainable when market conditions turn round. More seriously, they prevent the adoption of any consistent depletion policy that may be designed to preserve the long-term economic interest of the countries (Jaidah, 1983:1-4). Although Iran and Saudi Arabia depend on oil resources as their primary source of revenue, the difference in quantity of their respective resources affect their decision making process regarding their financial needs.

2.0 Saudi oil-based economy

By any standards, Saudi Arabia is the most important oil-producing state in the world today. It has more than one-fourth of the world's oil reserves and with the break up of the Soviet Union and sharp decline in former Soviet production, it has become the world's largest oil producer. Saudi Arabia has proven oil reserves of 66 billion barrels, which amounts to 25% of the world oil reserves (Ahrari, 1989:70). With the Saudi population reaching 20 million in 2000 (OPEC's figure) and oil revenues making up around 90-95% of total Saudi export earnings, 70-80%of state revenues, and around 40% of the country's gross domestic product, Saudi Arabia's economy remains heavily dependent on oil despite attempts at diversification (Energy Information Administration, www.eia.doe.gov).

Most of Saudi Arabia's income has been of a rentier nature, accumulating from the possession of one scarce resource, namely petroleum (Wilson, 1979:40). Saudi Arabia is a state with high consumption but little production, large incomes but no necessity to work for these earnings. The oil sector employs only a small fraction of the country's active labour force, while the majority are engaged in agricultural activities and services (see table 3.2). With an essentially oil-based economy, Saudi industrial diversification is based mainly on petrochemicals, or on the use of oil and gas to operate industrial processes. Saudi development policies have always attempted to move the country forward at a measured pace so that society could adjust to the changes taking place.

The Saudi strategy has aimed at maximising oil revenues by maintaining production at a high level. At the same time, it is unwilling to press for dramatic rises in the price of oil. This is partly because of Saudi's concern about the effect this would have on the

West's industrialised economies, the consequences for future oil demand (and Saudi revenues), and the US-Saudi relationship (Chubin and Tripp, 1996:66). Riyadh is unwilling to see dramatic rises in the oil price because it is afraid that this would encourage the industrial countries to develop alternative energy resources such as wind and solar, or unclear power which would come from stream, therefore, alternative energy sources would become profitable and therefore, diminish the power of Saudi oil. The best example was soon after the 1973 oil crisis in the world market, when the previously higher oil rent states such as Britain, Mexico and Norway, began to produce their own oil and, once they had passed the benchmark on the production line their product could easily compete in price with the Saudi oil, in the long run. Saudi Arabia also needs the West, especially the US, for protection from the threats of its neighbours, i.e. Iran, and Iraq, and is therefore, very keen to forge interdependent relations with the US.

Saudi Arabia's favourable situation bears little resemblance to that prevailing in other Third World countries. The astronomical growth in the value of Saudi Arabian oil exports account for over 90-99% of the country's export earnings. The rentier income has grown enormously, especially since the oil price increases of January 1974 (see table 3.4), which was brought about by the collective action of the OPEC cartel. Saudi Arabia has lacked both resources and the means to use its earnings to increase real wealth through the development of the domestic economy (Wilson, 1979:40-44).

Table 3.4 Crude Oil Production (Thousand Barrels) and Revenues (Million US Dollar) in Iran and Saudi Arabia since Commencement

Year	I.R. Iran	Iran's Revenues from Oil*	Saudi Arabia	Saudi's Revenues from Oil^
1913	1,825	N/A		
1914	2,920	N/A		
1915	3,650	N/A		
1916	4,392	N/A		
1917	6,935	N/A		
1918	8,623	N/A		
1919	10,139	0.5		
1920	12,230	0.6		
1921	16,637	0.6		
1922	22,247	0.5		
1923	25,230	0.4		
1924	32,373	0.8		
1925	35,038	1.1		
1926	35,842	1.4		
1927	39,688	0.5		
1928	43,461	0.5		
1929	42,145	1.4		
1930	45,833	1.3		
1931	44,376	1.3		
1932	49,471	1.5		
1933	54,392	1.8		
1934	57,851	2.2		
1935	57,273	2.2		
1936	62,718	2.9		
1937	77,804	3.4		
1938	78,372	3.3	495	0.1
1939	78,151	4.3	3,934	3.2
1940	66,317	4.0	5,075	1.2
1941	50,777	4.0	4,310	1.0
1942	72,256	4.0	4,530	1.1
1943	74,612	4.0	4,868	1.1
1944	102,045	4.5	7,794	1.7

1945	130,526	5.6	21,311	4.3
1946	146,819	7.1	59,944	10.4
1947	154,998	7.1	89,852	18.0
1948	190,384	9.2	142,853	52.5
1949	204,712	13.5	174,009	39.1
1950	242,475	16.0	199,547	56.7
1951	127,600	7.0	277,962	110.0
1952	10,100	N/A	301,861	212.2
1953	9,800	0.3	308,294	169.8
1954	22,400	20.7	351,044	236.3
1955	120,035	90.2	356,449	340.8
1956	198,289	150.9	367,037	290.2
1957	262,742	212.8	376,254	296.3
1958	301,526	247.2	386,343	297.6
1959	338,810	262.4	420,733	313.1
1960	390,766	285.0	480,734	333.7
1961	438,804	291.2	540,237	377.6
1962	487,084	342.4	599,666	409.7
1963	544,325	380.0	651,890	607.7
1964	626,107	482.2	694,129	523.2
1965	696,520	514.1	804,936	664.1
1966	778,109	608.2	949,660	789.9
1967	950,180	751.6	1,023,840	903.6
1968	1,039,367	853.4	1,113,717	926.4
1969	1,232,155	922.8	1,173,896	949.2
1970	1,397,585	1,109.3	1,386,659	1,214.0
1971	1,656,918	1,851.1	1,740,633	1,884.9
1972	1,838,455	2,396.0	2,201,962	2,744.6
1973	2,139,229	4,399.2	2,772,605	4,340.0
1974	2,197,901	21,443.4	3,095,088	22,573.5
1975	1,952,787	18,870.0	2,582,533	25,676.2
1976	2,153,141	21,837.0	3,139,255	30,747.5
1977	2,066,922	20,735.0	3,358,000	42,384.0
1978	N/A	19,300.0	N/A	32,233.8
1979	N/A	20,500.0	N/A	57,522.0
1980	N/A	13,500.0	N/A	102,212.0
1981	N/A	9,300.0	N/A	113,200.0
1982	N/A	17,600.0	N/A	76,000.0

1983	N/A	20,000.0	N/A	42,600.0
1984	N/A	16,700.0	N/A	16,700.0

Note: *Iran's revenues from oil until 1951 indicated by million pound, and since 1953 indicated by million US dollar.

^Saudi's revenues from oil indicated by million US dollar only. N/A: Not available.

Source: OPEC Annual Statistical yearbook, 1977, pp. 20,21,27, 157, and 162. OPEC Annual Statistical Yearbook, 1980, pp. XLIX, and OPEC Annual Statistical Yearbook, 1984, p.34.

The Saudi policy on moderate prices also conformed to its domestic economic interests. With huge oil reserves, but few human and natural resources other than oil, the Kingdom needed to be able to maintain a long-term oil market. It feared that if prices were too high, consumers would be encouraged to develop non-oil energy sources and deprive all OPEC members of their major export (Badeeb, 1993:111).

The dilemma between long-term Saudi maximisation of oil revenues, through moderate prices and secure supply, and meeting the Kingdom's short-term revenue needs, through higher prices, would probably always constitute a challenge to Saudi Arabia (Long, 1997:74).

3.0 Iranian oil dominated economy

On the other side of the Gulf, Iran has the largest human and mineral resource, the most advanced industrial bases among the Gulf states, in addition to proven oil reserves of 51 billon barrels (Ahrari, 1989:70). Iran's population reached 63 million in 2000 (OPEC's figure) and its economy relies heavily on oil export revenues which amount to about 80% of total export earnings, 40-50% of the government budget, and 10-20%of GDP (Energy Information Administration, www.eia.doe.gov). Although like Saudi Arabia, Iran depends on oil, unlike Saudi Arabia, it has the necessary complementary resources, both in terms of manpower, land, and natural resources in addition to oil, to

ensure that the financial boom resulting from oil exports is translated into real domestic economic growth (Wilson, 1979:1).

Nonetheless, despite relatively high oil export revenues, Iran continues to face budgetary pressures; a rapidly growing, young population with limited job prospects and high levels of unemployment; heavy dependence on oil revenues; significant external debt; high levels of poverty; expensive state subsidies on many basic goods; a large, inefficient public sector and state monopolies; international isolation and sanctions (Energy Information Administration, www.eia.doe.gov).

In Iran, some 90% of the state's foreign exchange earnings come from crude oil exports that pay for various kinds of Iran's ever-increasing industrial and food imports. The modern industries of Iran, for example are dependent on the world economy for more than 65% of their input. Oil is the economy's real lifeline. Yet, Iran has only limited control over the production, export and price of its oil, for these are largely determined by changes in the world economy and within OPEC. Dependency on oil has constrained Iran's budget and therefore its socio-economic development policies (Amirahmadi, 1990:70). In addition, oil is vital for the economy, as over 95% of Iran's foreign currency earnings come from this huge industry – a degree of dependence which the Iranian government admits is unhealthy, but has so far been able to do nothing about (MEI, 27 September 1985:14).

Evidently, both Saudi Arabia and Iran's economies are oil-driven; however, Iran has been more successful in diversifying its economic activities. This could be explained by its more skilled human resource as well as its possession of other natural resources.

Prior to the Iranian revolution, the Shah's policy was to transfer the oil base economy into an industrial orientated economy by exerting the oil money as soon as possible and investing in industries. One could notice that during the 1973 oil crisis, the Shah was forceful in advocating higher oil prices which inevitably contradicted Riyadh's views, and resulted in the conflicts with Saudi Arabia in every OPEC meeting for different price tagging. Interestingly, soon after the revolution, the Iranian clerical regime sought to prolong the life of the country's oil reserves and gradually reduce its dependency on oil exports, as well as increasing its investments in downstream projects and raise the export of products at the expense of the export of crude oil. However, the outbreak of the eight-year Iran-Iraq war in 1980 forced the Iranian regime to abandon its oil policy and intensified the competition with Saudi Arabia within OPEC.

As oil has been a significant resource for both countries, it constituted another sphere of co-operation and competition in their relationship. Two oil related organizations (OPEC and OAPEC) play very important roles in relations between Saudi Arabia and Iran. The competition between Saudi Arabia and Iran for leadership within the oil organizations has been manifest in OPEC, and transformed OPEC into the most important forum for Saudi-Iranian competition. At the same time, Saudi Arabia utilised OAPEC as a collective force to mobilise support from Arab petroleum exporting countries in its battle with Iran over oil prices.

4.0 The history of OPEC and OAPEC

4.1 The establishment of OPEC

The Organisation of the Petroleum Countries (OPEC) is a permanent, intergovernmental

organisation, and is the most important venue for Saudi Arabia and Iran in competing for influence in the world oil market. OPEC was created at the Baghdad Conference on 10-14 September 1960 by Iran, Iraq, Kuwait, Saudi Arabia and Venezuela, and were later joined by another eight members. According to the OPEC official website: www.OPEC.org 'the OPEC's objective is to co-ordinate and unify petroleum policies among member countries, in order to secure fair and stable prices for petroleum producers; an efficient, economic and regular supply of petroleum to consuming nations; and a fair return on capital to those investing in the industry'.

Saudi Arabia and Iran use OPEC to influence oil policy within the organisation for their own benefit and financial advantage. At the same time, Saudi Arabia uses the Organisation of Arab Petroleum Exporting Countries (OAPEC), as a collective force to unify the Arab petroleum exporting countries' support in its fight with Iran on the oil price issue.

4.2 The establishment of OAPEC

As well as OPEC there is another organisation, the Organisation of Arab Petroleum Exporting countries (OAPEC), formed by Arab countries with Saudi Arabia as the dominant player. This organisation plays a very crucial role in enhancing the Saudi's bargaining position with Iran. OAPEC is a regional Arab intergovernmental organisation created on 9 January 1968 by Libya, Kuwait and Saudi Arabia, and currently has ten Arab petroleum countries as members. The organisations' main concern is the development of the petroleum industry by fostering cooperation among its members (www.oapecorg.org).

In the 1970s, within the framework of OPEC, Saudi Arabia remained the leading force behind moderate price increases and made sure that the rest of the OPEC membership followed the line. However, within OAPEC, Saudi Arabia was the chief architect of the oil embargo of 1973 punishing the US for aiding Israel in the conflict between Israel and the Arab states. As leader, this embargo made Saudi Arabia the most dominant power within the Arab states. The complexity of Saudi policies within OPEC and OAPEC gave that country a legitimate claim to the leadership of OPEC (Ahrari, 1989:70).

The rest of the chapter will be devoted to examining how Saudi-Iranian relations were influenced by the oil factor during the period 1977-1997. This will be demonstrated by analysing how Saudi Arabia and Iran have tried to use oil in their contest for extending their influence regionally and worldwide through the struggle to dominate OPEC's policy making. For the purpose of this analysis, the timeframe will be divided into three periods. The first, prior to the Iranian revolution, saw both Saudi Arabia and Iran attempt to stabilise the oil market. The second period in the 1980s, witnessed Saudi Arabia emerging as the dominant player within OPEC. The third, the 1990s, observed the politics overcome the difficulty of economics between Saudi Arabia and Iran for a better working relationship.

5.0 1977 to the Iranian Revolution: the prelude of the volatile oil market

As was pointed out in chapter two, the oil market of the 1960s could be described as a buyer's market, where prices were controlled by oil companies. It was only after the 1967 Arab-Israeli war that the shortage of tankers allowed Libya to negotiate the terms and conditions with the oil companies. Later most of the Arab oil producing states

nationalised their oil companies, and this changed the future of the oil industry. Saudi Arabia and Iran were put in the front line, due to their huge oil reserves. Inevitably, both countries transferred their struggle for leadership to OPEC when the market became a seller's market during the 1970s, and the oil exporting states replaced the oil companies as oil price regulators.

Although this infighting raged on during 1977 and 1978, internal unrests within Iran occupied the Shah's attention. However, during the duration of the Iranian revolution between October 1978 and January 1979, the Saudis tried to maintain a stable oil price. They boosted production to capacity (well over 10 mbd) in an effort to compensate as much as possible for the lost Iranian production. By that time, with Iranian production at a precarious 1.2mb, one quarter of its former level, increased Saudi output had failed to prevent the market from becoming tight (Golub, 1985:28). The Iranian Revolution created a highly uncertain situation concerning the supply of oil in the oil market.

The fall of the Shah had a psychological impact on the market similar to that of the Arab embargo in 1973, and sent spot oil prices soaring. Fears that Iranian oil would stay off the market due to political upheavals were largely unfounded; but panic buying continued, further encouraged by strategic stockpiling (Long, 1997b:71).

After the Shah's downfall in 1979 at the hands of the Shi'ite clergy, the new Islamic government changed its economic policy. It sought to prolong the life of the country's oil reserves and gradually reduce its dependency on oil exports, as well as increasing its investments in downstream projects and raise the export of products at the expense of export of crude oil. Within OPEC, Iran was to defend a policy of limited production and increasing prices (Amirahmadi, 1990:72-73). Outside of OPEC, Tehran sustained

a policy of imposing surcharges and rerouting its contract crude into spot sale (Ahrari, 1989:78).

Saudi Arabia unsuccessfully continued its advocacy of a unified price structure. In the end, Riyadh allowed the spot market to set the prices of crude oil, and OPEC was indeed abandoning its role as a price-fixing cartel (Ahrari, 1989:77). However, in order to reunify the multi-tier price structure and also to restructure the chaotic supply-related market conditions, Saudi Arabia opted for raising its production levels. In spite of this measure, prices of crude oil in spot markets continued to escalate. Riyadh also found that in spite of its efforts to stabilise oil prices, the American oil companies were buying the Saudi oil at a cheaper rate whilst selling at premium prices. So by the end of 1979 Riyadh was forced to introduce two more upward adjustments in its futile endeavours to reunify prices and bring about order to the market (Ahrari, 1989:77).

Thus, the Iranian Revolution in 1979 brought Saudi Arabia and Iran into open confrontation over the oil quota and prices, and both countries used the oil as a weapon in the 1980s to forge their own political agenda.

This period witnessed the growing importance of both Saudi Arabia and Iran within OPEC and the oil issue became the dominant reason for the frictions between Saudi Arabia and Iran. Saudi Arabia attempted to stabilise the oil price (see table 3.5) during both crises in 1973 and 1979, however, Iran had a different strategy, as it wanted to maximise its oil income by opposing Saudi oil policy. Since, Iran was superior in terms of military power, Saudi Arabia tried to avoid any direct confrontation with Iran on the oil issue within OPEC. However, the 1980s witnessed the change in the balance

of power between Saudi Arabia and Iran due to the Iran-Iraq war which depleted Iranian military power and its economic might; and Saudi Arabia began to utilise oil as a weapon to challenge Iran.

Table 3.5 Each December Oil Price Indication, 1970-1997
(US Dollar/Per Barrel)

	1970	1971	1972	1973	1974	1975	1976
US Dollar/Barrel	1.8	2.18	2.48	5.18	12.82	14.81	13.71

	1977	1978	1979	1980	1981	1982	1983
US Dollar/Barrel	14.76	14.94	28.91	35.63	35.95	32.85	29.3

	1984	1985	1986	1987	1988	1989	1990
US Dollar/Barrel	28.02	26.21	14.17	17.2	14.11	20.05	25.56

	1991	1992	1993	1994	1995	1996	1997
US Dollar/Barrel	17.17	16.94	12.46	15.78	17.58	23.22	16.16

Source: www.eia.doe.gov/emeu/cabs/chron.html.

6.0 The 1980s: Saudi Arabia became the unassailable power within OPEC

During the 1980s Saudi and Iran's relations went from bad to worse. Although, politics and economics intertwined with each other, as predicted by the neo-realist theory, politics gained the upper hand and relations were dictated by political considerations rather than economic ones. The main issue during this period was the Iran-Iraq War. Fearing that Iran would come out victorious from this war, which would have probably meant the export of Iranian ideology into the Arabian Peninsula, the Saudi regime favoured Iraq and supported them both politically and financially.

Table 3.6 World Oil Exports, 1977-1997
(Thousand Barrels per Day)

	1977	**1978**	**1979**	**1980**	**1981**	**1982**	**1983**
I.R. Iran	4,867.4	4,447.1	2,407.0	796.7	714.6	1,623.2	1,718.7
Iranian percentage within OPEC	17.8	17.2	9.1	3.5	3.9	11.5	14.1
Saudi Arabia	8,608.4	7,706.0	8,817.7	9,223.2	9,017.9	5,639.4	3,920.8
Saudi's percentage within OPEC	31.5	29.8	33.3	40.8	49.2	40.1	32.1
Total OPEC	27,322.7	25792.5	26,477.5	22,605.3	18,319.5	14,049.4	12,210.7
Total World	32,990.0	31,848.0	33,433.4	29,876.2	25,849.5	22,399.1	21,168.3
OPEC percentage	82.8	81.0	79.2	75.7	70.9	62.7	57.7

	1984	**1985**	**1986**	**1987**	**1988**	**1989**	**1990**
I.R. Iran	1,521.8	1,568.3	1,454.0	1,710.0	1,696.0	2,120.0	2,220.0
Iranian percentage within OPEC	12.9	14.8	11.5	14.5	13.0	14.2	13.8
Saudi Arabia	3,186.9	2,150.7	3,265.8	2,416.5	3,030.1	3,335.5	4,499.8
Saudi's percentage within OPEC	27.1	20.3	25.9	20.5	23.2	22.4	28.0
Total OPEC	11,737.1	10,569.5	12,594.0	11,797.6	13,032.9	14,875.9	16,050.9
Total World	21,506.6	20,632.5	23,001.4	22,639.9	24,314.8	25,884.4	27,262.5
OPEC percentage	54.6	51.2	54.8	52.1	53.6	57.5	58.9

	1991	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**
I.R. Iran	2,420.0	2,528.0	2,600.0	2,650.0	2,621.0	2,630.0	2,587.0
Iranian percentage within OPEC	14.2	14.5	14.5	14.7	14.5	14.4	13.5
Saudi Arabia	6,526.3	6,581.9	6,292.9	6,233.6	6,290.8	6,109.3	6,184.5
Saudi's percentage within OPEC	38.5	37.8	35.1	34.6	34.8	33.5	32.2
Total OPEC	16,956.7	17,413.9	17,899.6	18,017.9	18,084.3	18,253.8	19,182.7
Total World	27,870.2	29,078.1	30,396.2	31,412.6	32,254.1	33,220.5	34,605.9
OPEC percentage	60.8	59.9	58.9	57.4	56.1	54.9	55.4

Sources: OPEC Annual Statistical Yearbook, 1997, pp.24,27.

Additionally, Riyadh manipulated oil as a weapon to damage Iran's ability to continue the war, and confrontation between both countries became inevitable. (For a detailed discussion of the Iran-Iraq War, refer to Chapter Five). Non-OPEC countries were also inspired to challenge OPEC simply by virtue of its existence. As the world economy went into recession, non-OPEC oil producing countries competed with OPEC members for their share of the oil market, the emerging of non-OPEC oil production threatened the share of OPEC member states in the world oil market from 82.8% in 1977 into an average 55% in the 1980s, and this further intensified the frictions between Saudi Arabia and Iran (see table 3.6) for the already dwindling oil share. Eventually, Saudi Arabia emerged as the ultimate power within OPEC, and Iran's influence subsided even after several attempts to challenge the Saudi's domination.

Although the Iranian revolution in 1979 brought panic buying in the oil market, which resulted in the price of oil jumped from $15.5 to $30 per barrel (www.eia.doe.gov), when the first shockwave subsided world recession prevailed and the oil price soon plummeted. In the first quarter of 1980, the oil market began to create a condition of oversupply due to a build-up of oil and due to the slowing down of economic activities in industrial countries (Ahrari, 1989:77).

Riyadh took advantage of the Iranian revolution, and increased Saudi oil production to 8.8 mbd in 1979, 9.2 mbd in 1980, and 9.0 mbd in 1981(OPEC annual statistical yearbook, 1997:24,27). Iran interpreted the Saudi policy of overproduction as an unfriendly move towards the Islamic regime (Amirahmadi, 1990:78).

Throughout the 1980s, the oil market was characterised by oversupplies, a situation that warranted production cutbacks and a price freeze, or even price reduction. As the

organisation was gearing up to tackle new issues, the struggle between Saudi Arabia and Iran over the leadership of OPEC was to focus, aside from the pricing issue, on production programming (Ahrari, 1989:78-79). Competition within the oil market intensified, not only amongst OPEC states but also with non-OPEC oil exporters, such as Britain, Mexico, Russia, and Norway. The world recession of 1981 and the subsequent decline in oil demand affected the income of both Saudi and Iran and put a strain on their relations.

By the beginning of 1981 oil demand declined and predictions of the emergence of a soft market abounded. Saudi Arabia acted as a swing producer, using its two-pronged strategy of production and pricing to bring about stability of prices (Ahrari, 1989:77). Saudi Arabia always sought an OPEC-wide price unification as a precondition for its consideration of the long-term strategy plan which best suited the Saudi economic and political goals (Ahrari, 1989:78).

Saudi insistence on price reunification grew almost in direct proportion to the increasing softness of the world oil market. Saudi Arabia became the absolute 'swing producer' of OPEC, a position that contributed to its growing power within the organisation in the subsequent years. The Kingdom used its new found power to make economic and political gains and friends. Amirahmadi argues that Saudi Arabia used its power within OPEC to regulate oil prices according to its economic needs and the requirements of its Western friends, the US in particular (Amirahmadi, 1990:77).

Beginning from 1981, Iran showed its displeasure with Saudi policies. Disagreeing with the Saudi position, Iran and the other hawks adopted OPEC wide cutbacks to firm up prices. The Saudis promptly dissociated themselves from this decision. As

Ahrari argues, the price and production-related aggressiveness of Iran under Khomeini has been one of the reasons underlying the inability of OPEC to successfully implement its production quotas in the 1980s. Towards the end of October 1981, Saudi Arabia attained its long-cherished goal of subjugating the OPEC majority through its leverage as a swing producer (Ahrari, 1989:78-86).

Naturally, the war itself became one of the chief reasons underlying the heightening of hostility among the oil states of the Gulf. Both Iran and Iraq wanted to be given a production quota (see table 3.7), which was at least as high as that of the other (Ahrari, 1989:86). What made Iran bitter during the debate over the assigning of production quotas is that it found virtually no sympathy among other Gulf states about the fact that its production had dropped considerably, from about 4.4 mbd in 1978 to a little over 2.4 mbd in 1979. Even after the revolution, the oil output was still in turmoil and could not reach the pre-revolution level. The most devastated effects on the Iranian oil output came from the Iraqi invasion of Iran in September 1980 which destroyed the Iranian oil terminals and reduced the Iranian oil output to 0.79 mbd (OPEC Annual Statistical Yearbook, 1997:24,27).

The war between Iran and Iraq was the main factor for Saudi Arabia and Iran's strife over the quota issue within OPEC. As Ahrari argues OPEC had never seriously tried to adopt a production programme before, but in 1982 it had to bite the bullet and adopt this measure. Saudi Arabia, as the largest owner of oil reserves, had to agree to play the role of a swing producer. The Saudi willingness to perform this role only solved a minor part of the problem related to the production programme (Ahrari, 1989:79).

Table 3.7 OPEC Crude Oil Production Ceiling Allocations
(1000 barrels per day)

	Apr 82-Mar 83	**Apr 83-Oct 84**	**Nov 84-Oct 86**	**Nov 86**	**Dec 86**	**Dec11-20 1986**	**Jun 87**
I.R. Iran	1,200	2,400	2,300	2,317	2,317	2,255	2,369
Iraq	1,200	1,200	1,200	0	0	1,466	1,540
Saudi Arabia	7,150	5,000	4,353	4,353	4,353	4,133	4,343
Total OPEC	17,150	17,150	15,680	14,580	14,658	15,438	16,220

	1988	**Nov 88**	**Jul 89-Sep 89**	**Oct 89-Dec89**	**Jan 90-Jul 90**	**Aug 90-Mar91**	**Apr 91-Sep 91**
I.R. Iran	2,369	2,640	2,783	2,926	3,140	3,140	3,217
Iraq	0	2,640	2,783	2,926	3,140	3,140	0
Saudi Arabia	4,343	4,524	4,769	5,014	5,380	5,380	8,034
Total OPEC	14,680	18,104	19,083	20,062	21,616	22,021	21,740

	Oct 91-Jan 92	**Feb 92-Sep 92**	**Oct 92-Dec92**	**Jan 93-Feb 93**	**Mar 93-Sep 93**	**Oct 93-Jun 96**	**Jul 96-Dec 97**
I.R. Iran	N/A	3,184	N/A	3,490	3,340	3,600	3,600
Iraq	N/A	505	N/A	500	400	400	0
Saudi Arabia	N/A	7,887	N/A	8,395	8,000	8,000	8,000
Total OPEC	23,650	22,436	24,200	24,289	23,301	24,233	25,033

Note: N/A Not available.

Source: OPEC Annual Statistical Yearbook, 2001, pp.XIV, XV.

In early 1982, the oil glut and a related price slump in the world oil market were causing concern for both Saudi Arabia and Iran. When Iran was accused of violating its 1982 quota of 1.2 mbd and undercutting other OPEC members by selling its crude oil at a lower price, the Iranian Oil Minister, Mohammed Gharazi, argued that Iran had already drastically lowered the 4.8 mbd production level from the days of the Shah to about 1.6 mbd (OPEC Annual Statistical Yearbook, 1997:24,27). Iran accused Saudi Arabia of unfairly expanding its own share at Iran's expense at a time when the latter was fighting

a war with Iraq. He argued that Iran, under such circumstances, was left with no alternative but to exploit whatever opportunities presented themselves; and Iran remained the leading violator of OPEC-allocated quotas in 1982 (Ahrari, 1989:79-80).

The confrontation between both countries reached its culmination during the OPEC meeting in 1982 when Iran suggested a quota allocation to members by population and the need for oil income, which would be disadvantageous to Saudi Arabia. In response, Saudi Arabia strongly disagreed with this proposal.

Therefore, in 1982 Iran challenged Saudi's leadership within OPEC. Tehran was trying to create a united front with the 'radical states' within OPEC (Algeria and Libya) against the Saudi government. Iran's government was successful in applying an aggressive pricing strategy in spot markets and in marking extensive barter deals with Eastern European nations. During that year, Iran announced three successive price cuts in less than three weeks, and its oil price was $4 to $5 lower than the price for comparable Saudi oil. It seemed as if Iran was trying to deliberately paralyse the 'Saudi OPEC' (Amirahmadi, 1990:81). In response, the Saudis surprised every one in the oil market when they offered to cut their production in order to boost prices. But, Iran did not give in, and as a result, the country's oil revenue increased to its post-revolutionary peaks in 1982 and 1983 ($17.6 billion and $20 billion) which more than double of its 1981 oil revenue (OPEC Annual Statistical Yearbook, 1980: XLIX).

The issue of allocating quotas emerged as an immediate problem when OPEC considered the adoption of a production programme in 1982. This was the first serious confrontation between Riyadh and Tehran over the issue of oil quotas and made Riyadh change its policy towards Tehran from covert confrontation to overt fighting for

domination within OPEC. In the December 1982 OPEC ministerial meeting, Iran proposed that the production quota be determined by a member country's need for foreign exchange, its population size, the capacity of its oil reserves, financial needs, and the quantity of its petroleum exports in the preceding decade. Such a formula clearly put Iran, Nigeria, Indonesia, and even Iraq ahead of Saudi Arabia, since all populous states, as 'high absorbers' of capital, were also in acute need of capital. All of these factors would have helped Iran to receive a higher production and export quota while placing Saudi Arabia in a disadvantageous position (Amirahmadi and Entessar, 1993:9).

Nevertheless acceptance of the Iranian position by Saudi Arabia would clearly enable Iran to regain the role of leader of OPEC that it had enjoyed under the Shah. Moreover, the political implications of this role might further escalate the already threatening posture of the Khomeini regime in the Gulf, a horrifying scenario not only for Saudi Arabia but also for other oil monarchies in the Gulf region (Ahrari, 1989:79). The Saudis led the opposition to the Iranian proposal and engineered a move to bypass the election of a new OPEC Secretary-General when it was Iran's turn to fill the position. Thus, confrontation between both countries became inevitable (Amirahmadi and Entessar, 1993:9).

Despite agreement to cut production proportionately, the overwhelming temptation was to maintain revenue levels by pumping as much as oil as possible. Tehran was never able to abide by its OPEC quota because it needed the revenues to continue its war with Iraq. The Saudis, as swing producer, were forced to cut production to maintain price stability. But maintaining this position was untenable. By 1983, Saudi Arabia had begun to borrow money from local banks to offset its deficit, and in mid-1985 their

revenue was less than half of their budgetary expenditures. Towards the end of 1985, Saudi Arabia temporarily abandoned the production programme and opted for the so-called 'fair share policy', which for a brief duration was essentially a price war with non-OPEC producers, but at the same time hurt Iran's oil income. As a result, Saudi Arabia, help by Kuwait and the UAE, again increased production, causing prices to drop briefly to $10.91 per barrel in July 1986 (www.eia.doe.org) but ultimately forcing other OPEC producers to share the burden of production cuts to stabilise prices and regain lost market share (Long, 1997b:72-73).

What made Iran bitter during the debate over assigning production quotas is that it found virtually no sympathy among other oil states in the Gulf in general, Saudi Arabia in particular, about the fact that its production has gone down considerably from about 4.7 mbd to a little over 2 mbd, as a result of the deliberate policy of the Khomeini regime. Iran found itself squabbling over a production quota of about 3 mbd (Ahrari, 1989:86).

Frustrated by Iran's extensive cheating on oil production quotas, the threats from Iran to the Gulf states, and Tehran's persistence in refusing a ceasefire with Iraq, Saudi Arabia decided to increase its share of production, in 1986, and flood the oil market in defiance of Iran. The Saudis believed this would constrain Iran's financial resources and curtail its ability to continue the war with Iraq (Amirahmadi, 1990:79). At the same time, Riyadh also hoped that the lower prices would reduce the non-OPEC share of the market and discourage research and development in alternative sources of energy, thus ensuring long-term Western dependence on OPEC oil (Dorraj, 1993:21). The result was an oil glut and the collapse of prices to as low as $10.91 per barrel in July 1986 (www.eia.doe.org).

The Saudi action resulted in a dramatic drop in Iranian oil revenue from a projected $15 billion to an actual $5.8 billion in 1986. The government was so unprepared that it had to introduce an emergency economic plan to cope with the disastrous consequences (Amirahmadi, 1990: 74). Tehran also regarded Riyadh's action as unfriendly.

To combat Riyadh's attempt to damage the Iranian economy and abort the war affairs, Iran reduced its output by 300,000 barrels per day in order to reduce the oil glut and raise prices. Although Libya and Algeria followed suit, without co-operation from Saudi Arabia, the attempt to raise prices was doomed (Dorraj, 1993:28).

The reduction in the share of oil balances and the fall in the world price of oil in 1986 caused a fundamental rethink about the future role of oil and the importance of OPEC supplies within the global oil scene (Stern, 1989:112). In 1986, one could argue that Saudi oil policy was determined to maintain the world price of oil, for a prolonged period of time, at a level which was sufficiently low to stimulate world oil demand and hinder investments in non-OPEC oil and other energy sources (Stern, 1989:117).

All OPEC members have suffered from the declining oil market and Saudi policies, though Iran felt the greatest impact. Iran was involved in a war for which it had no international support and had inherited an economy that was in deep crisis and highly dependent on oil revenues. Amirahmadi argues that to achieve the maximum destructive effect, the Saudi policy was to fundamentally challenge Iran over the oil issue (Amirahmadi, 1990:79-80), and utilise oil as a weapon to incur as much harm as possible on the Iranian economy to force it into aborting its war against Iraq. In the end the Iranian regime could not continue to fund the war with Iraq, and a crippling

economic situation threatened the very survival of the Islamic regime. Under these economic pressures Tehran agreed a ceasefire with Iraq in 1988.

Saudi Arabia stepped up its oil production almost immediately after the cease-fire on 20 August 1988, and by early October, Saudi production had reached 5.7 mbd (Amirahmadi, 1990:80), well above its OPEC quota of 4.3 mbd (OPEC Annual Statistical Yearbook, 2001, pp.XIV, XV). The Saudis claimed they were protecting their market share against a possible incursion from Iran, a protest that soon became untenable. Iran continued to produce less than its OPEC quota of 2.37 mbd throughout 1988. In the meantime, the Saudi government and its allies, other members of Arab OPEC, raised the question of production parity between Iran and Iraq as a condition for a new OPEC accord on price and production (Amirahmadi, 1990:80).

While in the 1970s the OPEC states appeared to be major, powerful and independent actors on the international scene, the 1980s revealed the limits of their autonomy. Compared with the 1970s, the 1980s witnessed significant differences between Saudi Arabia and Iran regarding oil policy, which affected their relations. Being a swing producer in the 1980s did not bring the Saudis any of the benefits of the 1970s, but instead the confrontation with Iran. The oil glut, competition from non-OPEC oil exporters such as Britain, Mexico and Norway, conservation and alternative-energy measures in the West, Japan and the US, and short-term trading on the spot and highly speculative future markets have all contributed to a decline in oil prices - and the decline of OPEC. The fall in oil price meant a redistribution of income from petroleum producers to consumers.

The fighting for leadership within OPEC amplified the frictions between Saudi Arabia

and Iran during this period and the 1980s witnessed the worst relations between the two countries. Iran, with large fiscal needs, little sympathy for the West, an expensive war with Iraq, insufficient reserves to take a long-term view of market and production at maximum capacity, saw the Saudi oil policy as an extension of its alliance with the US. As Chubin argues, there are some grounds for this interpretation, there being an implicit understanding that Saudi Arabia would keep oil prices low in exchange for US protection (Chubin and Tripp, 1996:68), which was the best example to highlight the neo-realist assumption, that the regime survival strategy and the balance of power plays a very important role in conducting Saudi policy towards Iran. By keeping the oil price low, which favoured the Western industrial countries, Riyadh gained the supports from the West in general, and the US in particular, therefore, during the 'Tanker War' Riyadh requested the American navy to protect its tankers through the Strait of Hormuz. Riyadh used its oil as a tool to buy protection, and the balance of power was in favour of Saudi Arabia, which witnessed that Iran lost its battle with Saudi Arabia on two fronts; one was the oil quota within OPEC.and the other was their gradual isolation from the West and the Arab states. For Iran, this represented a serious problem. Iran could not match Saudi's influence within OPEC and, therefore, needed Saudi cooperation (Chubin and Tripp, 1996:68).

At the same time, the slump in the oil market throughout the 1980s forced OPEC to scramble for survival strategies. Iran remained a leading price hawk and manifested its aspirations for the leadership of OPEC (Ahrari, 1989:70-71), but failed to gain any footing. One could argue that Iran's military and political influence subsided in the region as Saudi's influence rose. With the backing of the US, Saudi Arabia was able to use oil as an important weapon in order to damage Iran's economy and, therefore, force Iran to terminate its war effort against Iraq and also to accept the humiliation of a

ceasefire. Soon after the ceasefire, Riyadh still tried to hinder Iran from regaining its pre-war era's oil quota by overproducing, and this limited Iran's influence within OPEC. Only after August 1990, when Iraq invaded Kuwait, did Saudi Arabia realise that it needed to accommodate Iran into regional affairs. Thus, it sought to change relations with Iran, and tried to cultivate co-operation, economic as well as political, and understanding between the two countries.

7.0 The 1990s: the politics overcame the difficulty of economics between Saudi Arabia and Iran

During the 1990s, the relationship between Saudi Arabia and Iran could be highlighted in four stages: First, the Iraqi invasion of Kuwait in August 1990. Second, in 1993 politics still dominated their relations and the OPEC witnessed short-lived co-operation between Saudi Arabia and Iran which resulted in higher oil prices benefiting both Saudi Arabia and Iran. Third, the election of the former Nigerian oil minister Rilwanu Lukman as Secretary-General of OPEC in 1994 which again weathered their relations. Fourth, despite exchange of high ranking personnel official visits in 1995, both countries wished to maximise their oil revenue, because of economic difficulties. This, inevitably, prolonged the conflict between Saudi Arabia and Iran to the end of 1997.

7.1 1990: The Iraqi invasion of Kuwait

In this decade the first major political disruption to the oil market occurred when Iraqi troops invaded Kuwait in August 1990. Oil prices soared briefly, from about $18 to almost $40 per barrel, but stabilised in the range of $20 per barrel, as Saudi Arabia increased its production from 5 mbd to 8 mbd (EIU Saudi Arabia No3 1996:17) in order

to ease world supply. Nonetheless, after the end of the Second Gulf War, Saudi Arabia expressed no intention to reduce its output to its pre-war quota. Although both Iraq and Kuwait re-entered the oil market in 1992 and 1996 respectively, Riyadh ignored Iran's calls to reduce its oil production.

Whilst the war was raging with Iraq in early 1991, the Saudis refused to discuss the quota situation with fellow OPEC members. For Tehran, high oil prices helped it to achieve rapid growth, and so wished the situation to continue. However, because Saudi flooded the market with oil to stabilise the price, and bring it down to its pre-war level, the price target set in July 1990 was heavily criticised by Iran (EIU Saudi Arabia Report, No 1 1991:4).

The Iraqi invasion of Kuwait was a double-edge sword for Saudi Arabia. Riyadh had to pay $55 billion, during the 1990-91 Gulf crisis, to the US-led military campaign to force Iraqi troops out of Kuwait (Long, 1997b:73). Consequently, Saudi expenditure, which amounted to $127 billion, far outstripped its earnings of $84.4 billion (MEM, 7 October 1993:16). Thus, the Saudi government was forced to borrow money from commercial sources, and payment delays started to reappear. The Saudi government could only cover its budget deficit by borrowing; it no longer had the option of drawing on reserves which had accumulated in the 1970s and 1980s (EIU Saudi Arabia Report, No 2 1991:4). In May 1991, the Saudi government not only signed up a $4.5 billion loan with international banks, but also borrowed a further $2.5 billion in foreign currency from domestic banks on a significantly less voluntary basis (EIU Saudi Arabia Report, No 3 1991:14).

When revenues declined drastically during the 1980s, Saudi Arabia resorted to a few

fiscal restraints but avoided really painful austerity measures, gambling that the glut would end before the Kingdom exhausted the huge reserves it had amassed in the 1970s. By the end of the Kuwait conflict, the Kingdom was no longer a cash-rich country. Since then, its short - and medium-term needs for revenues again began to affect its oil policies (Long, 1997b:74).

Since 1991, Saudi Arabia has assumed a dominant role in oil politics. Iran's attempts to match this, by increasing its productive capacity in order to recapture its pre-revolutionary role as an OPEC leader, were futile. Chubin and Tripp argue that without Saudi's co-operation within OPEC for increasing its quota level, Iran has been unable to achieve its economic and political goals, which have not been necessarily compatible with those of Saudi Arabia (Chubin and Tripp, 1996:68). What has become clear is that, most certainly, the balance of power has favoured Saudi Arabia. From Iran's perspective, only the Saudis have reaped the benefit from increasing their output, and so the mistrust between both countries has deepened.

Although after the Second Gulf War, Saudi Arabia realised that it needed to accommodate Iran into regional affairs, although mistrust between Saudi Arabia and Iran still continued, and their differences in oil policy came back to the forefront. The February 1992 meeting of OPEC in Geneva, which reached a production cutback agreement, proved to be a great disappointment to Iran. In fact, neither Iran nor Saudi Arabia appeared to be satisfied with the arrangement. Iranian representatives argued in favour of maintaining a ceiling on OPEC output below 22.5 mbd for a higher oil price. The Iranian press renewed its attack on Saudi oil policy in its desire to serve the interests of Western industrial countries by keeping oil prices low (EIU Saudi Arabia Report, No 4 1992:7). The allegation reflected the deteriorating relations between the

two countries and suggested that the future management of OPEC's oil supply would involve tough political negotiations (EIU Iran Report No2 1992:19).

For Iran, a low oil price would not help clear its outstanding foreign debt, which was calculated at being more than $17.6 billion in March 1992 (EIU Iran Report No3 1992:15). Since Saudi Arabia was the dominant player within OPEC and Tehran could not compete for its quota, the Iranian Oil Minister, Aqazadeh, announced on 24 September 1992 that Iran would raise its oil production from a reported output of 3.21 mbd to 3.6 mbd, without gaining an approval of OPEC. Aqazadeh publicly rejected the OPEC decision to maintain a constant quota. Tehran had wanted OPEC to curb the output to be no more than 24 mbd and to achieve a $21 barrel price. In October 1992, Saudi Arabia totally abandoned its role as being the swing producer, because Riyadh believed that due to previous experience, members of the OPEC states had agreed on the quota but the temptation of cheating with over-production was far too great. Therefore, although setting and agreeing on the quota, none of the members were willing to abide to their given quota. At the same time since the Second Gulf War, Saudi Arabia's own financial burden was too big to bear, and being a swing producer did not bring along the benefits for Saudi Arabia as it did in the 1980s. Therefore, although Iran overproduced, Saudi Arabia did not react very strongly, as it believed that Iran had already produced over its quota and had already reached the 3.5-3.6 mbd level (EIU Iran Report No4 1992:18). Therefore, because Saudi Arabia needed Iran to deter any threats from Iraq, Riyadh were willing to tolerate Tehran's overproduction. At the same time, however, Riyadh totally abandoned its desire to be the swing producer, stating that if the oil glut persisted they would not reduce production to stabilise the price. They claimed that the market should determine prices, not artificial shifts in production rates (Long, 1997b:74).

Overproduction did not benefit Iran's economy, but simply lowered oil price. Since the ceasefire with Iraq, Iran had been fighting for a higher OPEC quota to meet growing imports, an ambitious economic plan and development projects. Tehran faced hard currency shortages, as it owed about $10 billion in deferred payments in 1993. Some foreign contractors refused to continue work unless some of the overdue funds were paid (MEM, 7 October 1993:16). Iran was struggling with a $27 million foreign debt, including $7 billion in amount overdue, and drew more than 80 percent of its foreign exchange earnings from crude sales. Iran was in need of oil revenues, but the weak oil prices deepened Tehran's foreign debt crisis and the Iranian riyal dropped in value by 10 per cent against the dollar and other major currencies within three weeks (MEM, 22 November 1993:17). Rafsanjani understood that regime survival depended on co-operation with Riyadh to reach the higher oil price and boost its revenue.

7.2 1993: The short-lived cooperation

In February 1993, OPEC agreed to impose quota cuts to help boost prices. However, due to Kuwait's unwillingness to accept a production cut, and the fact that other OPEC members cheated on their quota, oil prices slid to a five-year low and Iran's much-needed oil revenues melted away. Tehran sought to pressurise Saudi Arabia into cutting production in order to accommodate Kuwait. However, Saudi Arabia was no longer willing to play the 'swing producer,' defended its role as the dominant player within OPEC and did not give in to the Iranian request. Iran accused Saudi Arabia of over-production; Saudi Arabia in turn accused Iran of 'chronic large-scale cheating on quotas' (Chubin, 1996:68).

The exchange of harsh words between Saudi Arabia and Iran continued until the beginning of March 1993. The Tehran Times said that Iran was not prepared to suffer the economic cost of 'short-sighted' Saudi oil policies. It accused the Saudis of producing more than their OPEC quota, and facilitating a US presence in the 'Persian Gulf' which Tehran believed had affected its chance for regaining its influence in the region and had meant that the balance of power still favoured Riyadh (MEM, 17 March 1993:17). Eventually, low oil prices and falling oil revenues forced Iran to cut some development projects (MEM, 17 March 1994:17).

The consequence of lower oil prices had a huge impact on Iranian domestic politics and forced the Iranian regime to rethink its policy towards Riyadh. The Iranian Foreign Minister, Ali Velayati, said in mid-March 1993, that the relations with Saudi Arabia were going through a 'confidence-building stage' and that he hoped that a summit between the leaders of the two nations would take place (EIU Iran No2 1993:13). Hopes were raised in May when the Iranian Foreign Minister visited Riyadh, but the H*ajj* quota dispute affected their rapprochement (see Chapter Four). In June during the OPEC meeting, Kuwait refused to reaffirm its quota sending the price of oil tumbling (EIU Saudi Arabia, No2 1993:4), and the relations between Saudi Arabia and Iran reached a new low, and both countries accused each other for the failing oil prices.

In 1993, Tehran continued to deny reports of overproduction and maintained it was producing within its official 3.34 mbd quota. The Iranian Ministry of Oil, in July 1993, admitted that Iranian overproduction was only due to a misinterpretation of domestic consumption (EIU Iran No3 1993:19). This could be regarded as an expression of Iran's willingness to adjust its policy towards Saudi Arabia, and a prelude for the rapprochement towards Saudi Arabia in September 1993.

By autumn 1993, Iran sought to avoid further quarrels which would continue to weaken the market. The slide in oil prices, due to OPEC overproduction and a weak world demand, generated sufficient pressure on OPEC to reach an agreement in September 1993 to curb production levels. Rafsanjani understood the need for an all-out co-operation among member countries with a view to achieving a just price for oil and for adopting a co-ordinated method to prevent output fluctuations. He discussed the oil price with King Fahd in September 1993, and the possibility of cutting oil exports to boost the price (MEM, 22 November 1993:17). Saudi Arabia agreed to freeze their output at 8 mbd while Iran's quota was increased from 3.34 mbd to 3.6 mbd and, with this the oil prices picked up to reach $16.90 a barrel (MEM, 7 October 1993:16). This represented a great victory for Iran. It was reportedly achieved because Saudi Arabia had agreed to give up some of its market share to Iran, although it refused any suggestion that its production should fall below 8 mbd. The Iranian decision to seek accommodation with the Saudis bore the hallmark of Rafsanjani's pragmatism, and the compromise and agreement between Saudi Arabia and Iran proved that the neo-realist assumption cannot account for the whole spectrum of every event that can take place. This also shows the limitations of neo-realism theory that can be used to apply to their relations. The September 1993 OPEC meeting demonstrated that cooperation could be beneficial to all (Chubin and Tripp, 1996:68-69); and the Iranian Foreign Minister Velayati and his Saudi counterpart, Prince Saud al-Faisal, 'expressed satisfaction at the recent positive trend in relations' between Tehran and Riyadh (MEM, 14 October 1993:20).

Saudi Arabia's willingness to cut its own production enough to both placate Iran and to increase prices did not appear to harm it economically, since the small rise in prices

tended to cover the small cut in Saudi's production (Chubin and Tripp, 1996:69).

However, the 'honeymoon period' did not last long, as the OPEC summit in November showed that the discord among the member states was the main reason behind the fall of oil price from $18 to $12 per barrel again in that month. Tehran accused Saudi Arabia of failing to settle its differences with Iran over regional security so they could co-operate and have more control over setting world prices (MEM, 23 February 1994:16).

Tehran stated that with 'the kingdom's refusal to cooperate with other members of OPEC to stabilise the overall production level, it would be unrealistic to expect a fair price for oil any time soon' (MEM, 23 February 1994:16). The *Tehran Times*, which is considered close to the Iranian Foreign Ministry, claimed that high oil production by Saudi Arabia was to blame for weak oil prices which were undermining the Gulf economies. Iran has in the past been critical of the fact that Saudi Arabia boosted its production by about three million barrels daily after the 1991 Gulf war to evict Iraq from Kuwait, but the Saudis said they were simply restoring their former output levels (MEM, 23 February 1994:16).

The slump in oil prices in the last quarter of 1993 hurt both Iran and Saudi Arabia's economy. Both countries were in need of oil revenue more than ever. The leading Saudi daily *Asharq al-Awsat*, estimated that Saudi Arabia was in debt to an amount of around $61 billion (MEM, 4 January 1994:22). However, Iran was in no better economic shape. In 1994, Iran owed $40 billion to 30 different countries, such as South Korea, Japan, and Germany, imported over half its food and three quarters of its medical supplies, and relied on oil exports for more than 90% of its revenue (MEM, 15

August 1994:17).

At the beginning of 1994, Riyadh announced belt-tightening plans, with a hefty 20 per cent cut of its budget due to the world economic recession and low oil demands (MEM, 4 January 1994:22). With a huge debt mounting, Rafsanjani's pragmatist party understood Iran's need to cooperate with Saudi Arabia for the higher oil revenues.

However, at the OPEC meeting in Geneva on 25 March 1994, OPEC Oil Ministers extended the existing OPEC production ceiling of 24.52 mbd for the whole year. The decision represented a victory for the Saudi position, and was bitterly attacked by Iran (EIU Saudi Arabia, No2 1994:16). The Saudi view that a production cutback would be ineffective stemmed from the kingdom's experience with recent attempts by OPEC at production cutbacks. Even if OPEC were successful in cutting back production, the Saudis believed that non-OPEC producers would increase their own production to fill the gap, resulting in an output and a price loss for Saudi Arabia. As a consequence, Saudi Arabia maintained its current strategy of preserving market share, a view it was able to impose on the rest of OPEC even though most members would have preferred a reduction in quotas.

Iran was extremely disappointed with the outcome of this meeting and the failure to agree on production cutbacks. Iran was stumbling from lower oil prices and high debt-servicing payments, as well as producing at its sustainable production capacity, thereby making any attempt at unilateral production increases difficult. From an Iranian perspective, higher prices were more important than concerns about market share (EIU Saudi Arabia, No2 1994:17). The *Tehran Times* yet again accused Saudi Arabia of fostering lower prices in order to further the interests of the US. Saudi

Arabia reiterated its position that its oil policy was based solely on considerations pertaining directly to oil, and was not a foreign policy tool to be used to benefit the US or to harm Iran (EIU Saudi Arabia, No2 1994:17).

7.3 1994: Fighting for influence within OPEC

The issue of the election of Secretary-General of OPEC, which erupted in June 1994, caused a dispute between Saudi Arabia and Iran. When the term of office of Secretary-General, Dr Subroto of Indonesia, expired at the end of June, the most widely favoured candidate to replace him was Alirio Parra of Venezuela, who was supported by Saudi Arabia and all other OPEC members except for Iran. Iran preferred its own candidate, Kazempour Ardebili. As the choice for the OPEC Secretary-General has to be unanimous, Iran's unwillingness to withdraw Ardebili's candidacy caused a stalemate, leading to the president assuming the responsibilities of the secretary-general for six months. This problem last occurred in 1983 and took five years to resolve (EIU Saudi Arabia, No3 1994:17). Iran held to Article 28 of the OPEC constitution, which states that in the absence of a unanimous decision on a candidate on the basis of merit, the selection of a new secretary-general should be decided by rotation (EIU Iran, No3 1994:19). The saga demonstrates the competition between Iran and Saudi Arabia over the control over OPEC.

During the OPEC meeting in November 1994, Iran insisted that it would agree to the former Nigerian Oil Minister, Rilwanu Lukman's appointment as new Secretary-General on the condition that at the end of his three-year term Iran would be allowed to nominate his successor. This would put an Iranian candidate in line for the next secretary-general, and not surprisingly this condition was rejected by Saudi Arabia

and other OPEC members. Iran finally conceded to Lukman's appointment unconditionally (EIU Saudi Arabia, No4 1994:17), showing the Saudi's unassailable position within OPEC.

Although the Secretary-General issue was resolved the oil price fell to $13.51 per barrel. The immediate cause of the price drop was the failure of OPEC members to agree on production cuts at its November 1993 meeting in Vienna. Iran was widely believed to have produced more than its quota in the first half of 1994 (EIU Iran No1 1994:21).

Iran's income in 1994 was at $13.5 billion against an annual budget of $17 billion. Therefore, in 1994 Iran faced a foreign debt amounting to $28 billion which the low oil price did not help to relieve (EIU Iran No1 1994:22). Production shortfalls coupled with the low international oil prices deterred Iran's projected development of its hydrocarbon industry. Saudi-Iranian relations came under intense strain. Tehran blamed Riyadh for failing to stabilise falling oil prices, which according to the Iranian Oil Minister, Aqazadeh, had cost Iran at least $3.5 billion from September 1993 to June 1994 (EIU Iran No2 1994:9).

7.4 1995: The political situation dominated Saudi-Iranian relations again

The economic embargo imposed on Iran by the United States in 1995 forced Iran to find alternative markets for its crude oil. Iran thus faced a five-year period of austerity which could become a major economic crisis with political repercussions.

However, the situation for Saudi Arabia was no better. In 1995, Saudi Arabia cut its annual budget by another 20% and King Fahd issued a decree introducing fees on

electricity, water consumption and locally consumed refined oil products except fuel oil. Local telephone calls were no longer free, and the price of air travel was increased by 10%, 15% and 20% for economy, business and first class respectively (EIU Saudi Arabia No1 1995:12-13).

The 1995 budget reduced spending by 10 billion riyals ($2.7 billion) to 150 billion riyals ($40 billion) and raised revenues by 15 billion riyals ($4 billion) to 135 billion riyals ($36 billion). King Fahd blamed the price increases on serious cash flow problems caused by low oil prices, heavy spending on infrastructure and more than $50 billion spent on the Gulf war and asked his people for patience, claiming the price hikes and new fee would be temporary (MEM, 9 January 1995:12).

Nevertheless, King Fahd still denied reports that the Saudi economy was 'shaky', declaring that 'the currency is covered 100 per cent and the reserves are there 100 per cent.' Riyadh was facing a cash crunch brought on by weak oil prices and some $55 billion in payments towards financing the 1990-91 Gulf war over Kuwait. To get its finances into better shape, Saudi Arabia reduced 1994 public spending by 20 per cent – down from the SR 196.95 billion ($52.52 billion) budgeted in 1993 to SR 160 billion ($42.67 billion). Furthermore, the king expressed his intention for reconciliation with Iran (MEM, 9 December 1994:19).

With the beginning of rapprochement between Riyadh and Tehran in 1995, the oil quota issue became insignificant, and both countries refrained from accusing each other on the overproduction and quota. One could argue therefore that the oil issue serves only as an excuse when Tehran and Riyadh are under pressure to get the most possible revenue from oil. There is no doubt, however, that it sometimes serves as a political tool with

which to outdo each other.

Although 1995 witnessed the warming of relations between Saudi Arabia and Iran with the exchange of high-ranking officials, both countries' domestic economic pressure did not allow them to cede in the fights for maximising their oil revenue. Inevitably, this co-operation faced another test in 1996.

In 1996, the overproduction, in conjunction with the UN oil-for-food programme allowed Iraq to enter back into the oil market and posed a pressing dilemma for OPEC. Iraq's return and the predicament of overproduction placed Saudi Arabia in the spotlight. First, Saudi Arabia had been a main beneficiary of Iraq's absence, allowing it to increase its quota from 5.5 mbd to over 8 mbd. Now the Tehran Times called for Saudi Arabia to return to its pre-Iraqi sanctions production level. Riyadh refused and only increased the total OPEC output to accommodate the return of Iraqi oil into the market (EIU Saudi Arabia No 3 1996:19).

However, both Saudi Arabia and Iran believed that OPEC had to establish 'quota discipline' before it could convincingly tackle reallocating production to Iraq and reducing it from other members. Saudi Arabia and Iran's Oil Ministers led the drive to re-establish discipline within the organisation. The result was the announcement that OPEC would reconstitute the Ministerial Monitoring Subcommittee under the chairmanship of the Iranian Oil Minister. However, OPEC's powers to enforce any discipline are weak.

Eventually, 1996 witnessed the first sustained rise in oil prices since their sharp drop in 1986. The price of Saudi Arabia's benchmark crude, Arab Light, increased to an

average of almost $20 per barrel in 1996, from $16.73 per barrel in 1995 and $15.39 per barrel in 1994 (EIU Saudi Arabia No 1 1997:7). However, the oil price could not sustain the higher price mark because of the world economic situation.

The oil price slipped in the first four months of 1997 as the spot price for the OPEC basket of seven crudes averaged only $19.8 per barrel compared with a $23.06 per barrel in 1996, a decline of 14.1%. The major factor behind the significant fall in oil prices was oversupply. The incremental oil production brought about by the new North Sea Fields and the Iraqi oil for food programme, failed to be accommodated by any of the OPEC producers (EIU Saudi Arabia No2 1997:18).

8.0 Conclusion

This chapter answers the question of why and how oil affects the relationship between Saudi Arabia and Iran with both countries being heavily dependant on this single resource for their revenues. It highlights the importance of oil for Iran's and Saudi Arabia's economies and shows how both countries have sought to dominate OPEC to control oil price and production. Events such as the Iran-Iraq War and the Iraqi invasion of Kuwait affected Saudi Arabian and Iranian policy towards oil pricing and policy making and consequently had an impact upon their relations with one another.

The oil issue is of great political importance to both Iran and Saudi Arabia. Although both countries depend on oil, the difference in quantity of their respective oil resources affects their financial and decision making process.

The Saudi strategy has been to maximise oil revenues by maintaining production at a

high level. At the same time it has been unwilling to press for dramatic rises in the price of oil. This is partly because of Saudi concern about the effect of this on the West's industrialised economies, and the consequences for future oil demand.

In contrast, because of circumstances with the Iran-Iraq war, Iran was forced into taking the short-term view in utilising its oil resources, seeking to maximise revenue through larger quotas in the early 1980s. This led to intensified competition with Saudi Arabia over oil policy within OPEC (Saudi Arabia and Iran having become the leading players within OPEC in the 1970s).

Ultimately, because Saudi Arabia processes the largest reserves of oil and coordinates with other Gulf Arab oil producers, it has been able to occupy the dominant position in the oil market and within OPEC. However, Saudi Arabia could only dominate in economic terms, lacking both manpower and military might. Iran's military superiority in the region enabled it to resist Saudi pressure and Saudi Arabia proved reluctant to translate its economic strength into overt confrontation with Iran. This competition within OPEC was thus constrained during the 1970s.

The Iranian Revolution in 1979 changed the balance of influence within OPEC between Saudi Arabia and Iran. For Iran, the competition with Saudi Arabia intensified in September 1980 as a result of the outbreak of the Iraq-Iran War, which had a negative impact on every sector of the economy. Although oil exports were maintained, domestic oil supplies were disrupted and many factories and industries were closed down. In short, the eight-year war (1980-88) devastated Iran's economy.

Because Saudi Arabia overtly supported the Iraqi war efforts, their tankers became the

target of Iranian attacks and Tehran threatened to bomb Saudi ports, oil pipelines and installations and facilities. By the middle of 1985, the Saudi regime simply because of its own weakening economy, increased its diplomatic efforts to reconcile Iran and Iraq, and proposed a cease-fire.

In 1986 Riyadh decided to use oil as a weapon and flooded the market, which resulted in the collapse of oil prices and reduced the Iranian revenue. One could argue that this action was partly to blame for the rioting of the Iranian pilgrims making the *Hajj* in 1987 and the subsequent severance of diplomatic relations between the two countries in 1988.

Thus, the 1980s witnessed open confrontation between the two countries over the issue of oil quotas within OPEC and beyond. Because of the war, Iran lost its political, economic and military superiority in the region and Saudi Arabia seized this chance to suppress Iran's influence within OPEC, and dared to use oil to force Iran to accept its terms and conditions. Only after the Iraqi invasion of Kuwait in 1990 did Riyadh change its foreign policy towards Iran because it needed Iran's co-operation in regional affairs, to counterbalance the threat from Iraq. In this latter period one could argue that, although both countries still fought for domination within OPEC, they nonetheless attempted to keep good relations. This complex relationship can be accounted for within the neo-realist framework. Both states recognised the benefits to be gained from maintaining a balance of power within the Gulf region, thus co-operating when necessary but equally competing when necessary to preserve their own regime survival in the face of regional threats. OPEC became one for among others for the playing out of this delicate game.

We can see, then, that the role played by oil in relations between Saudi Arabia and Iran was far greater than simply its contribution to the domestic economics of each party. Its utility as a political/strategic tool carried more weight in foreign policy making that its functional economic contribution. Under the pressure from its weak economy, Iran did seeks to avoid further quarrels with Saudi Arabia, which would have continued to weaken the market and co-operation over oil between Saudi Arabia and Iran did eventually result in higher oil prices which benefited both countries. Nevertheless, the need to dominate OPEC and consolidate their regional positions was ultimately paramount, and made co-operation between both countries short lived. The balance of power shifted in favour of Saudi Arabia following the 1973 oil crisis until the 1980s. In the 1990s, due to the Iraqi invasion of Kuwait, Iran was able to regain its position within OPEC.

This chapter has shown the importance of oil for both countries. However, oil acts as a double-edged sword for their relations, because both countries' economies are based on oil-derived rent. Both states utilize oil as a tool to fulfill their national needs - as neo-realists point out, both power *and* economics are important factors for state survival. But this chapter has shown that ultimately the search for power is a greater imperative of international relations than domestic economic considerations.

Furthermore, this chapter shows how important the external aspects of oil (i.e. the market role and oil prices) are, when compared to internal aspects (i.e. development policy). This situation is more complex for an oil-dependent economy, like Saudi Arabia, than for a partially oil-dependent economy like Iran, and the differences will be reflected in the foreign policy of each country towards each other.

This chapter suggests that neo-realist theory can explain the two countries' relationship. However, the researcher also acknowledges that neo-realist assumptions are insufficient to explain every aspect of their relationship; for example the nature of rentierism and its role in determining the foreign-policy of states, cannot be properly explained by the neo-realist school of thought alone.

CHAPTER FOUR

THE RELIGIOUS FACTOR

1.0 Introduction

This chapter analyses how religious division between Saudi *Sunnis* and Iranian *Shi'ites* played an important role in the relations between Saudi Arabia and Iran. This chapter first highlights the significant difference between *Sunnis* and *Shi'ites* since the establishment of Islam in the seventh century, and how these sects shaped the foreign policy of each country in the twentieth century. It will illuminate how regimes in both countries utilise religion as a tool to fulfil their political needs. Furthermore, it shows how religion shapes their relations through the *Hajj* and the competition within Islamic organisations.

In order to understand how religion affects the relations between Saudi Arabia and Iran, one should look at the fundamental division between Saudi *Sunnis* and Iran's *Shi'ites*, and how the division evolved and affected their decision-making processes. Also one needs to trace the important developments within the region that affected religious developments in both countries. Finally, case studies, namely, the *Hajj* issue and the competition within Islamic organisations will be used to highlight how religion plays an important role in shaping their relations.

However, as discussed in the Introduction, the researcher is not intending to discuss religion as an identity that contributes *per se* to foreign policy. The researcher's intention is to examine how regimes have utilised that identity for their own purposes,

notably for state survival and greater influence in the regional balance of power. Regarding the neo-realist school, it is assumed that states act rationally and therefore religion can only be considered as a tool of rational action and not as a non-rational input into policy-making.

2.0 The division of *Sunni* and *Shi'a* in the Islamic world

Islam comprises two main sects, *Sunni* and *Shi'a*. In the Islamic world the majority of Muslims are *Sunnis*, the *Shi'ites* forming the minority. *Shi'ite* Muslims have always been excluded by the *Sunni* society except in Iran which is predominantly *Shi'ite*. Both sects always argue that they are the rightful leader in the Muslim world.

2.1 *Sunna* and *Sunni*

Sunna can be applied to usages and customs of nations; the predominant meaning of *Sunna* however, is that of the spoken and acted example of the Prophet. It includes what he approved of, allowed, or condoned when under prevailing circumstances he might well have taken issue with others' actions, decisions or practices; and what he himself refrained from and disproved of (Glasse, 1989:381).

In other words, *Sunna* is the generally approved standard or practice introduced by the Prophet as well as the pious Muslims of olden days, and at the instigation of *al-Shafi'i* (d. 204 AH, one of the four schools of Islamic jurisprudence), the *Sunna* of the Prophet was awarded the position of the second root of Islamic law, the *Sharia*, after the *Qur'an*. In classical Islam, the concept of *Sunna* originally stood for a way or manner of acting, whether good or bad, hence (dis)approved custom or norm of previous generations,

al-awwalun (Bosworth et al, 1997:878).

After the death of Muhammed, the Muslim community was ruled first by the *Khulafa' rashidun* and then the *Umayyads*; at the time, the term *Sunna* was used in debates on legal and ritual issues to indicate any good precedent set by people of the past, including the Prophet. During Muhammed's lifetime and immediately after that, when faced with a problem to solve, people reminded each other of how the Prophet and his first faithful followers had acted under particular circumstances, so-called *Sunnas* (Bosworth et al, 1997:878).

The largest group of Muslims are the *Sunnis*, often known as 'the orthodox', who recognise the first four *Khalifas*, attribute no special religious or political function to the descendants of the Prophet's son-in-law Ali, and adhere to one of the four *Sunni* School of Law. The full name of the *Sunnis* is 'the people of the *Sunna* [the custom of the Prophet] and the Consensus (Glasse, 1989:382). *Sunni* recognise Prophet Muhammad, the *Qur'an*, the *Sharia*, and the *Khalifahs* preceding Ali (Bosworth et al, 1997:878); they belong to one of the four schools of jurisprudence founded by Imam Abu Hanifah, Imam ash-Shafi'i, Imam Malik, or ImamAhmad ibn Hambal (Hughes, 1895:572).

2.2 *Shi'ism* and *Shi'a*

Shi'ism in the broad sense refers to the movement upholding a privileged position of the Family of the Prophet in the political and religious leadership of the Muslim Community (Bosworth et al, 1997:420). The name *Shi'ite* means 'a partisan' and come from *Shi'at* Ali (the party of Ali) (Glasse, 1989:365). Followers of Ali, first cousin of the Prophet Muhammad and the husband of his daughter Fatimah, recognise

Ali as the first legitimate Imam or *Khalifah*, successor, to the Prophet, and therefore reject Abu Bakr, Omar, and Othman, the first three *Khalifahs* of *Sunni* Muslims, as usurpers (Hughes, 1895:572). The spirit of division, which appeared among the followers of Mohamed, even before his death, broke out with greater violence after it.

Shi'ism signifies not only a religious faith but also a way of life based on that faith. As Fuller notes: '*Shi'ism* as an identity is inseparable from adherence to the religious faith, and it is the active practice of *Shi'ism* that expresses identity'. Thus, *Shi'ism* entails 'a compound of religious, cultural, historical and social attributes, usually acquired by the circumstance of birth' (Fuller, 1999:17).

Shi'ite Muslims constitute 10 percent or less of total Muslims all over the world. *Shi'ites* themselves are divided into three principal groups. The Twelve-Imam *Shi'ism*, also called 'Twelvers', has been the official religion of Persia/Iran since the Safavid dynasty came to power in 1501. Twelve-Imam *Shi'ites* make up 60 percent of the population in Iraq, and in the Eastern Province of Saudi Arabia, al Hasa and Qatif. The second group, the Zaydis, also called 'Five-Imam *Shi'ites*' or 'Fivers', are found in North Yemen, where they make up about 40 percent of the population. The third group, the *Isma'ilis*, who are 'Seven-Imam *Shi'ites*' are concentrated in India (Glasse, 1989:364-65).

However, *Shi'ites* have always been rejected by mainstream *Sunnis*; since the ninth century they were labelled *Rafidha*, or 'rejecters', as they rejected the line of succession established after the death of Prophet Muhammad, and they considered the successive Muslim dynasties illegitimate. Consequently, they have been persecuted by *Sunnis*. This on the *Shi'ite* community influenced the formation of the *Shi'ite* identity (Fuller,

1999:18).

Shi'ism remains geographically on the peripheries of the Arab world. Nonetheless, it lies in the heart of the Persian Gulf; the majority of *Shi'ite* communities concentrated around the oil-rich areas of eastern Saudi Arabia, Bahrain, southern Iraq, Kuwait, and to a lesser extent the UAE, Qatar, and Oman (Fuller, 1999:17-18). Being socially and politically excluded, these communities have emerged as the second major religio-political opposition movement in these states (Ayubi, 1991:4).

For understanding the fundamental difference between Iranian *Shi'ites* and Saudi *Sunnis*, the following section will highlight how *Sunnis* and *Shi'ites* in Saudi Arabia and *Shi'ites* in Iran play a defining role in both countries' foreign policies.

3.0 The development of *Sunni* and *Shi'a* in both countries

3.1 *Sunni* in Saudi Arabia

As Saudi Arabia was the cradle of Islam, and the first Islamic state in Medina in the seventh century, Islam has traditionally played a more significant role in the political and social life of its people than in any other country in the Arab world. During the latter half of the eighteenth century, the dynasty of Saud embraced Wahhabism, as a religious doctrine, and manipulated it to transcend tribal tensions and divisions in order to unify the country. Saudi kings have realised, since the establishment of the Kingdom in 1932, that the attachment to the house of Saud was not enough to guarantee the loyalty of the tribally diverse and divided population of the Kingdom. They needed a stronger force to bind them to the state; this was embracing Wahhabism as an

official religion of the state. By engaging the *ulama* in policy making, the Saudi regime utilises religion as a tool to reach its political goal within society (Sankari, 1982:185). Although, neo-realists recognise that states and non-state actors are both important in world politics, they recognise the role of non-state actors is important within the state decision-making procedure. Therefore, the *ulama* can be seen to act as a tool for the regime to achieve its goal by reinforcing the regime's legitimacy. The alliance between Sheikh Muhammad Ibn Abd al-Wahhab (1691-1787) and Muhammad Ibn Saud formed the basis of the rule of the new theocratic state founded in Dariya, near Riyadh in 1925 (Sankari, 1982:179).

Wahhabism is a steadfast literalist interpretation of Islam in the tradition of Ibn Hanbal, founder of the Hanbali *madhhab* (school of law) as expounded by the thirteenth century Hanbalite Ibn Taymiyyah. Wahhabism is noted for its policy of compelling its own followers and other Muslims strictly to observe the religious duties of Islam, such as the five prayers, and for the enforcement of public morals to a degree not found elsewhere (Glasse, 1989:414-15).

Abd al-Wahhab considered the Islamic practices of his time unpure, as they did not conform to the teachings of the Prophet. According to the teachings of Abd al-Wahhab, the *Qur'an* and *Sunna* are the only authentic sources; later theological and mystical developments and interpretations are, therefore, rejected. Abd al-Wahhab branded all who disagreed with him as heretics and apostates, thereby justifying the use of force in imposing his doctrine, and political suzerainty with it, on neighbouring tribes. It allowed him to declare 'holy war', otherwise legally impossible, against other Muslims (Glasse, 1989:415). As Wahhabism has a narrow interpretation of Islam, the gap between Iranian *Shi'ite* and the Saudi *Sunnis* is very difficult to cross.

Thus, the Saudi regime has used Islam as an effective tool to unify the peninsula, structure the Saudi polity, and legitimise their rule and policies (Sankari, 1982:193). The regime has managed to achieve these objectives by making the *Qur'an* the Saudi constitution, and claiming the role of the 'guardian of the holy places, patron of the pilgrimage, and promoter of Islamic causes throughout the world' (Piscatori, 1983:59).

3.2 *Shi'ites* in Saudi Arabia

Although Saudi Arabia state religion is Wahhabism, it has a significant *Shi'ite* community in its Eastern Province. According to government estimates, they represent 2-3 percent of the population, or 200,000 to 400,000. However, this figure is probably underestimated because *Shi'ites* often conceal their identity because of discriminatory practices employed against them. For example, in the Eastern province of al-Hasa, Fuller believes that the *Shi'ite* population constitute around 33 percent of the overall population (Fuller, 1999:180). But al-Hasa province has not shared in the general level of prosperity that characterises the rest of the country. The *Shi'ites* have been systematically excluded from employment, especially from ARAMCO, although they have consistently been barred from the high-ranking professional and technical jobs.

As in some other Arab '*Sunni* states', *Shi'ites* in Saudi Arabia have been marginalised, and they have suffered from social and economic discrimination; they have also been denied access to the political system. Their religious freedom has been restrained; and their religious institutions, have been deprived of autonomy and financial independence (Fuller, 1999:27-28).

In Saudi Arabia, the strictly literalistic interpretation of Islam partly accounts for the discrimination of the Saudi *ulama* and regime against Saudi *Shi'ites*, as they do not consider them to be legitimate Muslims. Therefore, Saudi *ulama*s issued 'fatwas' in 1927 and 1991 describing *Shi'ites* as non-believers; the implication being it was not 'juridically illegal' to kill them. Furthermore, Saudi *Shi'ites* suffer not only from *de facto*, but also from *de jure* discrimination, as they are not allowed to freely express their own religious traditions or identity (Fuller, 1999:179). According to Fuller, the Saudi *Shi'ites* are the 'truly forgotten Muslims'. Thus, Saudi *Shi'ites* came to view the Wahhabis as the greatest calamity that had befallen their community (Fuller, 1999:179-183).

Furthermore, the *Shi'ite* have been underrepresented in the Saudi government, where they seldom rise above mid-level posts in ministries. There has been only an occasional *Shi'ite* cabinet minister in a technical area. Such positions are granted for 'exceptional loyalty and service' and sometimes they are conferred as 'a concession to deflect possible criticism' (Fuller, 1999:36). *Shi'ites* are particularly denied access to senior governmental positions and 'sensitive' areas of the state (Fuller, 1999:36), such as the judiciary, the military officer corps, the security forces, and the National Guard, the *Hajj* Ministry, and the Ministry of Islamic Affairs (Fuller, 1999:184).

Not only are the *Shi'ites* politically and socially excluded, but they are also isolated among the opposition, as they are not comfortable with *Sunni* Islamist movements. They perceive that these movements would not accommodate *Shi'ites* and therefore, think they 'would be better off in a secular regime than a *Sunni* Islamist one' (Fuller, 1999:195).

As Saudi Wahhabi doctrine always discriminate against the Saudi *Shi'ites* and caused resentment within the Saudi society, whenever the opportunity ever presents itself, the Saudi *Shi'ites* seize the chance to request better treatment from the regime. Hence, the vicious circle repeats itself creating further mistrust of the *Shi'ites* from the regime, and Saudi *Shi'ites* are always regarded as second class citizens.

3.3 *Shi'a* in Iran

Although the Arabs succeeded in conquering 'extensive' territories in and around Persia, from the seventh century onwards, and the majority of its population embraced the Islamic faith, these areas have not been Arabised. Although Iranians have embraced Islam since the seventh century, they maintained their Persian identity and prided themselves on their cultural heritage and their own language and adopted a different brand of Islam, *Shi'a* (Fuller, 1999:17-18).

According to Afrachteh, *Shi'a* Islam acted as 'a national identifiable alternative to the monarchy and an ideology ingrained among Iran's practising and non-practising Muslims alike'. The *Shi'ite* leadership was more respected than its secular peers, and was less vulnerable to the control of the state (Afrachteh, 1991:104) because the *Shi'ite* leadership was closer to the common people than its secular peers.

In 1501 the Safavid dynasty established a new Iranian state and declared this form of Shi'ism, the *Ithna 'Ashara* (Twelver *Shi'ite*), as the official religion of the state (Savory, 1990:35). The *Ithna 'Ashara* gained this name because they believe that there were twelve Imams, 'the last of whom is still mysteriously alive since his occultation in the

ninth century, and will return as the *Mahdi*' (Glasse, 1989:202). Since then, the Twelvers have been the dominant religious faction in Iran. They also constitute the majority in Iraq, and there are scattered communities in Syria, Lebanon, Pakistan, some of the Gulf states, and in the Eastern Province of Saudi Arabia - al-Hasa and Qatif (Glasse, 1989:202).

However, since the sixteenth century, because of Iran's geo-strategic location between the East and the West, it was constantly under the control of foreign powers namely the Russian and British empires. As this time the Iranian regime concentrated on their own survival rather than paying much attention to the religious grassroots movements.

Since the reign of the Reza Shah prior to the Iranian Revolution, religion was marginal in determining Iranian, domestic and foreign, policies because the monarchies of Persia/Iran were secular and did not allow religion to influence politics. This limited religious activities. The *Shi'ite* clergy, who, in line with *Shi'ite* doctrine, regard temporal rulers as illegitimate, acted as 'the most vocal opponents of unpopular monarchs' (Rezun, 1990:15). The apogee of clerical political rule occurred in Iran after the revolution of 1979.

Since then, Iran, being the main *Shi'ite* country in the world, has been interested in the welfare of *Shi'ite* communities abroad. It sent representatives to them in order to assist and influence them. Arab *Shi'ite* communities, particularly, were viewed by Tehran as 'natural instrumentalities' for extending Iranian influence in the Arab world (Fuller, 1999:42). One could argue that since the Iranian Islamic Revolution, the Iranian regime attempted to use religion as a tool to expand its influence in the Gulf states, and especially in those which have the *Shi'ite* minority.

Because of adopting an Islamic ideology, soon after the revolution, Iran tried to export its *Shi'ite* brand of Islam into the Gulf region; this threatened the Gulf monarchies, and following that religion became the main source of friction between Iran and Saudi Arabia.

4.0 Struggling for religious leadership

4.1 The Iranian Revolution in 1979

The Islamic revolution of Iran is significant not only because it brought the *Shi'ite* clergy to power for the first time, but also because Iran became the first Islamic state in the world (Fuller, 1999:84).

The first official Saudi reaction to the Islamic uprising in Iran was to express full support for the Shah, in spite of the exposure of the Shah's connections with Israel. The Saudis justified their position by claiming that 'Saudi Arabia supported any legitimate government as long as it was in power' (MEI, 16 February 1979:6). Furthermore, the Saudis voiced their criticisms and mistrust of the revolution (MEI, 18 July 1980:8). The Saudi regime was afraid that any change in the region might affect their own security and further threatened its regime survival which in 1958 witnessed King Saud's alleged attempts to bribe Syrian leaders to assassinate Nasser, and in 1964 when the revolt in Dhofar against rule of Omani government, the Saudi regime paid huge attention to the development in its neighbours. Therefore, Riyadh was concerned that the change of regime would introduce uncertainty into the region, and lead to revolution fever in the Gulf states.

Subsequently, the Iranian Revolution resulted in the deterioration of Tehran's relations with its Arab neighbours in the Gulf. The Gulf monarchies and in particular Saudi Arabia, perceived the revolution as a threat to the 'validity' of their rule (Piscatori, 1983:70). This threat emanated from two sources. First, the revolutionary Iranian regime declared its intentions to export the Islamic Revolution to other countries, especially those in the Gulf states with a *Shi'ite* population (SWB, 25 October 1980:ME/6558/A/6). Furthermore, the Arab Gulf regimes were concerned about a possible Islamic uprising inside their own territories 'inspired' by the Iranian Revolution because Arab *Shi'ites* in the Gulf states had already been socially, politically and economically disenfranchised by their regimes (Mojtahed-Zadeh, 1994a:53). Second, Iran offered an Islamic alternative to monarchical rule, and as all the Gulf regimes are monarchical, this became a fundamental threat to the Gulf regimes.

After the revolution, Iran began to promote itself as the 'Guardian of Islam', considering itself 'the centre of true Islam in the Muslim world' a direct confrontation to Saudis claim as guardian of the holy places (Fuller, 1999:81-82). Khomeini's speech on the first anniversary of the Islamic Revolution highlights this vision, as he proclaimed: 'O Muslim nations of the world who are oppressed, arise!' Hence, according to Savory, any attempts at exporting the ideology of the Iranian revolution were manifest in clergies' visits, and establishment of clandestine *Ithna 'Ashara* cells in several Gulf countries. Between 1979 and 1981 emissaries from Iran visited several Arab Gulf states in order to incite their compliant societies to rise against their governments (Savory, 1990:52). Furthermore, Khomeini explicitly condemned the Saudi government, which he described as an 'un-Islamic' monarchy, and its military and economic ties with the US referring to the relation as 'American Islam' (SWB, 7

October 1980:ME/5542/A/3). Khomeini conducted an aggressive campaign against the Saudi regime; he proclaimed: 'The ruling regime in Saudi Arabia wears Muslim clothing, but it actually represents a luxurious, playful, shameless way of life, robbing funds from the people and squandering them, and engaging in gambling, drinking parties, and orgies' (Esposito, 1997:54-55). Furthermore, the Tehran regime accused the al Saud regime as 'the ones trying to fight Islam in the robe of Islam', and 'the subservient nature of the ruling [al Saud] family supplies a high percentage of the fuel for the murderous West' (SWB, 7 October 1980:ME/5542/A/3). The Iranian clergy also challenged the lawfulness of the Saudi regime as the guardian of Holy Cities of Islam (Fuller, 1991:105-6).

Thus, the revolution marked the beginning of rising antagonism and rivalry between Iran and Saudi Arabia for leadership of the Muslim world (Piscatori, 1991:8). According to Esposito, the Arab Gulf regimes, especially Saudi Arabia, were concerned that their *Shi'ite* communities might rise against their rulers following the example of the Iranian revolution. These security concerns grew as several demonstrations in Iraq (1979), Bahrain (1980, 1981) Saudi Arabia (1979), and Kuwait (1980) followed the revolution. However, these *Shi'ite* uprisings were mainly induced by indigenous factors, notably political and economic grievances of *Shi'ite* minorities in these countries; thus, Iran served only as a 'catalyst.'(Esposito, 1997:53).

This was manifest in the case of the oppressed *Shi'ites* of the Eastern Province in Saudi Arabia. Not only were they denied access to government employment, but they also shared 'minimally' in the wealth of the country (until the mid-1980s). This made them 'receptive to Iranian propaganda'. Therefore, as Fuller concludes, the Iranian Revolution did not revive *Shi'ism*, but helped in 'providing a focal point for a *Shi'ite*

political identity that was already in formation' (Fuller, 1999:31).

Thus, the Iranian revolution marked the beginning of confrontation between Saudi Arabia and Iran along religious lines. Iran 'questioned the very legitimacy of the Saudi regime and its right to protect Islam's holy shrines' (Abir, 1994:125), and accused the Saudi regime 'who do not believe in religion', as being 'against the Islamic Revolution in Iran' (SWB, 7 October 1980:ME/5542/A/3). Saudi Arabia responded to the Iranian challenge by asserting its interest in the welfare of the Muslims of the world. Thus, during the *Eid al-Fitr* in 1980, the then Crown Prince Fahd, proclaimed in his speech that the Arabs should return to *jihad* in order to liberate Jerusalem. He maintained that 'the guardians of the *haramein* of Mecca and Medina still consider themselves responsible to the Muslim world for Jerusalem'. To this end, he promised to restore the shrines of East Jerusalem to Muslim control making this a high priority for the Kingdom. The fact that this speech was made in *Eid al-Fitr*, which 'marks the end of the suffering and sacrifice of the Ramadan fast' (MEI, 12 September 1980:6), indicates that it was an attempt by Saudi Arabia to regain its moral authority and religious leadership over Iran in the Muslim world.

The ideological struggle 'in the context of cultural differences' soon turned into a political confrontation between the Iranian and Saudi regimes. During the early 1980s, the ruling Ayatollahs made aggressive statements against regimes in Muslim countries, calling upon religious leaders to turn their mosques into 'prayer, cultural and military bases [to] ... prepare the ground for the creation of Islamic governments in all countries' (Esposito, 1997:55). In order to counter the Iranian threat, the Saudis offered assistance to Iraq in its war against Iran; additionally, they imposed restrictions on Iranians pilgrims (Amirahmadi, 1993:147).

Furthermore, the Saudis attacked the Iranian Islamic regime for its inability to offer any valuable service to Muslims. Riyadh announced that 'Ever since the Iranian and Islamic peoples were afflicted by the Khomeini regime, this regime has failed to render any noteworthy service to Islam, and the Muslims ... This regime has tried to create schism among Muslims, not only in their politics but also in their mosques. The Khomeini regime sends its agents everywhere to foment discord' (Esposito, 1997:55). Hence, the turning point for the relationship between Saudi Arabia and Iran came after the revolution.

4.2 The Mecca riot and the Saudi *Shi'ite* demonstration

The Iranian revolution served as an inspiration to Islamic movements in the Gulf region; several riots or demonstrations were staged in several Gulf states, which worried the Gulf monarchies. On 20 November 1979, the Islamic threat reached the doorstep of Saudi Arabia. To the surprise of the Saudis, the Grand Mosque of Mecca was seized and occupied for two weeks by a group of around 100 *Sunni* militants who denounced the Saudi regime (Esposito, 1997:55). Suspicions were first directed at *Shi'ites* connected with outside groups – mainly Iranians. However, it was soon revealed that the attack was led by a Saudi *Sunni* (Sankari, 1982:190-91).

According to Ayubi, this incident demonstrated that even the "Islamic Saudi Arabia was not completely immune to the forces of 'Islamic' resurgence" (Ayubi, 1991:99). Sankari argues that until this incident, the regime believed that it could contain any domestic threat to its position. This belief was grounded in the regime's claims to legitimacy based upon four interrelated factors. First, the regime has manipulated

Islam, supported by the *ulama*, in consolidating a modern state in the Kingdom. Second, as a traditional Bedouin society regards 'the wealthiest, most prolific, and militarily most effective families in its midst' as prestigious, the royal family is revered because it enjoys political, economic, and military control over the resources of society. Third, the ruling dynasty was successful in unifying the divided tribes of the peninsula; thus, these tribes owed their allegiance to the House of Saud. Finally, the ruling elite assumed a patriarchal role by distributing 'material rewards' to the Saudi population (Sankari, 1982:190).

Despite the above-mentioned factors, opposition was growing in Saudi Arabia, as demonstrated by the Mecca riot, which shattered the regime's confidence. The Mecca riot could be attributed to the following reasons. There was a growing dissatisfied secular middle class in the Kingdom created by the sudden and considerable wealth that brought about modernisation and rapid technological change. Corruption was widespread among some members of the royal family. The education system was producing more frustrated qualified personnel who were unable to enter the high-level bureaucracies and whose innovative ideas [are] overruled or ignored by their less sophisticated superiors'. Members of the royal family dominated key positions, such as foreign affairs, defence, interior, public works, and housing and the system was marked by regional discrimination where the most sensitive government posts were granted to Najdi natives, the dynasty's ancestral power base, which is rivalled by the more educated Hijazis. The Saudi regime also used oil wealth and no taxation to buy off the vote and at the same time did not allow the opposition voice to surface Saudi society. The close links that had developed between Saudi Arabia and the US, roused the conservative Saudis against the regime, as the US supported Israel in Arab-Israeli conflicts. There was an emerging small but dedicated opposition group such as 'the

Organisation of the Islamic Revolution in the Arabian Peninsula' (Hiro, 1987: 337) in the Kingdom which was inspired by the success of the Iranian Islamic revolution to rebel against the ruling regime (Sankari, 1982:190).

The occupation of the Grand Mosque by *Sunni* militants signified a challenge to the Saudi ruling family as the guardian of Muslim holy places. It exposed the failure of the regime to foster consensus within society, based on the doctrine of Wahhabism. This was revealed in the demands of the militants, among other things, for 'a strict adherence to the *Sharia*, a ban on television, football, movies and a prohibition against women working in public places'. Moreover, they accused the ruling regime of corruption and incompetence (Olsen, 1994:139-140).

The Saudi regime used religion to counterbalance its opponents. King Khaled and Crown Prince Fahd seized the opportunity to secure a fatwa to legitimise their actions in dealing with the rioters. Oslen argues that Khaled and Fahd could certainly have acted without a fatwa; however, securing one promoted the image of the Sauds as the protectors of the holy places and thus of their claim to rulership (Olsen, 1994:139).

The Mecca riots changed the Saudi regime's 'perception of the sources of threats to the country's stability'. Before the incident, the Saudi regime was mainly concerned about external threats, namely, from Iraq, South Yemen, and Iran - especially after the success of the Iranian revolution. The seizure of the Grand Mosque alerted the royal family to the possibility of a threat arising internally from dissident native Saudis (Sankari, 1982:191).

Another event broke out when regime was still trying to resolve the Mecca crisis.

Riots broke out on 27 November among 250,000 *Shi'ite* Muslims in the oil-rich Eastern Province (al-Hasa). After the success of the revolution and the triumphant return of Khomeini, *Shi'ites* rose against the regime demanding a 'fairer distribution of oil wealth and services' (Esposito, 1997:55). One could argue that the Iranian revolution offered an example to the oppressed Saudi *Shi'ites*. However, the riots were soon crushed by Saudi forces, but the Saudi regime began to pay more attention to the Saudi *Shi'ites* connection with Iranian *Shi'ites*. Thus, relations between Saudi Arabia and Iran began to turn from covert competition into overt confrontation which is illustrated by the annual clashes between Iranian pilgrims making the *Hajj* and Saudi forces which contributed to the worsening of relations between Saudi Arabia and Iran.

5.0 Clashes between Saudi Arabia and Iran

The religious factor has acted as a catalyst for the confrontation between Saudi Arabia and Iran on two fronts, one is the annual *Hajj*, and the other is competition for leadership of Islamic organisations.

5.1 The *Hajj*

The *Hajj*, or pilgrimage to Mecca during the twelfth month of the Muslim year, is one of the five pillars of Islam that Muslims are obliged to fulfil at least once in their lifetime, if they are well enough and can afford to make the journey. Islamic tradition traces the *Hajj* origins back to the Prophet Ibrahim. According to the *Qur'an*, Ibrahim together with Isma'il built the *Ka'bah*, 'the House of God,' the focal point towards which Muslims turn in their worship five times a day. It was Ibrahim who established the rituals of the *Hajj*, which recall events or practices in his life and that of Hagar and

their son Isma'il (http://islamicity.com). By the time the Prophet Muhammad received the divine call, however, pagan practices had become linked into some of the original observances of the Islamic *Hajj*, but Muhammad reinterpreted them in monotheistic terms. These rites include circling the *Ka'bah*, kissing the Black Stone set in one of its walls, running between the nearby hills of *Safa* and *Marwa*, stoning a pillar near Mina which symbolically represents the devil, sacrificing sheep there, and assembling in large groups on the plain of Arafat (Goldschmidt, 1999:41).

5.1.1 The importance of the *Hajj* for the Saudi regime

The significance of the *Hajj* has placed Saudi Arabia in an extremely important position in the Muslim world. The Saudi ruling family has capitalised on this and utilised domestic and foreign policies to assert its political and religious authority, and hence bolster its legitimacy, both domestically and internationally. The annual *Hajj* has been one of the effective tools available to the House of Saud to achieve this aim. By sponsoring the *Hajj*, the Saudi regime has reinforced its position, in the Muslim world, as the upholder and defender of 'Islamic values and the holy places of Mecca and Medina' (MacIntyre, 1981:27).

Although the *Hajj* has traditionally been considered a privilege for Saudi Arabia, due to the stature it has given the Kingdom in the Islamic world, it has recently become a liability for the regime (Murden, 1995:180). This is particularly because, since the Iranian revolution, Iranians have attempted to turn it into a religious-political event and to politicise the *Hajj* pilgrimage (SWB, 21 October 1980:ME/6554/A/7). Since the outbreak of the Iran-Iraq War in 1980, Tehran felt it had been isolated by the Gulf states and the West in the international arena, as they had sided with Iraq (SWB, 2 October

1980:ME/6538/A/3). Therefore, Iran has tried to use the *Hajj* as an occasion for demonstrating its frustrations against the Gulf states and the West, particularly the US. Since the *Hajj* attracts a large number of Muslims from all over the world (SWB, 1 August 1987, ME/8635/A/16), it has been regarded by the Iranian regime as a good opportunity to propagate its vision and channel its frustrations.

5.1.2 Conflicting interpretations of Islam and *Hajj*

The belief in the legitimacy of demonstrations at the *Hajj* was grounded in Khomeini's conviction that Islam is not only limited to the private relationship between man and God, but also encompasses the character of the state and the historic obligation of the ruler to extend the force of Islamic law into the life of his people. This led Khomeini to believe that the obligation of Iranian pilgrims was to demonstrate against those forces that oppress Islam, and against the unlawful and profane character of the Saudi regime itself. Therefore, to Khomeini, political expression at the Holy Cities was more religiously significant than fulfilling the ritual obligation of the *Hajj* itself by the individual pilgrim (SWB, 1 August 1987, ME/8635/A/16). However, the Saudi regime disputed this interpretation of Islam, which conflicted with its own interests.

Saudi Arabia was aware of the constraints of its resources in its struggle with Iran. Though an oil rich state, Saudi Arabia had limited human resources, and a weak military power, which could not guarantee regime survival. Seeking its own survival, which according to the theory of neo-realism is the predominated reason for the state, Riyadh utilised the location of the two Holy Cities, Mecca and Medina, to strengthen its position in the Muslim world, by proclaim its guardianship of these two Holy Cities, and at the same time used its wealth from the oil to buy its friendships among the

Muslim states. By doing this Saudi Arabia strengthen its bargaining power towards Iran, and this is why, as Fuller notes, the Saudi ruling family reacted primitively and more sharply to Khomeini's challenge to its religious legitimacy than it ever has to Iranian acts of military aggression or sabotage (Fuller, 1991:105-6).

5.2 The annual *Hajj*, the yearly clash

In essence, the *Hajj* brings a large number of Muslims to Mecca every year in order to show solidarity and common purpose. However after the 1987 Mecca riot, Khomeini, and other senior clerics, rejected the Saudi claim to be 'the keepers of the Holy Cities, Mecca and Medina', and even requested the two Holy Cities should be placed under a special committee's control, which in effect would have stripped Saudi of its privileged position in the Muslim world (SWB, 7 August 1987, ME/8640/i).

This first started after the *Hajj* season in 1981, when Iranian pilgrims held anti-American and anti-imperialist political demonstrations in the name of liberation of Mecca from infidels. In October 1981, King Khaled accused Khomeini of inciting Iranian pilgrims to undertake activities that not only did not serve Iranian interests, but were also against the 'aims of pilgrimage and the honour of the holy places. These pilgrims shouted slogans and demonstrated in the holy precincts; actions which disturbed and disgusted other pilgrims to the holy house of God' (Ramazani, 1986b:26-27). Khomeini replied that the purpose of pilgrimage was not religious worship alone and Islam should be completely linked to politics (Ramazani, 1986b:27).

During the *Hajj* in 1982, Iranian pilgrims guided and inspired by their leader, Hojatollah Eslam Muhammad Musavi Khoeiniha, clashed with Saudi authorities as they held

posters of Khomeini and chanted slogans against the US, the Soviet Union, Israel and Saudi (Esposito, 1997:55-56). Every year more than 100,000 Iranian pilgrims promoted the Iranian brand of Islam among other pilgrims (MEI, 31 May 1985:9). In 1986, Iranian pilgrims who were thought to be importing arms were arrested and prevented from undertaking the *Hajj*.

Thus, clashes with Khomeini's supporters in the pilgrimages of the 1980s tarnished the Saudis' image as 'an [in]effective guardian of peace in the holy land' (Piscatori, 1983:44). Political agitation by Iranian pilgrims during the yearly *Hajj* ceremonies in the holy city of Mecca became a major headache for Saudi authorities, and Iranian-Saudi relations deteriorated sharply (MEI, 31 May 1985:9).

5.2.1 The 1987 riot in Mecca

Saudi-Iranian relations reached their lowest point on 31 July 1987, when Iranian pilgrims demonstrated in Mecca shouting slogans against the US, Israel and Saudi Arabia (MEI, 8 August 1987:3). The riot, anticipated by the authorities, was brutally crushed by Saudi police (Amirahmadi, 1993:139). Therefore, when Iranian pilgrims clashed with Saudi security police outside the Grand Mosque, in Mecca, reporters and cameramen were ready to report the incident and take pictures. Films of the riot were shown on its television network and also throughout the Muslim world, which led to 'condemnation of the Iranian pilgrims' behaviour' (SWB, 7 August 1987, ME/8640/i).

By the end of the riot, casualties amounted to approximately 400 dead, of whom 275 were Iranians and 85 Saudis, and 650 people injured. However, Iranian official reports later maintained that 600 Iranians had been killed and 4500 injured. This incident

widened the gulf between Riyadh and Tehran, especially since 'it had a *Sunni-Shi'ite* character' (MEI, 29 May 1987:4).

Immediately after the suppression of the riot, Saudi Arabia and Iran blamed each other. Subsequently, Iran convened an international conference to discuss the future of the holy places. However, the conference was only successful in concentrating anti-Saudi rhetoric, which was already 'flowing from pro-Iranian circles in Muslim world' (FBIS, NES-87-228, 27 November 1987:53).

After the killing of the rioting Iranian pilgrims in Mecca, Rafsanjani issued a strong protest: 'In their short history the Saudis have engaged in a great bloodshed...' demonstrated by their statement that 'they would commit any kind of crime. The revenge for [the spilling of Iranians'] sacred blood [in Mecca rioting] will be to divest the control of the holy shrines and holy mosques from the contaminated existence of the Wahhabis, these hooligans, these malignant people' (SWB, 4 August 1987, ME/8637/i). 'The true revenge is to remove the colossal and precious wealth belonging to the Islamic world which lies under the soil of the Arabian Peninsula...from the control of criminals, the agents of colonialism.....' (SWB, 4 August 1987, ME/8637/A/5). In Tehran, crowds surrounded the Saudi embassy and one Saudi diplomat was killed leading to long and bitter recrimination (SWB, 3 August 1987, ME/8636/i).

Khomeini blamed the US for the incident because the main reason for holding the demonstration was to denounce the US for supporting Iraq in the war with Iran and for its long-term support of Israel. In the end, Khomeini proclaimed Saudi Arabia to be Iran's main enemy, even though Iran was still at war with Iraq. Once again, the Iranian Islamic clergy questioned the legitimacy of the House of Saud's rule and demanded the

removal of the custodianship of the two Holy Cities from Saudi hands (SWB, 4 August 1987, ME/8637/i). King Fahd responded by dropping the non-Islamic, secular title of 'king' and assumed the title of 'Custodian of the two Holy Cities', which asserted his legitimacy as a *Sunni* ruler (Fuller, 1991:106).

When King Fahd chaired the Council of Ministers on 1 August 1987, the Council expressed that it was an 'extreme displeasure at the action of a large numbers *(sic)* of Iranian pilgrims during the [*Hajj*] procession.... [and] actions that totally contradict the teachings of the noble religion' (SWB, 3 August 1987, ME/8636/A/4), and 'in the light of the photographed events it has viewed of the mob acts of some of the Iranian pilgrims at the courtyard of the Holy Mosque and in view of the security reports in its possession, the government of Saudi Arabia would like to clarify to all that the fabricated news and allegations carried by the Iranian media against the Saudi security authorities conflict with reality and have no link with the truth', and accused Iranian pilgrims in having 'violated the rules and security regulations in past years' (SWB, 4 August 1987, ME/8636/A/4-5). Furthermore, on the occasion of *Id al-Adha* Saudi religious officials strongly condemned Iranian pilgrims in having 'spread unrest among pilgrims and created sedition and stir up trouble [which] was incompatible with the sanctity of the House [of God]' and they also stated that 'the rulers of Iran pushed innocent Iranians to commit this disgraceful act' and the Iranian regime should 'holds the responsible*(sic)* for the evils and the sedition resulting from their action' (SWB, 4 August 1987, ME/8636/A/5). The bitter accusations from both countries sent their relations into nadir in the history of their diplomatic relations.

5.2.2 Introducing the quota system

In an attempt to pre-empt trouble in the subsequent pilgrimages during the Islamic Conference of Foreign Ministers, in Jordan in March 1988, the Saudis announced, that due to major renovation work at Mecca, lasting for two to three years, the number of pilgrims would be restricted (www.oic-oci.org). Thus, a quota system was introduced; according to this system each Muslim country was entitled to a thousand pilgrims per million of the total population. Accordingly, Iran was allowed to send only 45,000 pilgrims in 1988, compared to 150,000 the previous year.

This whole quota system was aimed at controlling the Iranian population inflow into Saudi Arabia during the pilgrimage. In other words, Riyadh attempted to restrict the number of Iranian pilgrims in order to reduce the chances of confrontation in the 1988 *Hajj* season. One could argue that this quota system mainly focused on the Iranian pilgrims, because the Saudi regime did not apply the same rule to the Kuwaitis and Qataris in the same quota system. Riyadh also declared that it would not tolerate any political demonstrations in the Holy Cities. Iran's attempts to make Saudi Arabia rescind its decision failed, and in the end Saudi Arabia formally cut diplomatic relations with Iran on 26 April 1988 (Murden, 1995:180).

Furthermore, the execution of pro-Iranian radicals in September 1988 and September 1989 led to further antagonism between Saudi Arabia and Iran (Murden, 1995:180). The Saudi authorities also accused Tehran of masterminding the Mecca bombing which led to the execution of 16 Kuwaiti *Shi'ites* (Abir, 1994:142). The confrontation between Iran and Saudi Arabia now became more visible and heated. In October 1989, while Iran was hosting a conference on the Lebanese problem in Tehran, a similar

conference was taking place in Ta'if, Saudi Arabia (MEI, 22 June 1990:17).

As tension escalated between Saudi Arabia and Iran, negotiations in Riyadh over the *Hajj* quota allocated to Iran in May 1990 proved to be futile (Murden, 1995:181-82). Since the Mecca incident, every year when the *Hajj* approached, Tehran attempted to send more pilgrims back to Saudi Arabia, but Riyadh would not yield to Iranian demands. Eventually, the Tehran regime banned its own people from going to the *Hajj* for more than three years (1988-1990) (MEI, 20 July 1990:6).

Relations between Saudi Arabia and Iran deteriorated further after the worst catastrophe in the history of the *Hajj* took place on 2 July 1990. In Mina, about 10 kilometres from Mecca, 1426 pilgrims, mostly Asians, suffocated to death when the ventilation system of the Mina tunnel broke down. Tehran used this disaster as ammunition in its long-standing campaign against Saudi control of the pilgrimage and holy cities and referred darkly to a 'criminal conspiracy' (Piscatori, 1991:8). This erupted into verbal warfare between Saudi Arabia and Iran (MEI, 20 July 1990:6). Furthermore, Iran demanded that control of the *Hajj* be handed to a pan-Islamic committee (MEI, 20 July 1990:6).

5.2.3 The 1990s reconciliation over the *Hajj* issue

As will be explained in Chapter Five, the Iraqi invasion of Kuwait in August 1990 made the Saudi regime recognise the fact that even possessing the most advanced weapons in the world still could not secure Saudi Arabia from the threat of invasion. The Saudi regime therefore realised that it must negotiate with Iran in regional affairs. Hence, Riyadh began to mend fences with Tehran.

The first sign of the rapprochement between Saudi Arabia and Iran was a series of high-level contacts between the two countries in early 1991 (MEI, 11 January 1991). They reached an agreement on their most contentious bilateral issue, the participation of Iranians in the *Hajj*. The quota set by Riyadh on Iranians was 45,000 pilgrims in contrast with Tehran's demand of 150,000 pilgrims and in the end they compromised at 115,000. The other point of contention concerned the demonstrations which Iranian pilgrims insisted on holding to express solidarity with the oppressed Muslims of Palestine. Riyadh agreed to allow Iranian pilgrims to hold demonstrations at one fixed place only without processions or marches (MEI, 28 June 1991:6-7). However, as the Iranian Foreign Minister Velayati, who was among the pilgrims, personally pledged to King Fahd that the demonstrators would be peaceful and they would not shout anti-Saudi slogans, Riyadh was tempted to test the limits of President Rafsanjani's authority. Thus, Riyadh allowed Iranians to hold a demonstration with pilgrims stretching over 3 kilometres, shouting only anti-American and anti-Israeli slogans (MEI, 28 June 1991:6)

The warming of relations between Saudi Arabia and Iran lasted only for two years. In 1993, the Iranian demonstration held in Mecca without the permission of Saudi authorities threatened Saudi-Iranian relations. The Iranian pilgrims went on the offensive against the Saudis when they broke up an Iranian demonstration in Mecca. The next day Riyadh expelled the head of the Iranian pilgrims, Reyshahri, and as a result, Tehran attacked Riyadh bitterly (MEI, 11 June 1993:11).

Relations between Saudi Arabia and Iran, which had been steadily improving since the end of Iraqi invasion of Kuwait, were once again severely strained in 1994, due to the

1993 incident. In 1994, Saudi Arabia declared that it would again restrict the number of Iranian pilgrims to 55,000, claiming shortage of facilities and citing an agreement reached by the Arab foreign ministers in Amman in March 1988 for allocation of one pilgrim per 1,000 of population from each country. Of course Tehran regarded this quota system as a mere excuse, to restore the quota of only 45,000 Iranian pilgrims to Mecca annually (MEI, 15 April 1994:18).

Iran's spiritual leader, Khamenei accused Saudi officials of 'procrastination' and called on them to change their stance and admit more Iranian pilgrims or faced the wrath of the Iranian nation. He warned Saudi officials not to turn the *Hajj* into 'another tool in the hands of America and the big powers'. At the same time, Javad Larijani, deputy chairman of the foreign affairs committee of the Iranian Majlis, charged that it would be a disgrace for Saudi Arabia to refuse Muslims who want to visit Islam's holiest shrine' (MEI, 15 April 1994:19). The Saudi government condemned the criticism and retaliated by accusing Iran's spiritual leader of making 'improper and irresponsible statements followed by a frenzied media campaign' (MEI, 15 April 1994:19).

Relations between Iran and Saudi Arabia were showing signs of improvement as Iranian media refrained from criticising the Saudi regime when 270 pilgrims died in a stampede in Mina, in 1994. This could have contributed to the rapprochement between Saudi Arabia and Iran soon after the Kuwaiti crisis. In the post-Kuwait war period, Iran became concerned about its possible isolation from the regional affairs. Therefore, Tehran attempted to mend its relations with Riyadh. Iran began to initiate the rapprochement with Riyadh by the Iranian Foreign Minister, Ali Velayati, visit to Jeddah in April 1991. The Saudi Foreign Minister Saud reciprocated this visit in June 1991. Therefore, because most of the Iranian media was under Tehran's tight control,

the Iranian media refrained from criticising the whole tragedy. Again other catastrophes occurred in 1995, 1996 and in 1997 when a fire broke out in Mina trapping and killing more than 340 pilgrims and injuring more than 1,500 people (CNN, 5 March 2001). The Iranian media remained silent.

In 1997 Rafsanjani took several high-profile steps to ease relations with Riyadh. He emphasised the spiritual nature of the *Hajj* ceremony, which reduced the hardliner's harsh tone of intertwining religion and politics; and during the 1997 *Hajj* season, he personally took part (MEI, 4 April 1997:14). The Saudi regime and press reacted towards Iran positively and in July 1997 a Saudi envoy visited Tehran (MEI, 25 July 1997:11) and in August the Saudi foreign minister crown prince Abdullah attended the OIC conference in Tehran.

Evidently, the *Hajj* issue has been utilised by both countries to serve their own agendas in the religio-political scene. Nevertheless, it has not been the only reason for the fluctuations of their relationship; the competition for leadership in Islamic organisations has played a significant role as well.

6.0 The competition within Islamic organisations

Although the purpose of establishing two Islamic organisations in the 1960s, the Muslim World League, and the Organisation of Islamic Conference (OIC), was to counterbalance threats from pan-Arabism, they were eventually became another battlefield for conflict between Saudi Arabia and Iran. The rest of the chapter will be devoted to highlighting developments that led to this situation.

Saudi Arabia has been a major sponsor of Islamic organisations, such as the Muslim Brotherhood and the *Jamaat-i Islami*, and supporter of Islamic institutions (mosques, schools, hospitals, and banks) and activities (from publishing to preaching) dedicated to the promotion of Islamic faith all over the world (Esposito, 1997:53). The Saudi leadership claims that it has an obligation to promote Islam; therefore, it has invested huge sums of money in Islamic institutions inside and outside the Kingdom. Not only this, but Saudi Arabia has also utilised Islam to extend its influence and stature in the Muslim world, and legitimise its role as the custodian of the Islamic faith.

Religion has been important in formulating Saudi foreign policy; and the Saudi regime has been willing to commit huge amounts of money to sponsoring Islamic institutions and promoting Islam in general. According to Piscatori this can be explained by four reasons:

1. Most Saudis view their commitment to Islam as natural and unshakeable. They believe if Islam becomes the ideology of the population, it can impose constraints from below on the leaders.
2. As few individuals have dominated decision-making in Saudi Arabia, their strongly-held religious views make a difference. Faisal and Khaled's devotion served to magnify Islam's relevance to the definition of the national interest. Therefore, their policy affected the Saudi's foreign policy.
3. Because the Saudi regime is conservative and pro-Western, Arab nationalists and leftists have forced it on the defensive, especially after Nasser began to challenge the Saudi leadership in the Muslim world. Promotion of Islam as either superior or complementary to Arabism has been the saving retort of the Saudi regime (Piscatori, 1983:49).
4. Saudi Arabia has used religious organisations as its speaker channels. For

example, Saudi Arabia has used the Muslim World League (*Rabitat al-Alam al-Islami*), established in 1962 with the aim of combating 'the serious plots by which the enemies of Islam are trying to draw Muslims away from their religion and to destroy their unity and brotherhood', 'as a non-governmental Saudi spokesman' (Piscatori, 1983:40).

Unlike Saudi, religion has not always been a determinant factor in policy making in Iran. Prior to the Iranian Revolution, religion remained at the grassroots level within society because the Shah did not allow religion to play a role in Iranian foreign policy. However, at that time the Shah utilized religion as a tool to manipulate his influence in the religious organizations in the Muslim world. The clerical rebellion towards the Shah only intensified during the last few years of the Shah's regime. The Islamic revolution changed the position of religion in Iran. Religion now became the principal of the new regime and began to take control of Iranian domestic and external policy. Religion became the driving force behind foreign policy, and one could argue that because of this Iran's relations with most Muslim countries, including Saudi Arabia, deteriorated sharply because both countries wanted to be the sole leader of the Islamic world.

6.1 The Muslim World League

The Muslim World League was founded in 1962 to promote Islamic unity. The League is an international, Islamic, non-governmental organisation, with the main objectives to disseminate Islamic *Dawah*, expound the teachings of Islam, and to defend Islamic causes in a manner that safeguards the interests and aspirations of all Muslims. It also aims to refute false allegations against Islam, and repel inimical trends and

dogma which the enemies of Islam seek to exploit, in order to destroy the unity of Muslims (www.arab.net/mwl/organization.htm).

The headquarters of the Muslim World League is located in Mecca, and it comprises of five organisations. Saudi Arabia is the main financial supporter of the Muslim World League, but although Iran is a member it does not host one of the League's offices. One might argue that this is because one of the branches of the Muslim World League is dedicated to the commission on scientific signs in the Holy *Qur'an* and *Sunna* (www.Arab.net/mwl/organization.htm) but as Iran is a country that mainly follows *Shi'a* Islam then this could explain why Iran's attitude towards the Muslim World League has always been rather lukewarm.

6.2 The OIC

The OIC, comprising both 56 Arab and non-Arab Muslim countries, was established in 1969 by 25 founding states, including Iran and Saudi Arabia, and is based in Jeddah. The main goal of the organisation is for states to pool their resources, combine their efforts and speak with one voice to safeguard the interest and ensure the progress and well-being of their peoples and those of other Muslims in the world.

The OIC consists of three main bodies. The conference of kings and heads of states and government is the supreme authority of the organisation which meets once every three years to lay down the organisation's policy. The second body is the conference of foreign ministers, which meets once a year to examine a progress report on the implementation of its decisions taken within the framework of the policy defined by the Islamic summit. Third, the general secretariat is the executive organ of the

organisation, which is entrusted with the implementation of the decisions of the two preceding bodies (www.oic-oci.org).

Saudi Arabia has been the major benefactor of the organisation, contributing 10 percent of the budget of the General Secretariat (Piscatori, 1983:46). This has allowed Saudi Arabia to use the OIC as a forum to express its views and enhance its position and image in the Islamic world in general and among the Arabs in particular (Piscatori, 1983:41).

The criteria for joining the OIC have been unclear since its establishment in 1969. Jansen argues that in 1987 the organisation had 46 members, of which ten not being Muslim majority states should not have been members at all. For instance, Gabon's Muslim minority amounts to less than five per cent of the population, but according to the wildly inaccurate OIC figures it constitutes 40 per cent. Another example is Sierra Leone, whose Muslim population should be around 30 per cent instead of the 65 per cent stated (MEI, 6 February 1987:6).

Furthermore, Jansen suggests that the African countries sought to join the OIC during the oil boom to benefit from its financial support. Gulf states tried to buy them off. This also benefited Saudi because they could use their wealth to buy support from these states and therefore gain more influence within the OIC and the Muslim world. One could argue that the Gulf states, especially Saudi Arabia, uses the OIC not only as a religious tool but also a political weapon, in order to gain the support from other Muslim countries. The formula for determining membership dues for the OIC is not clear, as it is not publicised. Saudi Arabia has been a major sponsor of the OIC, but with the drop in oil prices, the Saudi contribution consequently declined (MEI, 6

February 1987:6).

In contrast with the Muslim World League, the OIC has become a battlefield for political and ideological confrontation between Saudi Arabia and Iran. One could argue that the timing was critical in determining the reaction of Saudi Arabia and Iran towards both Islamic organisations. When the Muslim World League was established in 1962 religion did not play an important role and religious leaders were suppressed. However, when the OIC came into existence in 1969, at that time the British government had just announced its intensions to withdraw from the east of the Suez Canal in 1971. As stated earlier, Saudi Arabia and Iran became the effective policemen of the Gulf region under the Nixon's 'Twin Pillar' policy which promoted the importance of Iran in the regional affairs and fuelled the Shah's ambitions. The Shah wished Iran to become the hegemonic power in the region, therefore, he began to build his military influence in the Gulf region and started to pay more attention to religious and political movements, as he wanted to show his influence in every aspect of the regional affairs.

The function of the Muslim World League and the OIC has been to act as speakers for the Saudi regime in the 1960s and 1970s. The Muslim World League, however, never became the focus point for the relationship between Saudi Arabia and Iran due to the League's focus on the formation of a uniform Islamic interest, in the light of the holy *Quran* and the *Sunnah* of the Prophet (www.arab.net/mwl). This could explain why although Iran, which has a *Shi'ite* majority, is a founding member of the League, it was not in a position to compete with Saudi Arabia within it.

6.2.1 Iran boycotts OIC summits

Soon after the outbreak of the Iran-Iraq War, the Saudi regime attempted to use the third OIC summit held in Mecca to reconcile the two warring countries in January 1981. However, the Iranian regime believed that the majority of the *Sunni* members of the OIC were biased in favour of the *Sunni* ruled Iraq, especially the Gulf states, such as Kuwait and Saudi Arabia who began providing money to aid the Iraqi warfare. Prior to the OIC conference in 1981, a mass march against Saddam Hussein to attend the conference proceeded in front of the Saudi Embassy in Tehran (SWB, 26 January 1981). They proclaimed that those who attended the conference would be 'Islamically and historically accountable to God and to the oppressed Iraqi people' unless Saddam Hussein was barred from the summit (SWB, 26 January 1981). Iran eventually refused to attend the OIC conference.

Because Saudi Arabia was supporting Iraq in the war with Iran, Riyadh was not affected with Iran's request to withdraw, but merely expressed its regret that the Iranian delegate could not attend the conference. The Saudi Crown Prince Fahd speaking at the conference, advocated peace between Iran and Iraq and wished that Iran could have participated in order to resolve the conflict peacefully and 'restore unity and cohesion to the Muslim ranks' (SWB, 28 January 1981). However, the Iranian media bitterly announced that the summit was not 'competent to rise to the level of Islamic masses' desires and [was] unable to cope with their fateful causes, and the conference boycotted by Iran [was] doomed to failure and [could not] proceed one step towards the real Islam' (SWB, 28 January 1981). Furthermore, Khomeini accused the participating kings and heads of state of creating 'a division between the *Shi'ites* and *Sunnis* in Iran', describing the conference as 'a plot of the extremely corrupted leaders of some of these countries'

(SWB, 31 January 1981).

Following the 1981 OIC summit, Tehran boycotted successive OIC summits and intensified its campaign against the Saudi regime because of the latter's support for Iraq. In 1984, again, Iran refused to attend OIC in Casablanca because it still believed that most member countries were biased in favour of Iraq, and Tehran wished to punish those countries supporting the Iraqi regime, in the war, notably Kuwait and Saudi Arabia. During the fourth summit of OIC, the Iranian foreign minister condemned 'a draft resolution approved by the Foreign Ministers of the participating countries' supporting the Iraqi regime. He claimed that its sole aim was to serve as 'a propaganda tool on behalf of Saddam's regime, and offered no solution to the war ..., and such [a] resolution [made] [Iranian] more determined to obtain its just and legitimate rights' (SWB, 19 January 1984). At first, the Saudi regime looked for a peaceful means to bring about a ceasefire between Iran and Iraq. However, in 1984 during the OIC summit, King Fahd stated that 'in spite of the Islamic and international efforts and mediation to end the war, this war is still continuing. Further, he praised Iraq's 'response' to all attempted 'peace moves' (SWB, 18 January 1984), and criticised Iran's rejection of a ceasefire, which brought dangers into the region.

Iran did not attend the fifth summit of OIC at Kuwait, in January 1987. The Iranian President Khamenei made Iran's attendance conditional on convening the summit at 'a venue other than Kuwait' (SWB, 10 January 1987) who financially supported Iraqi war efforts against Iran. Iran's formal request for either postponing the summit or changing its venue failed. Therefore, Tehran boycotted the OIC summit again.

To sum up, because of the war with Iraq in the 1980s, and the Iranian regime's belief

that most of the *Sunni* member states would support Iraq in the issue of ceasefire, it boycotted all three OIC summits. Although the Iranian regime thought that by boycotting the summits, it morally punished other member states, in reality Iran lost its influence within the organisation to Saudi Arabia; Riyadh therefore became the most dominant and influential player in the OIC.

6.2.2 1990s Iran returned to OIC as an active member

After the end of the Iran-Iraq war in 1988, because of economic difficulties, the Iranian regime recognised the need to re-enter the international arena as essential for regime survival, Iran needed to forge better relations with the Gulf states in general, and Saudi Arabia in particular. The opportunity came with the Iraqi invasion of Kuwait in 1990 and the subsequent Second Gulf war. This made Riyadh reassess its foreign policy and adopt a more co-operative policy towards Iran. The relationship between both countries, therefore, began to improve.

Iran participated in the OIC summit in 1991. At a meeting in Dakar, Saudi Foreign Minister Prince Saud al-Faisal conveyed through Iranian Foreign Minister Velayati an invitation to President Rafsanjani to visit Saudi Arabia, and they also discussed a proposed visit by King Fahd to Tehran (SWB, 10 December 1991). On the same day, Iranian President Rafsanjani had a meeting with Saudi Crown Prince Abdullah regarding Palestinian rights and the price of oil and the quota within OPEC (SWB, 11 December 1991).

On his way back to Tehran, from the OIC conference in Dakar in 1991, Rafsanjani visited Saudi Arabia and met King Fahd, which paved the way for more co-operation

between both countries. Soon after the meeting Riyadh agreed to increase Iran's *Hajj* pilgrim quota to 120,000 people in 1992 (SWB, 17 December 1991).

Despite the *Hajj* incident in May 1993, and the subsequent quota restriction that Saudi Arabia imposed on Iran, and which saw Saudi-Iranian relations fall to a very low point, these events did not deter either of them to participate in the 1994 OIC summit in Morocco. During the 1994 OIC summit, Iran was elected as the host for the 1997 OIC summit which boosted Iranian religious credibility within the Muslim world.

All 56 members of the OIC attended the 1997 summit. One could argue that the high Arab turnout in the OIC summit in 1997 was a sign of Arab protest against the US-led 'The Fourth Middle East and North Africa Economic Conference' held in Qatar just one month before, which was attended by Israeli delegates. The heads of the Muslim states meeting with the Israeli Prime Minister in the same conference would have been regarded as utter betrayal towards Palestinians. Although the US tried to persuade the Gulf state leaders to participate in the conference, it was boycotted by Saudi Arabia, a significant ally of the US (Economist, 13 Dec 1997). The refusal for attending the conference by the heads of several Arab states forced the Qatari government to downgrade the level of the participants to a ministerial level. Because of the Palestinian-Israeli conflict, while peace negotiations remained deadlocked and Tel Aviv consistently fails to fulfil its obligations under the Oslo accords, the majority of the Arab states were against the participation of Israeli delegates in the regional economic conference. However, the American administration attempted to persuade the Arab states to attend the conference, but without any success. The economic conference stimulated an Islamic unity between Saudi Arabia and Iran which had a positive impact on the relations between both countries. Furthermore, the warming up of relations

between Iran and the Gulf states, especially Saudi Arabia, helped Iran to build a bridge with its Arab neighbours.

Just one day (8 December 1997) prior to the eighth OIC summit in Tehran, Saudi Crown Prince Abdullah, in an interview with the Japanese newspaper, *Mainichi*, stated that 'if his country was asked to mediate between Iran and the USA, it would do whatever would contribute to the region's stability' (SWB, 10 December 1997). This statement highlighted Saudi's good intention towards Iran. In response, Iranian supreme leader Ayatollah Ali Khamenei emphasised that Iran wanted to build 'stronger ties with Saudi Arabia, and stressed the need for a firm resolve by both sides to expand cooperation' (SWB, 11 December 1997).

Iranian supreme leader, Khamenei, made the opening address, and he asserted that 'Islamic Iran poses no threat to any Islamic country' (Economist, 13 December 1997). This served as an attempt to reassure Iran's Gulf neighbours that Iran was no longer intent on exporting its revolution. His main theme was that Muslims had to unite against the West, and Israel (Economist, 13 December 1997). On the same day, Iranian President Khatami and Saudi Crown Prince Abdullah discussed a 'new phase' in their relations, and 'the need for adopting policies that would bring about concord between Tehran and Riyadh' (SWB, 11 December 1997). Saudi Crown Prince Abdullah stressed 'the need to expand relations and cooperation between the two Muslim and sisterly countries', emphasising that there are favourable grounds 'for starting a new phase in the relations between the two countries' looking to 'the future, not the past' (SWB, 11 December 1997).

In conclusion, in contrast with the Muslim League which served as a spokesman of

Saudi Arabia, the OIC functioned as a battleground for both Saudi Arabia and Iran. The Muslim World League is a *Sunna* dominated organisation which promotes the formation of a uniformed Islamic interests based on the *Qur'an* and *Sunna*, which largely excluded Iran's involvement in the League. On the other hand, OIC was used by Saudi Arabia and Iran to enhance their position and mobilise support in the Muslim world.

During the Iraq-Iran war, Saudi Arabia tried to use the OIC summits to court Iran into a peace agreement with Iraq; however, Iran refused to give in and accused the majority of OIC states of being biased towards Iraq. Tehran boycotted the three OIC summits and ended up being alienated from the organisation. Finally, with the end of the war, Iran sought to rejoin the OIC fold and was welcomed by other members that recognised the significance of Iran as a Muslim power and a regional player.

In particular, Riyadh used the 1997 OIC summit to show its goodwill towards Tehran by offering the mediation between Iran and the US which resulted in the rapid warm up relations between both countries. For Iran, the summit marked the start of what its leaders hoped to be a new phase in Iranian foreign policy. Iran's President, Muhammad Khatami, was appointed chairman of the OIC; and thus was 'at the helm of the world's biggest Muslim body' (Economist, 13 Dec 1997).

7.0 Conclusion

Esposito argues that Islam has been an effective force in 'providing or reinforcing national identity and political legitimacy'. It has been manipulated by government and opposition movements throughout the Muslim world, in political discourse to serve as a

'source of mass mobilisation'. However, the use of religion as a legitimising force is a double-edged sword. Although it can provide the government and or opposition movements with needed legitimacy, 'it can also be used as a yardstick for judgment by opposition forces and de-legitimisation' (Esposito, 1997:70).

This has been highlighted in this chapter, which showed how both Iran and Saudi Arabia have manipulated religion to gain legitimacy. Islam was founded in the seventh century in the Arabian Peninsula as the legitimate religion, and the division between *Sunnis* and *Shi'ites* also derived from that time onwards. However, prior to the twentieth century, the religious factor has never been an issue that caused many frictions between Persia and Saudi Arabia. This could be attributed to the fact that in Persia religion was treated as a grassroots issue and never played an important role in the Persian internal or external policy-making until the Iranian Revolution in 1979.

The Iranian Islamic revolution had fundamental change its policy orientation towards Saudi Arabia, and at the same time transferred the peaceful coexistence with Saudi Arabia into competition and confrontation. This chapter first discussed how the division of how *Sunni* and *Shi'ite* plays a role in their relations and how the Iranian Revolution had such a fundamental change in their relations. Iran, since soon after the Iranian revolution, has promoted itself as the model of true Islamic state with its *Shi'ite* doctrine that emphasises the link between religion and politics. Therefore, the Iranian clerical regime wanted to export their vision of Islam into the Muslim world, especially the Arab Gulf states, which caused immediate panic reactions from the Arab Gulf regimes. When the outbreak of the Iran-Iraq War began in 1980, many of the Gulf states still tried to effectively sit on the fence, but only the threats of Tehran's intension to export its revolution ideology shifted the wind and they began to back Iraq against

Iran. From that time religion has become the tool of the political game between Saudi Arabia and Iran. The confrontation between Saudi Arabia and Iran played in two fronts, one was the annual *Hajj* and the other was the competition within the Islamic organizations, and both fronts intertwined with each other.

Tensions between *Sunni* and *Shi'ite* Islam have escalated since the Iranian Revolution much more than it had in several centuries (Fuller, 1999:1). Prior to the Iranian Revolution, Saudi Arabia and Iran had never had any confrontation regarding religion. One could note that prior to the Iranian Revolution both countries regarded and utilised religion in different ways. For Saudi Arabia, religion has been the fundamental base for the Saudi regime in building up their prestige in the Muslim world. For Iran, prior to the revolution, religion had a social and domestic political dimension in terms of opposition politics. Although the Shah was involved in the establishment of Islamic organisations in the 1960s, this was motivated by his desire to dominate in all regional affairs. He had no true intension of allowing religion to play an important part in Iranian politics. However, the Iranian Revolution changed this balance.

The ideological struggle between Saudi Arabia and Iran soon turned into a political confrontation, as the Iranian regime attempted to export its revolution to Saudi Arabia. Khomeini called upon Saudi *Shi'ites* to turn their mosques into prayer, cultural and military bases, and encouraged Iranian pilgrims to hold demonstrations and shout anti-American, anti-Israeli and anti-Saudi slogans during the annual *Hajj*. The *Hajj* became the forum for annual confrontation.

The *Hajj* became the focus point for both countries, and confrontations became inevitable between both countries. The worst event came in 1987 when the Saudi

forces crushed the demonstrators in Mecca resulting in more than 400 deaths, and both countries exchanged harsh words and Khomeini even proclaimed that Saudi Arabia as the biggest enemy of Iran. In result, Riyadh terminated its diplomatic relations with Iran in 1988, which was the lowest point in Saudi-Iranian relations in the twentieth century.

Soon after that, Riyadh began to use the OIC to stop the Iranian pilgrim inflow into Saudi Arabia. In 1988, during the foreign minister conference of the OIC, Saudi Arabia announced that it would limit each country's quota to send pilgrims to Mecca. This greatly reduced Iranian quota. Failing to negotiate with Riyadh for its quota, Iran refused to send pilgrims to Saudi Arabia for three years. The *Hajj* became the political arena for both countries. Only after the Iraqi invasion of Kuwait in 1991, did Saudi-Iranian relations begin to show signs of improvement.

From this chapter one could notice that both countries used religion as a tool to fulfill their political needs in the competition to be a leader in the Muslim world. At the same time, religion played a divisive factor in shaping Saudi-Iranian relations, through international Islamic organisations. Religion had been used as a tool in defining the legitimacy of both regimes which led to competition within the region between the two states but also impelled them to co-operate on some issues and in some organizations. Both Saudi Arabia and Iran used religious organisations, namely, the Muslim World League and the OIC, to transfer their political stance. Saudi Arabia used the OIC summits in the 1980s to court Iran into the negotiation of a ceasefire with Iraq, when Tehran refused all the summits which made Iran appear as the guilty party for failing to agree to a ceasefire during the Iran-Iraq War. This, in turn, reduced Iranian religious credibility among the Muslim world. The 1987 *Hajj* incident in Mecca, in particular,

made Iran isolated in the world and alienated it from the rest of the Islamic society. At the same time, Saudi Arabia and Iran used the 1997 OIC conference to forge cooperation between either other.

Religious issues also shaped the role of external superpower forces towards both countries. Revolutionary Iran rejected the overtures of communist USSR because of religious ideology, which made Iran lose Soviet support during their confrontation with Saudi Arabia. At the same time Iran was alienated from the US because of the hostage crisis and this situation pushed the US to support secular Iraq against religious Iran. The US rejected its previous (secular) superpower ally during the Iran-Iraq War, and this also enhanced the American support towards Saudi Arabia in any front of confrontation with Iran.

Since the Iranian Revolution, ideology/religion temporarily superceded regime survival as a contributor to Iranian policy towards Saudi Arabia. Also, the Iran-Iraq War complicated the whole religious issue between both countries, but was only to fall back to political over economic considerations under Rafsanjani.

Acting according to the rational principles of neo-realism, both countries put their security concerns and national interests first. Due to practical reasons, Iran was forced to move away from considerations of religion and revolution and towards the demands of the state, internal reform, and international normalisation as dictated by its national and security interests. In other words, Iran was forced to ignore the needs of the persecuted *Shi'ites* in Arab countries with whom Iran has managed to build good bilateral relations. Nevertheless, Iran might still use the Arab *Shi'ite* card strategically to its own advantage if it can do so (Fuller, 1999:85).

Neither will Riyadh jeopardise its own regime survival to give in to the Saudi *Shi'ite* demands, but it will still try to keep the difficult balance by improving its relations with Iran. This is because it cannot totally ignore Tehran's influence in the region especially in its Eastern Province, where the majority of the Saudi *Shi'ite* are located.

Conforming to the neo-realist theory, regime survival is the outmost important factor in foreign policy formulation. This could be easily detected in examining Saudi-Iranian relations by looking at how *Hajj* and competition within Islamic organisations did not play a significant role before the 1980s, as both countries wished to keep friendly relations. Therefore, even when conflict of interests emerged from time to time, both Saudi Arabia and Iran still refrained from allowing these factors to affect their relations. One could argue that in the future, the religious factor will still play an important role in shaping the relations between Saudi Arabia and Iran but only when both countries need to utilise religion as a pawn in the political game; otherwise both states will subside their differences regarding the religious factor.

CHAPTER FIVE

THE IRAQ FACTOR

1.0 Introduction

This chapter analyses Iraq as a factor in Iran-Saudi Arabia relations, through two of the most important events in the Middle East and the world - the Iran-Iraq War and the 90/91 Kuwait crisis. Seeing the trend of the relations between Saudi Arabia and Iran from the imbalance of the 1980s, which was in favour of Saudi Arabia, this, led towards a more equilibrium situation which developed soon after the Kuwaiti crisis in the 1990s. Iran was in a stronger position militarily and politically before the Iran-Iraq War than it was at the end. Saudi Arabia became more stable and stronger both politically and economically in the 1990s. One could argue that during the 1980s Riyadh was concerned about possible Iranian efforts to destabilise the Saudi monarchy and export the idea of Islamic Revolution into the Gulf Arab states. Riyadh therefore decided to support Iraq's war efforts by offering both financial and logistical means. However, this move only intensified the frictions between Saudi Arabia and Iran and thus the potential threat, proving counter-productive. That is to say, Saudi used oil as a weapon in order to hammer Iran's economic means so it restricted Iran's ability to continue its war with Iraq. Saudi Arabia allowed Iraqi fighter planes to land in its airports during their attacks on Iranian oil infrastructures. Ironically, during the 1990 Iraqi invasion of Kuwait, Iraq was to become the factor which led to Riyadh and Tehran's rapprochement.

Iraq, Iran and Saudi Arabia are the most influential and the most important players in

the Persian Gulf region, because of their considerable oil reserves (see table 5.1), size, and population (see table 5.2). However, Saudi Arabia's role has been overshadowed by its two major rivals in the Gulf region.

Table 5.1 Proven Crude Oil Reserves, 1977-1997
(Million Barrels)

	1977	**1978**	**1979**	**1980**	**1981**	**1982**	**1983**
I.R. Iran	62,000	60,088	58,833	58,296	57,020	56,148	55,257
Iraq	34,500	32,100	31,000	30,000	32,000	59,000	65,000
Saudi Arabia	164,070	168,940	166,480	168,030	167,850	165,484	168,848
Total OPEC	447,876	443,134	435,556	434,614	438,312	467,371	475,295
Total World	636,164	626,764	635,594	656,187	670,017	697,931	706,779
OPEC percentage	70.4	70.7	68.5	66.2	65.4	67.0	67.2

	1984	**1985**	**1986**	**1987**	**1988**	**1989**	**1990**
I.R. Iran	58,874	59,000	92,860	92,860	92,860	92,860	92,850
Iraq	65,000	65,000	72,000	100,000	100,000	100,000	100,000
Saudi Arabia	171,710	171,490	169,744	169,585	254,989	260,050	260,342
Total OPEC	509,998	535,798	643,016	674,020	760,484	764,830	766,014
Total World	742,082	767,898	870,062	899,346	990,801	997,613	998,210
OPEC percentage	68.7	69.8	73.9	74.9	76.8	76.7	76.7

	1991	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**
I.R. Iran	92,860	92,860	92,860	94,300	93,700	92,600	92,600
Iraq	100,000	100,000	100,000	100,000	100,000	112,000	112,500
Saudi Arabia	260,936	261,203	261203	261,374	261,450	261,444	261,541
Total OPEC	772,402	773,770	774,351	777,400	785211	801,998	804,922
Total World	1,003,752	1,010,318	1,010,227	1,019,001	1,028,144	1,042,895	1,057,078
OPEC percentage	77.0	76.6	76.7	76.3	76.4	76.9	76.1

Sources: OPEC Annual Statistical Yearbook, 1997, pp.10-11.

Table 5.2 Iran, Iraq and Saudi Arabia Estimated Mid-Year Population, 1973-1996
(Thousands of Inhabitants)

	1973	**1977**	**1978**	**1979**	**1980**	**1981**	**1982**
I.R. Iran	31,645	34,690	36,110	37,200	39,300	40,850	42,313
Iraq	N/A	12,000	12,405	12,821	13,238	13,669	14,110
Saudi Arabia	8,000	8,060	8,490	8,930	9,370	9,810	10,250
Total OPEC	N/A	295,896	303,894	311,787	321,414	330,476	339,656

	1983	**1984**	**1985**	**1986**	**1987**	**1988**	**1989**
I.R. Iran	43,979	45,721	47,541	49,445	50,648	51,888	53,164
Iraq	14,586	15,077	15,585	16,110	16,659	16,880	17,430
Saudi Arabia	11,170	11,980	12,649	13,266	13,912	14,591	15,302
Total OPEC	349,707	359,912	369,942	380,378	390,383	400,339	410,466

	1990	**1991**	**1992**	**1993**	**1994**	**1995**	**1996**
I.R. Iran	54,484	55,837	57,231	58,668	60,148	60,557	61,130
Iraq	18,080	18,510	18,900	19,260	19,650	20,090	20,610
Saudi Arabia	16,048	16,399	16,757	17,123	17,760	18,250	18,840
Total OPEC	418,000	426,574	436,581	446,471	456,698	465,257	475,140

Sources: OPEC Annual Statistical Yearbook, 1973, p.2.and OPEC Annual Statistical Yearbook, 1997, p.2.

The Saudis have striven to be the leaders on the Arab side of the Gulf and Arabian Peninsula; this was partly achieved in the aftermath of their involvement in the 1962 civil war in Yemen and its negotiated conclusion in 1968. This however, adversely affected Saudi's relations with the other Gulf states. Saudi Arabia manipulated its huge oil reserves in the 1970s to dominate regional politics. Nevertheless, it did not manage to become a major regional force like Iran, Iraq, Syria and Egypt (Amirahmadi, 1993: 148-149). In spite of its economic power, Riyadh's vulnerability has persisted. This was manifest during the Iran-Iraq war when, in 1986, it had to ask for US assistance following Iran's invasion of the Fao Peninsula in Iraq; it feared that Iran would threaten Saudi oilfields in the Eastern Province. Their insecurity was further exposed in 1990 when Saddam Hussein's forces invaded Kuwait.

By contrast, Iran's claim to leadership in the Persian Gulf was largely justified during the Shah's rule. The Shah was determined to make Iran 'the dominant force in the Gulf, a principal Third World power and, indeed, a great power' (McLaurin, 1982: 218). This claim was justified due to several politico-military factors: Iran was the largest country in the region, in terms of population (which is almost eight times that of Saudi Arabia); it was a relatively advanced state industrially; and had large armed forces (see table 5.3-5.5). Moreover, as Iran has the longest coastline along the Persian Gulf compared to any other Gulf state, it was able to play the dominant maritime role in the Gulf. Finally, Iran owns many islands in the Gulf, including the largest one in the Gulf, Qeshm, and controls the most strategic point in the Persian Gulf, namely, the Strait of Hormuz, which is also the Saudis' major oil exports outlet (Amirahmadi, 1993:148).

Table 5.3 Land/Air Force of Iran, Iraq and Saudi Arabia

Country	Total armed forces(after mobilization)	Number of tanker in service	Total of strike aircraft	Total of interceptor aircraft	Defence budgets ($ million)
Iran	180,000	400	-	75	197
Iraq	82,000	320	12	75	142
Saudi Arabia	55,000	-	6	12	106

Source: Arms in the Persian Gulf, 1974, p.23.

Table 5.4 Combat Aircraft Inventories in the Persian Gulf

Country	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74
Iran	166	202	188	158	151	160	159
Iraq	170	213	213	229	220	189	224
Saudi Arabia	20	39	43	75	55	71	70

Source: Arms in the Persian Gulf, 1974, pp.4-5.

Table 5.5 Naval Vessels in the Persian Gulf

Country	1967-68	1968-69	1969-70	1970-71	1971-72	1972-73	1973-74
Iran	37	39	39	45	30	51	41
Iraq	-	-	-	25	25	19	30
Saudi Arabia	-	-	-	7	14	31	20

Source: Arms in the Persian Gulf, 1974, pp.16-17.

In the 1970s, President Nixon's 'Twin Pillar' policy enhanced Iran's role as a regional leader as the US encouraged it to act together with Saudi Arabia as the policemen in the region. Accordingly, they were both supplied with arms by the US as well as other Western countries. In particular, Iran used its newfound oil wealth, at the time, to acquire considerable advanced weaponry; and hence, it asserted itself as the guardian of the Persian Gulf.

Iran's growing military strength (see table 2.4 and 5.6), and the Shah's ambitions, in addition to its declining oil-production capacity formed a threat to the Saudis. They perceived that Iran was 'covetous' towards Arab oil fields in the region (McLaurin, 1982: 218). However, they did not challenge Iran's dominant position in the Gulf region.

Thus, the Iranian-Saudi tension was a reflection of the two countries' rivalry over leadership of the Persian Gulf and its security (Amirahmadi, 1993:148). However, the balance changed soon after the Iranian Revolution in 1979.

2.0 The effects of the 1979 Iranian Revolution

The 1979 Iranian Revolution was a milestone in the relationship between Iran and Saudi

Arabia. This event changed the balance of power in the region by weakening Iran's position in the Gulf. As a consequence, Saudi Arabia became a very important partner for the West and the US. Accordingly, relations between Saudi Arabia and Iran changed completely. The perceived Iranian threat became paramount as a result of the overthrow of the Shah. Several reasons contributed to this outcome, although during the Shah's period of reign Iran, in the military scene, dominated in the regional affairs. However, because Iran cooperated with the West, especially the US, this guaranteed that Iran would not threaten the Gulf regimes, but soon after the Iranian Revolution, the new Iranian clerical regime wished to export it ideology into the Gulf region and at the same time, the relationship between Iran and the US deteriorated soon after the American hostage saga which changed the whole concept of security in the region.

Table 5.6 Military Statistical Summary of Iran, Iraq and Saudi Arabia in 1979-80

Country	Population (1000)	Total armed forces	Percentage of armed forces to population	Defence budget (billion $)	Gross National Product (billion $)	Defence budget as % of GNP
Iran	39,330	415,000	1.05	9.94	75.1	13.2
Iraq	12,730	222,000	1.74	2.02	15.5	13.0
Saudi Arabia	7,984	44,500	0.55	14.18	64.2	22.1

Source: The Military Balance, 1979, pp. 39,40, 44.

First, the fall of the Shah was followed by the social upheaval and the chaotic situation within the military scene in Iran. As much as the Saudis feared the Shah, they feared the unknown even more. Anarchy was seen as inviting dismemberment and worse, some form of eventual Soviet presence across the Gulf.

Secondly, the leaders of the Islamic Republic of Iran had made little secret of their

determination to export their revolution throughout the Islamic world. As Khomeini's speech on the first anniversary of the Islamic Revolution highlights this vision. Soon after the Iranian Revolution, the clerical regime attempted to export its ideology were manifest in clergies' visits, and the establishment of clandestine *Ithna 'Ashara* cells in several Gulf countries (Savory, 1990:18). They specifically included Saudi Arabia as a prominent target of this objective.

Third, the revolution awakened the consciousness and restlessness of *Shi'ite* communities in the Gulf, including the Saudi *Shi'ite* population (McLaurin, 1982: 218-19). This potential problem was not one that Saudi leaders were anxious to address, particularly given the Saudi *Shi'ites* are under the discrimination of the Riyadh regime.

Fourth, the Iranian clerical regime by its aggressive propaganda against the conservative regimes, called the Saudi regime un-Islamic, thus jeopardised the Saudi's legitimacy (Fuller, 1999:90), caused the relations between Saudi Arabia and Iran to deteriorate.

Fifth, at the same time, the clergy encouraged the Shi'ite communities in Saudi Arabia to follow the Iranian example and to overthrow the Saudi governments (Fuller, 1999:90), resulting in the August 1979 Saudi *Shi'ites* revolt in the Eastern Province of Saudi Arabia.

Sixth, during the Iranians' uprising against the Shah, the indecision and inaction of the US seriously diminished the significance of the many commitments the US had made to Saudi Arabia over the years. Thus, Saudi leaders felt more vulnerable, and less protected, than ever before.

Seventh, the collapse of the Shah which created the power vacuum in the region caused a huge security problem because neither Iraq nor Saudi Arabia were strong enough to replace Iran as the guarantor of Gulf stability. Riyadh feared the Soviet's protégée in Oman and Yemen would utilise this instability to gain some footing in the region.

The Iranian Revolution weakened Iranian military power because the clerical regime began to prosecute military leaders and to execute the pro-Shah generals and ministers. In the 1970s, when the Shah was in the dominant position in the region, he made an enemy of Saddam Hussein by supporting the suppressed Iraqi Kurds. From the beginning of Saddam Hussein's regime, the Kurds rebelled against him. The Shah used this opportunity to support the Iraqi Kurds, and by doing this forced Saddam Hussein to sign the Algiers Agreement which favoured Iran in the long-term border dispute with Iraq. Saddam Hussein had long been looking for the chance to regain the territory. Therefore, soon after the Iranian revolution, Iraq took advantage of the chaotic situation in Iran and initiated the eight-year war with Iran in September 1980.

3.0 The Iran-Iraq War

3.1 The roots of conflict

The Iran-Iraq War, which broke out on 22 September 1980, and lasted for eight years, was far from the first Iran-Iraq confrontation: for centuries there have been periods of conflict between Iran (Persia) and Iraq (Babylon, Mesopotamia). As previous confrontations between the two countries, this one too attracted outside powers that had interests in the outcome. In this war, powers such as Saudi Arabia, Kuwait and the

United States, supported Saddam Hussein (Simons, 1998:255-256).

When Iraq declared its nominal independence from Britain in 1921, tensions started with Iran as the latter demanded that the new border be drawn along the thalweg (the line following the midpoint of the main navigations channel of a river), of the Shatt al-Arab; Iraq refused. The new Iraqi government of Hekmat Suleiman, however, agreed to adjust the border along the thalweg in the Frontier Treaty that was signed by the two countries on 4 July 1937. This issue was settled only temporarily and re-emerged in 1958 after the revolution in Iraq. Since then, it has been a bone of contention in the relations between the two neighbours and eventually, the Treaty was abrogated by Iran in 1969. Tensions arouse as Iran supported the Iraqi Kurdish separatist activities within Iraq. With Iran's occupation of the Persian Gulf islands of Abu Musa, and the Greater and Lesser Tunbs in 1971, relations deteriorated further, and consequently, Iraq severed diplomatic relations with Iran. Border confrontations continued during the period from 1971-1974. Finally, Saddam Hussein wished the Shah ceased his support towards the Iraqi Kurds. In the end Saddam Hussein gave in to the Shah's demand and a border settlement was reached with the signing of the Algiers Agreement of 6 March 1975 (Gardner, 1988:viii), which favoured Iran.

This agreement solved the dispute but to the disadvantage of Iraq. Iraq being allowed to use only half of the *Shatt al-Arab*, (Iraq's only navigable river to the Persian Gulf), was denied direct access to the Gulf. Furthermore it made Iraqi vessels vulnerable as Iran could easily control or disrupt Iraqi navigation. Although Iraq was forced to accept the humiliating 1975 Algiers Accord, it always looked for a way to renegotiate the Treaty, to gain full control of the Shatt al-Arab and to establish itself as an unrivalled power in the Gulf (MEI, 12 June 1987:17).

Relations between Iran and Iraq were damaged further as a result of Saddam Hussein's attacks on the Iranian revolution. Although Baghdad recognised Iran's new regime soon after the revolution, by mid-June 1979 Iraq had begun its hostile propaganda against Iran, and the Iranian media retaliated by calling on the Iraqi people to 'topple the regime of tyrants'. Furthermore, Khomeini himself had been expelled from Iraq in October 1978 and even in the heights of the Iranian demonstrations against the Shah, Saddam Hussein still gave royal hospitality to Empress Farah Pahlavi in November 1978 (Menashri, 1990:101-102). One could understand, therefore that Khomeini did not form cordial relations with the Iraqi regime.

Saddam Hussein saw the Iranian revolution, and consequently the rearrangement of the power in the Gulf region, as his opportunity to claim leadership of the Arab world and challenge other regional leaders, mainly, Syria, Egypt and Saudi Arabia. Hence, he challenged Iran on account of Iran's occupation of three Gulf islands belonging to the UAE, its involvement in Bahrain (see Chapter Six for further discussion), and the border dispute of the Shatt al-Arab.

3.2 The beginning of the war

The military clash between Iraqi and Iranian troops started on 2 September 1980 near Qasr el-Shirin; then Iranian artillery shelled the Iraqi towns of Khanaqin and Mandali. Saddam Hussein's declaration of full control of the *Shatt al-Arab*, in a televised speech to the National Assembly (17 September), led to the breakout of heavy fighting along the waterway (Simons, 1998:257). The Iraqi invasion of Iran on 22 September 1980 and the subsequent eight-year war between the two countries, became a turning point in

the relationship between Iran and Saudi Arabia. The tensions between them since the Iranian Revolution had revolved mostly around religious claims and counter-claims. The outbreak of war brought direct strategic and political challenges to the relationship, which now revolved around the two issues of oil and regional security.

According to Hiro, Iraq had signed secret agreements with Saudi Arabia and Kuwait ten days before invading Iran, whereby Saudi Arabia agreed to increase its oil outputs by 1,000,000 b/d, and to devote the revenues to Iraq's war effort against Iran (Hiro, 1985:337).

In support of Hiro's arguments, Simons claims that Saddam Hussein believed that he could rely on financial backing from Saudi Arabia and Kuwait, and that Washington would welcome the military campaign against the Iranian regime, which described the US as 'the Great Satan'. Saddam Hussein thought that the war would be brief and the outcome would be to his advantage; thus, he would achieve his aim to become "the leader of the Arab world, the liberator of Arabs in Iranian territories and the friend also of the Iranian Kurds struggling for recognition" (Simons, 1998:257).

According to Hiro, Saudi Arabia supported Iraq's intention to invade Iran because of the following reasons:

1. Saudi Arabia feared the spread of the Iranian revolution throughout the Gulf. This constituted a major threat to Saudi oil wells and refineries, which are mainly located in the Eastern province, where Saudi's Shi'ites – who have always resented being treated like second-class citizens - are the main work force. Hence, riots in this region would endanger the Saudi regime's own survival.
2. Saudis Arabia was antagonistic towards the Iranian policy in the Gulf region due to

the competition between the two countries over the influence of regional politics and the oil prices.

3. As the war would probably weaken both Iranian and Iraqi economic and military power, this would act to reduce Saudi security concerns (Hiro, 1985:337).

However, Saudi Arabia was nonetheless caught in a dilemma regarding the Iran-Iraq War. As Haeri argues, Riyadh and its Gulf Arab allies, like the superpowers, Western Europe and Israel, did not want either party in the conflict to attain a final victory, as they feared the Iraqis 'as much as they hated the Iranians' (MEI, 31 May 1985:9). Thus, they wished the struggle to continue depleting the resources of both countries.

One could argue that the Iran-Iraq War came at the right moment for Saudi Arabia. This is because although Saudi Arabia had invested heavily in defence since the late 1960s, its armed forces continued to be weak and were 'incapable of protecting the Kingdom against Iranian or Iraqi aggression'. Moreover, even after the fall of the Shah, Riyadh was still sceptical of US commitment towards Saudi Arabia (Abir, 1994:126). On the other hand, Saudi Arabia feared the spread of the war into its own territory; which might lead to an uncontrollable situation.

The war allowed the Saudi regime to improve its image both domestically and regionally in the Arab world. First, domestically, it enabled King Fahd to consolidate his power within the royal family due to the infighting among the Saudi princes, and to deal with the kingdom's most pressing problems - the external threat, and the war. At the regional level, it improved Saudi's image, which had been badly tarnished between 1962 and 1968 by Saudi Arabia's involvement in the Yemeni civil war. King Fahd tried to develop an Arab consensus on the Iran-Iraq War by trying to bridge the

differences between Iraq and Syria and by rebuilding the power of the moderate Arab camp after Egypt's return to the Arab fold (Abir, 1994:126-7). The Iran-Iraq War resulted in the erosion of the power of the radical Arab camp, forced Baghdad to court the conservative Arab countries and, eventually, to seek to improve its relations with Washington (Abir, 1994:126). Furthermore, the war helped to gradually decrease the Soviet, Iranian and Iraqi threat to Saudi Arabia. For the Soviets, the Iran-Iraq War transferred its focus on regional affairs moving away from supporting the rebellious acts in Oman and Yemen and focusing on Iraq and Iran. The war diminished Iran and Iraq's military threats towards Saudi Arabia.

When the war broke out between Iran and Iraq, Riyadh was caught in a dilemma. Although Riyadh had signed a secret agreement with Baghdad prior to the war, Riyadh did not wish to get involved into the war and was concerned that the frontline would spread into its own territory, which could explain Riyadh's attitude to hide its supports towards Iraq. At beginning of the war, Riyadh's main concern was Iran's military power, as well as Iraq's retaliation if Saudi Arabia did not help its war effort. Saudi Arabia was therefore trying to appease both Iran and Iraq, though they were secretly 'happy to embrace Saddam Hussein as a defender of Arab interests in the Gulf' (Simons, 1998:257). Instead, Saudi maintained adherence to the principle of Islamic solidarity. At that time, the Saudi foreign minister, H H Saud Al-Faisal, affirmed his government's neutral stance (Korany, 1993:243). But beneath the surface, Saudi Arabia gave Iraq financial and logistical help.

Saudi Arabia was keen not to show Iran that it was helping Iraq, as well as not to get involved in the war itself. For example, when during the early days of the war, Iraq wanted to bomb the islands of Abu Musa and the two Tunbs from the UAE or Oman,

Saudi Arabia exerted pressure on Iraq to drop the idea as this would have caused the conflict to spread to the rest of the region (Hiro, 1985:336-337). At the same time, due to the American hostage crisis in Tehran from November 1979, the US requested Saudi Arabia not to react to the Iranian clergy's provocation in the early stages of the Iran-Iraq war, in order to prevent confrontation between the two countries.

At the same time, King Fahd was cautious to avoid publicly promoting US' interests because of the strong anti-American sentiments in the Kingdom and the Arab world in general. Thus, 'immediately after the outbreak of the Iran-Iraq war, he approached President Carter for help but indicated his apprehension lest Arab nationalists interpret such aid as an invitation to establish a US military presence in the Kingdom or in the Gulf. This was a significant departure from the Saudi traditional publicly-stated opposition to any American presence in the Gulf, based on apprehension about the reaction of Arab nationalists and its own conservatives and new elites' (Abir, 1994:127).

3.3 The war began to affect Saudi-Iranian relations in 1981

Iranian-Saudi relations became strained particularly during 1981. This could partly be attributed to Khomeini's declared scorn for the Saudi regime and his depiction of the Saudi government as 'un-Islamic' (Menashri, 1990:252) and corrupt. He accused Saudi Arabia of being 'Washington's watchdog in the Gulf' and having turned into 'the devoted pig of the US' (Menashri, 1990:252).

Moreover, pro-Iranian demonstrations in Mecca and Medina, Islam's holy cities, during the Hajj season in 1981 antagonised the Saudi regime and population. As a result, Saudi Arabia offered more financial support to Iraq (Menashri, 1990:209). Tehran,

which perceived this support as 'a direct threat' did not attend the summit of the OIC in Ta'if in January 1981. It regarded the Ta'if Conference as an effort by the Saudis to lead a Saudi-Sunni Arab front against the Iranian Revolution (refer to Chapter Four for in-depth discussion). This was compounded by closer US-Saudi relations under the Reagan administration in particular, Iran, for its part, feared the rise of Saudi as a major regional power (Menashri, 1990:209).

Iranian-Saudi relations further deteriorated as a result of the establishment the Gulf Co-operation Council (GCC) in May 1981, which included Saudi Arabia, Kuwait, Bahrain, Qatar, the UAE and Oman. The GCC proclaimed itself as an economic and cultural co-operation organisation; although Riyadh attempted to make it a regional defence organisation to co-ordinate the internal security activities of its member states (Abir, 1994:127). Tehran saw this as a direct challenge to its hegemony in the Gulf region, especially as Iran was the first state in the region to advocate regional cooperation in 1975 and 1976 respectively, and both times was turned down by Riyadh.

As Iraq's position in the war deteriorated at the end of 1981, they portrayed the war as a new 'Persian invasion of the Arab world' (Abir, 1994:128), and accordingly, cried out for help from its Arab sister states. The GCC states, which were also concerned about Tehran's 'subversive activities among their *Shi'ite* subjects', responded by expanding financial and logistical assistance to Iraq (Abir, 1994:128-130). Thus, by the end of 1981, Riyadh, which became Iraq's primary financer, had already provided around $10 billion worth of financial support to Saddam, while Kuwait contributed another $5 billion. In total, Saudi and Kuwaiti support for Iraq during the war is estimated to have reached nearly $50 billion (Simons, 1998:257-258; Amirahmadi, 1993:103).

Meanwhile, the Saudi regime tried to use Islamic or Third World countries mediation with Iran, or United Nations intervention in an effort to end the war. These efforts were mainly motivated by the fear of an Iranian victory over Iraq and the costs the Saudis incurred during the war. At the same time, the Saudis realised that they were constrained by 'new economic and political dynamics', and military weakness. Furthermore, the Saudi economy, those of other GCC states, and ultimately the stability of the regime, depended mainly on oil revenues (Abir, 1994:128-129), and the security of the oil industry. The war affected the oil price in the world market (see table 3.5 in Chapter Three) which in turn affected the Saudis' long-term oil strategy.

3.4 The first attempt of ceasefire

By July 1982, Iran had gained the upper hand in the war and succeeded in recovering all the territories it had lost to Iraq. Saudi Arabia was concerned about an Iranian advance into Iraqi territory, particularly as Iran threatened to block the Strait of Hormuz. The Saudis and Kuwaitis feared an Iranian victory and its 'adverse' implications on the stability of their regimes (Hiro, 1987:339; Amirahmadi, 1993:145). Therefore, Riyadh renewed its mediation attempts to put an end to the war. At an Arab summit in Morocco in September 1982, King Fahd presented a settlement proposal comprising Iraq's complete withdrawal from Iranian territory, and financial compensation for Iran provided by Gulf Arab states, and finally allowing the full co-operation of Iran in regional affairs. However, while the plan favoured Iran and was accepted by Iraq, Tehran turned it down because of its belief in its military superiority, and increasing oil revenues. It was determined to attain total victory and the overthrow of Saddam Hussein, whom it perceived as the 'aggressor' (Amirahmadi, 1993:145).

When conciliatory efforts failed, Saudi Arabia tried a 'tougher' approach with Iran. Thus, in early October 1982, 'Riyadh warned Tehran that it would face a 'no holds barred' war with all Arab states if it continued to refuse mediation' (Hiro, 1987:339), but Tehran refused to end the war until it had achieved its aforementioned objectives. Riyadh therefore continued to support Iraq; and in January 1983, it permitted Iraq to pump oil through a pipeline across Saudi territory. Furthermore, the Saudis, backed by Washington, agreed with France to supply five sophisticated Super-Etendard warplanes to Iraq in return for oil, which was to be paid by Saudi Arabia. However, the Kingdom was burdened by the war as a result of the falling oil prices and its reduced OPEC quota (Simons, 1998:259).

1983 saw increasing hostility between Iran and Saudi Arabia caused by Tehran's continuous propaganda attacks on the Gulf regimes. At the same time, Tehran also tried to smooth the situation by assuring them that Iran had no interest in expansionary interests in the Arab side of the Gulf (Menashri, 1990:292). Furthermore, Khomeini promised the Gulf States that if they had good relations with Iran, the latter would help them 'to get rid of the superpowers' (Menashri, 1990:252). And, later, Rafsanjani asserted that if the Gulf states did not intervene in the war, 'Iran would honour their territorial integrity and "defend their security"' (Menashri, 1990:252).

However, these appeasing statements did not bring about the desired improvement in relations with the Gulf Arab states because Khomeini continued his 'harsh threats' against the Gulf rulers for their hostility towards Iran and support of Iraqi war efforts (Menashri, 1990:252). Tehran's attacks against Riyadh centred around two main issues: the nature of the Saudi regime and its policies. Tehran accused Riyadh of turning itself into 'the servant of Imperialism', acting against Islam, suppressing its own

people, and promoting the interests of Zionism and Israel (Menashri, 1990:293). In addition, Iran attacked Riyadh for its hostility towards Iran through its support of Iraq, its role in lowering oil prices in international markets, and its acceptance of an American military presence in the Gulf (Menashri, 1990:293). Interestingly Riyadh did not respond to Tehran's provocation at this time for fear it might cause Tehran to attack Saudi Arabia.

3.5 The second attempt at a ceasefire

When the Iranian forces seized the Majnoon islands in Iraq in early spring 1984, Iraq again proposed a ceasefire with Iran which was refused by Tehran (Mostyn, 1991:210-211) because Khomeini wished to force Saddam Hussein to step down and at the same time punish the Gulf states, mainly Saudi Arabia and Kuwait for supporting Iraqi war efforts. Thereupon, Iraq tried to reduce Iran's oil incomes by attacking Iranian oil tankers and the Iranian oil terminal on Kharg island in March 1984. Instead of being pressured to accept the ceasefire, Iran in turn attacked Iraqi oil fields and cities (Hiro, 1987:342). At the same time, Tehran began to focus on Saudi Arabia and Kuwait for their so-called unfriendly gesture towards Iran as Tehran believed that without their support, Iran could win this war.

Iran's behaviour towards Saudi Arabia and Kuwait can be explained by three arguments. First, as Stauffer argues, Saudi Arabia and Kuwait became targets because of Iran's success in the first stage of the 'war of erosion', when Iraq was able to sustain the war only because of the support it received from Saudi Arabia and Kuwait (MEI, 15 June 1984:14). Second, Tehran had already threatened that if its oil exports were harmed by the war, it would not allow any other Gulf state to ship crude oil through the

Strait of Hormuz. Third, Iran believed the Saudis and Kuwaitis had neither the will nor the military power to stand up to any escalation in the war. As such, before attacking Saudi and Kuwaiti tankers, Iran threatened to bomb Saudi ports, oil pipelines and installations and facilities. Saudi Arabia realised that its refineries, offshore wells, and its desalination plants in the Eastern Province were all close to the war zone, and hence they would be difficult to defend in case of an air strike. Therefore, Saudi Arabia and Kuwait had until then tried to restrain Iraq from striking at the Iranian oil terminal on Kharg Island (MEI, 11 October 1985:13).

Not surprisingly, Saudi Arabian and Kuwaiti shipping became the targets of Tehran's attacks (May and July 1984 and February 1985) (Mostyn, 1991:211, 214) because of their support for Iraq. Both countries allowed Iraq to use their territories and ports for shipping goods to Iraq, which had become effectively 'land-locked'. Saudi Arabia allowed Iraq to build an oil pipeline across its territory to pump oil to the Red Sea to maintain its oil exports (Simons, 1998:258).

In May 1984, Iraqi planes hit an Iranian tanker. Iran could not successfully retaliate directly against Iraq, instead Iran attacked a Kuwaiti ship carrying fuel oil between Kuwait and Bahrain, and subsequently damaged a Kuwaiti oil tanker and a Saudi tanker in Saudi territorial waters (Hiro, 1987:342).

In response, Kuwait lodged a complaint against Iran with the UN Security Council for attacking ships bound for Saudi and Kuwaiti ports, which lie outside the war zone (Hiro, 1987:342-343). Saudi Arabia, however, feared fighting (MEI, 1 June 1984:3), so it asked Syria to determine Iranian intentions regarding Saudi Arabia. Iran made it clear that it did not intend to fight Kuwait or Saudi Arabia, and it explained that its

offensive actions against both countries were a demonstration that 'any threat to Iranian shipping would equally threaten all other shipping in the Gulf' (Hiro, 1987:342-343).

Saudi Arabia was aware that it could not ask the US to protect its sea-lanes as this would provoke Iran and would invite internal dissent (Hiro, 1987:343). Thus, Riyadh requested that the US maintain a strong presence 'over the horizon', meaning in the Arabian Sea and at their Diego Garcia base, in case of an emergency (Abir, 1994:131).

3.6 The first direct conflict between Saudi Arabia and Iran

The Saudi regime was afraid of the possibility of the war spreading into its own territory. Since Riyadh could not directly invite US forces to protect its territory, they requested the US to provide the most advantageous AWACs system, at that time perhaps the best surveillance system in the world, to prevent to a possible attack from Iranian air forces.

Despite its reassurances, Iran continued to violate Kuwaiti and Saudi territorial waters and airspace (Abir, 1994:130). On 5 June 1984, the Saudi air force shot down an Iranian F-4 Phantom, which the Saudis claimed was in their airspace (SWB, 6 June 1984). Iran, on the other hand, alleged that the plane was in international airspace when it was shot at. Eventually Iran delivered 'a strongly worded memorandum to Riyadh protesting vigorously against the Saudi attack on aircraft'. According to Saudi Prince Khaled, at that time, the Saudi regime thought Iran may initiate an attack on Saudi soil (Khaled, 1995:144). Three days after the incident, however, President Ali Khamenei declared that they did not intend to fight Saudi Arabia or other Arab Gulf states if they refrained from intervening in the war (Simons, 1998:260). Although, the

Iranian intention behind this incident was not very clear, both Saudi Arabia and Iran subsequently ignored it in order to avoid escalating the conflict and maintain a dialogue.

Although, the Iranians and Saudis did not wish to engage in a conflict, such a conflict seemed inevitable, as Iraq maintained its attacks on shipping using the Iranian terminal at Kharg and the Iranians were only able to retaliate against Kuwaiti or Saudi vessels (MEI, 15 June 1984:3; and MEI, 13 July 1984:8).

3.7 The third attempt at a ceasefire

Although the war between Iran and Iraq had reached a stalemate by 1985, Saudi Arabia's foreign policy towards the war changed because of two factors:

1. Saudi Arabia began to feel the financial burden of the war. Until 1985, Saudi Arabia had supported Iraqi military operations through loans. In 1985, Saudi's national debt had reached a peak of $20,000 million (Mostyn, 1991:217).
2. Saudi Arabia feared the extension of the war into its own territory.

Therefore, in 1985, Riyadh again increased its diplomatic efforts to reconcile with Iran and bring the war to an end. Thus, on 18 May 1985, King Fahd sent the Saudi Foreign Minister, Prince Saud al-Faisal, to Iran to propose a cease-fire during the forthcoming month of Ramadan. This was a remarkable visit as it was the first one made by a senior Saudi minister since 1979. Therefore, it was regarded as being 'a very significant breakthrough for the political climate of the Gulf region' (Menashri, 1990:367).

While this visit was considered by Riyadh as a first step towards a negotiated cease-fire

agreement, Tehran saw it 'as a first step towards isolating Iraq from its Arab allies' (Menashri, 1990:367), and also as a diplomatic victory over Saudi Arabia and other Arab Gulf states. Therefore, both countries had a different interpretation of this visit. The Iranian Foreign Minister, Ali Akbar Velayati, reciprocated the Saudi official visit on 7 December 1985. This was the first such visit to Saudi Arabia since Khomeini had come to power. However, these visits failed to build any understanding between Riyadh and Tehran due to a huge gap between the views held by the two countries (MEI, 20 December 1985:6). Given the discrepancy between the views of the countries, the Saudi initiative failed to achieve its objectives.

3.8 The Iran-Contra event

Between 1985 and 1986, Saudi Arabia continued its attempts to improve its relations with Tehran while co-ordinating its activities with Washington to free the American hostages through a limited supply of arms to Iran, which led to its involvement in the Iran-Contra fiasco. Relations between the two countries improved slightly with Saudi facilitating the flying of American weapons to Iran and selling Iran badly needed refined oil products. King Fahd was personally involved in the so-called 'weapons for hostages' saga at the request of the American administrations. Tehran showed its goodwill by replacing its pilgrimage director, who had enraged the Saudis, and intervening with the Lebanese Hizbullah to free a Saudi diplomat abducted in Beirut (Abir, 1994:131). However, the revelations of the so-called 'Iran-Contra' secret in 1986 set back the rapprochement between Saudi Arabia and Iran (a more detailed discussion of whole 'Iran-Contra' Affair appears in Chapter Seven).

3.9 The invasion of the Fao Peninsula

Another event in early 1986 affected the Saudi regime's attitude towards Iran, the Iranian invasion of the Fao peninsula in February 1986. This peninsula is situated on the Iraqi Kuwait borders and the Iranian threat became obvious as soldiers were 'positioned on Kuwait's border, a short distance from Saudi Arabia's Eastern Province and its oil fields' (see Iran-Iraq map on Fao peninsula). As far as Riyadh was concerned, the conquest of the Fao peninsula meant the Iranian threat had reached its doorsteps and the possibility of an Iranian victory over Iraq horrified the Saudi regime. This event represented a turning point in the course of the Saudi policy towards Iran.

At the beginning of the Fao offensive, Iran sent an envoy to Kuwait demanding that Iraqi troops should not be allowed to make use of the strategic Bubiyan Island to push back the advancing Iranians. Iran threatened that if Kuwait did not meet this demand, Iran would use its forces against it (MEI, 21 February 1986:4). Kuwait and Riyadh were enraged by the Iranian threat and on 16 March 1986, Riyadh announced that it would not tolerate any Iranian attack on Kuwait and moved a brigade from Saudi Arabia nearer the Kuwaiti border. This action demonstrated that the Kingdom was willing and ready 'to confront Iran' (MEI, 21 March 1986:10).

At the same time, Riyadh requested Syrian President Assad to 'use his influence with Iran to put a check on Iran's aggressive ambitions' (MEI, 21 February 1986:4). However, Assad's attempts to persuade Iran to guarantee it would not attack other Arab states failed. Iran remained firm in its demands, namely to punish Iraq the aggressor, remove Hussein's regime, and receive compensation for war damage (Mostyn, 1991:225); at the same time, Tehran wished to punish the Gulf states, mainly Saudi

Arabia and Kuwait, for supporting Iraq.

Soon after the Iran-Contra revelations and the invasion of the Fao Peninsula in 1986, Saudi Arabia changed its tactics to put an end to the war. It perceived that the only way to make Iran accept a ceasefire was to damage the Iranian military capability through weakening its financial means by draining the Iranian oil income. Thus, Saudi Arabia and Kuwait tried to keep oil output high in order to force oil prices down (MEI, 2 May 1986:9). The result of this move was a decline in Iran's annual revenue from oil, not least as, with the on-going tanker war, Iran was forced to offer huge discounts on its oil exports to attract buyers.

Moreover, before the Fao offensive, Saudi Arabia had never permitted Iraqi combat aircraft to make use of its territory, but as Riyadh was trying to force Iran to end the war, it allowed Iraqi Mirages which were returning from bombing Larak, (the Iranian island which served as Iranian oil terminal), to refuel at Dhahran airfield. However, it was reported that the Saudis were reluctant to allow the Iraqi aircraft to land and the Saudi regime claimed that they only 'granted permission when the pilots claimed that they would have to crash land' (MEI, 12 December 1986:13).

As Iran attacked 14 ships, bound to and from Kuwait, and also seized some Kuwaiti cargoes in 1986-1987, Kuwait sought protection from both superpowers and this embittered Iran further (MEI, 29 May 1987:3).

Thus, Iran retaliated by increasing its attacks on ships bound to and from Kuwait or Saudi ports. Whereas, Kuwait reported these attacks to the UN Security Council, Saudi Arabia did not. Saudi Arabia was keen on improving its relations with Iran.

This it sought through actions such as 'freezing arrangements to sell "war relief" crude oil on Iraq's account from the Neutral Zone' (MEI, 29 May 1987:4). However, the Mecca riot changed this attitude towards Iran.

3.10 The Mecca riot

As mentioned in the previous chapter, Saudi-Iranian relations reached their lowest point on 31 July 1987, when Iranian pilgrims demonstrated in Mecca shouting slogans against the US, Israel and Saudi Arabia (MEI, 8 August 1987:3). The riot was brutally crushed by the Saudi police (Amirahmadi, 1993:139). The Saudi authorities anticipated the demonstrations, which were common place during Hajj seasons, therefore, when Iranian pilgrims clashed with Saudi security police outside the Grand Mosque, in Mecca, reporters and cameramen were ready to report the incident and take pictures during the riot. Films of the riot were shown on Saudi television network and also throughout the Muslim world, which led to the 'condemnation of the Iranian pilgrims' behaviour' (Hiro, 1991:157).

By the end of the riot, casualties amounted to approximately 400 dead, of whom 275 were Iranians and 85 Saudis, and 650 people injured. However, Iranian official reports later maintained that 600 Iranians had been killed and 4500 injured. This incident widened the gulf between Riyadh and Tehran, especially since 'it had a Sunni-Shi'ite character' (MEI, 29 May 1987:4).

As a result, Iran banned all foreign ships from its waters, on 4 August 1987, during two days of naval manoeuvres, which it code-named 'Operation Martyrdom' (MEI, 12

September 1987:6). It also prevented all tankers from calling through the Strait of Hormuz, thus escalating the tension.

Furthermore, Khomeini intensified his acrimonious campaign against the Saudi regime. To him, Saudi Arabia was the main enemy of Iran serving US interests in the region. He also 'questioned the legitimacy of the House of Saud and predicted its downfall within a year or so' (SWB, 4 August 1987).

King Fahd responded to the challenge to his regime's legitimacy by adding the title of 'the custodian of the two Holy places' - Mecca and Medina to his status. Moreover, on 25 August 1987, Prince Naif declared Saudi's wish to 'remove the authorities in Iran', and Saudi Arabia gave Iraq an immediate grant of $ 2 billion (Mostyn, 1991:232).

The following month, on 8 September 1987, the Saudi official radio station began broadcasting to Iran. It called on Iranians to overthrow the 'renegade' government in Tehran, accused Khomeini of 'fostering terrorism, and suggesting that priests should keep out of politics' (MEI, 12 September 1987:5). As Jansen observes, for the Saudis, who had always been inclined to make compromises with Iran, 'the use of force had now become an option' (MEI, 12 September 1987:6).

On 3 October 1987, Saudi aircraft chased Iranian speedboats away from the neutral zone between Saudi Arabia and Kuwait. Saudi Arabia even asked the US, Britain and France to offer protection to its tankers, as they did with Kuwaiti tankers, and sought to mount an arms embargo against Iran with the US and UN Security Council. However, these efforts were unsuccessful (Abir, 1995:139) because the Soviets were displeased

with the Saudi's support for the *Pax Americana* in the Gulf. Therefore, the USSR blocked the UN Security Council, concerning the act of arms embargo against Iran.

Seeing that the war was escalating, and Iran was building up its arms, Saudi Arabia sought, through discussions with French and some other West European arms manufacturers, for ways to strengthen its forces to stand up against Iranian aggression (MEI, 19 December 1987:10).

At the same time, Saudi Arabia did not give up on quiet diplomacy with Iran. On 27-30 December 1987, during the GCC summit in Riyadh, King Fahd described 'both Iran and Iraq as *shuquq (sic)*(sisterly) countries', he did not refer to the riots in Mecca, or to Iranian Silkworm missile attacks on Kuwaiti or other Gulf shipping. Nevertheless, in an interview given on the following day, he mentioned Iran's 'hostile activities and unreasonable behaviour' (MEI, 9 January 1988:13).

The Mecca riot helped the Saudi regime to gain support, both internally and from the Arab world, for its policies (Abir, 1994:145). The riot, in fact, weakened the position of Tehran, and enabled Saudi Arabia to take a 'firm and decisive line in opposition to Iran' and co-operate more directly militarily with the US (Simons, 1998:260-261).

3.11 The 1988 ceasefire

The war took a new turn after the Mecca riot, which led to Iran's isolation, and the US naval presence in the Persian Gulf which further weakened its position. Moreover, Iran suffered a humiliating defeat when Iraq recaptured the strategic Fao peninsula, on 18-20 April 1988, and Iran's naval vessels and oil platforms were attacked by the US

navy in retaliation to the Iranian 'Tanker War'. Finally, Saudi Arabia announced it was to break off diplomatic relations with Iran, on 26 April 1988. Saudi Arabia offered four reasons for its decision:

1. Iran had attacked Saudi-bound tankers.
2. Iran refused to end the war with Iraq unconditionally.
3. Iran's behaviour at the annual pilgrimage to Mecca caused a riot.
4. Iran had pillaged the Saudi Embassy in Tehran (MEI, 14 May, 1988:13).

Another blow to the Iranian regime came in July 1988 when the Saudis announced at the OIC meeting that the new quota system for the *Hajj* allowing only one thousand per million Muslims from each Muslim country (MEI, 24 June 1988:12). Tehran saw this as a deliberate policy against Iran. Tehran tried to persuade Riyadh to reconsider its decision unsuccessfully. At the end of the OIC meeting, the Iranian delegation walked out, and Tehran decided not to send any pilgrims to Mecca in 1988.

Repeated Iraqi victories in May, June and July, after Iran's military and logistical infrastructure had collapsed, resulted in Iran unconditionally accepting UN Security Council resolution 598 calling for an immediate cease-fire, and the cease-fire started on 20 August 1988 (Abir, 1994:141). Rafsanjani declared:

> 'The Islamic Republic of Iran, because of the importance it attaches to the lives of human beings and the establishment of justice and regional and international peace and security, accepts Security Council Resolution 598' (MEI, 22 July 1988:3).

Several reasons determined Iran's acceptance of a cease-fire:

1. From April 1988, Iraq had been using chemical weapons against Iranian soldiers.

   But on the Iranian side, Khomeini still refused to allow Iranians to use chemical

weapons against Iraq in the name of *Jihad* (holy struggle). Iranian Soldiers could not wear the protection mask in near 50-degree temperature to fight Iraqi soldiers, so gradually they lost their advantages and Iraq recaptured its territory and attacked Iran again. This action deeply affected the Iranian psyche.

2. Iran was also gradually becoming more isolated in the international arena. In 1988, Iran lost its only Middle East ally, Syria, which from 1986 had begun to support Saudi Arabia in return for Saudi financial incentives; France had broken off its diplomatic relations with Iran because of the assassination of an Iranian opposition politician in Paris and the bombings of the Air France office in Tehran. Iran's relationship with the USSR had also deteriorated in the face of Soviet arms supplies to Iraq. Moreover, Iran had become increasingly isolated from the Muslim world as a result of the Mecca accident.
3. The US warship 'Vincennes' mistakenly shot down an Iranian civilian airline over the Persian Gulf, killing all 290 people on board, on 3 July 1988. This accident devastated the Iranian psyche, as Iranians thought that even the US was at war with them.
4. This view was not surprising given the naval exchanges between Iran and the US navies which had increased since the 'Tanker War'. Although Iran refrained from attacking the United States naval force directly in Gulf waters, it did use various forms of harassment, including mines, hit-and-run attacks by small patrol boats, and periodic stop-and-search operations. However, when Iranian forces hit the Kuwaiti re-flagged tanker 'Sea Isle City' in October 1987, Washington retaliated by destroying an Iranian oil platform in the Rostam field and by using the United States Navy's Sea, Air, and Land (SEAL) commandos to blow up a second one nearby, demonstrating that the Iranian naval forces could not compete with the American forces (www.fas.org).

5. A decade of revolution and eight years of war had left Iran in a weak and exhausted position. The economy was weakened as eight years of war with Iraq, other Gulf Arab states and the superpowers had depleted much of its military and financial resources. The revolutionary fervour was fading, and a 'struggle for leadership was under way between conservatives led by Khamenei and pragmatist Rafsanjani' (Quandt, 1991:13). This domestic struggle was translated into foreign policy – a struggle eventually won by the pragmatic faction. (Since regime survival could be said to have been at stake at this point, a neo-realist interpretation can include consideration of what was essentially a domestic political struggle).

By the time of the cease-fire in August 1988, the cost of the war for Iran, in terms of its image, isolation, economic and social costs, had become significant. Iran needed to re-integrate quickly into the Western economic system in order to recover and rebuild its economy (Amirahmadi, 1993:106). Therefore, as soon as the war ended, Iran - under pragmatist Rafsanjani - tried to mend its damaged relations with the Gulf Arab states. Saudi Arabia welcomed this move and, in turn, the Saudi media stopped its attacks on Iran in October 1988 and hence, relations between the two countries slowly improved.

Evidently, Saudi Arabia played a vital role in the Iran-Iraq War. In fact, it has been argued that Iraq could not have sustained the war without Saudi financial and political support (Simons, 1998:258). By all means, Saudi Arabia was the behind-the-scenes force trying to bring Iran to its knees.

Prior to the Iran-Iraq War, Iran was one of the dominant powers in the Persian Gulf region but, after eight years of war with Iraq, Iran emerged in a weaker position. In

contrast, Saudi Arabia had developed into becoming a stable and confident regional power.

4.0 After the ceasefire

After the ceasefire, Iran went through a major transformation in its foreign policy orientation due to several domestic and international reasons. Domestic reasons can be summarised as follows:

1. The death of Khomeini contributed to the gain of power by the pragmatists.
2. After eight years of war with Iraq, Iran faced economic hardship. The Islamic regime realised that in order to survive, it must perform well economically so that it could cope with post-war reconstruction (Amirahmadi, 1993:106).
3. After the cease-fire, the Iranian population began to question the Islamic regime about its policy towards the Iran-Iraq War. They questioned that, since Iran had accepted the cease-fire, then why had it not done so back in 1982, when Iran was winning the war?

External reasons can be summarised as following:

1. During the war, Iran became quite isolated from the world, and it realised that after the cease-fire it needed to reintegrate into the international system, and in particular, the capitalist world market.
2. Traditionally, Iran used the USSR to counter-balance US influence in the Gulf region, but gradually the USSR lost its influence in the region, and the regime realised that it must look elsewhere for support.

Hence, after the cease-fire with Iraq in August 1988 and the death of Ayatollah

Khomeini in 1989, the Islamic republic began to modify its foreign policy from the earlier confrontational approach towards a more moderate and co-operative one with the other states in the region (Amirahmadi, 1993:139). In redefining its policy, Iran was mainly concerned with:

1. Preserving Persian Gulf security.
2. Regaining Iran's dominant role in the Gulf.
3. Securing the foreign investments needed for post-war reconstruction, and the urgency for reintegration into the capitalist world market.
4. Iranian awareness that the status of USSR was declining in the Middle East, along with its potential to sustain the economic relationship which had developed since the mid-1980s. Tehran understood that it needed to find alternative sources of support in order to rebuild the country.
5. Reducing Iranian-Saudi tensions.
6. Correcting Iran's fractured image in the West (Amirahmadi, 1993:95-139).

Rafsanjani's statement, on 2 July 1988, reflected clearly the change in Iranian foreign policy:

> 'One of the wrong things we did in the revolutionary atmosphere was to constantly make enemies. We pushed those who could be neutral into hostility and did not do anything to attract those who could become friends. It is part of the new plan that in foreign policy we should behave in a way not to needlessly leave ground to the enemy' (Daneshkhu, 1994:295).

Furthermore, Iran redefined the export of revolution to mean building Iran into a model Islamic country for others to emulate.

Thus, by summer 1990, Tehran was communicating with Cairo, Rabat, Riyadh, and even Baghdad. And by time of the Iraqi invasion of Kuwait, it had managed to

re-establish relations with several Gulf states, including Kuwait and Jordan (EMI, 8 March 1991:23).

The Iran-Iraq War decreased the ability of Iran to shape the regional arena, and the balance of power in Iranian-Saudi relations shifted in favour of Saudi Arabia. The war forced Iran to rethink its policy towards its Gulf neighbours. During the eight-year war economic considerations – other than oil - had been suppressed in favour of strategic considerations and a growing competition in Islamic "propoganda". Soon after the ceasefire economic considerations re-emerged as a priority as the Iranian regime was forced to consider its own survival by satisfying the economic needs of Iranians. This forced Tehran to transform its foreign policy orientation, supporting the neo-realist assumption that regime survival is of utmost importance in determining state foreign policy. Saudi Arabian policy through out the war had been determined by the perception of threat from Islamic Revolutionary Iran and the desire to see Iraq playing a role in balancing Iranian influence in the Gulf, utilising oil and the religious factor as strategic tools for these purposes.

5.0 The Iraqi invasion of Kuwait

Iraq's invasion of Kuwait on 2 August 1990 came as a surprise to the whole world, especially since Saddam Hussein's delegates had just begun negotiations with the Kuwaitis in Jeddah on the previous day (Abir, 1994:173).

The most remarkable and 'enduring' consequence of this invasion was the redefinition of the Middle East. Furthermore, Gulf regimes were forced to recognise that procuring the most advanced military technology does not secure their countries from invasion nor

does it make them technologically advanced (Lewis, 1993:102-103).

Saddam Hussein's seizure of Kuwait constituted 'an immediate threat' to Saudi Arabia. At the regional level, Saddam's bid for hegemonic leadership posed a direct challenge to other regional players in the Middle East, namely, Egypt, Syria, Israel, Turkey and Iran. It also threatened oil and the strategic interests of the US in the region (Khaled, 1995:168).

Several reasons could explain Iraq's motivations to invade Kuwait:

1. Historical and the territorial claims;
2. Domestic social factors;
3. Economic incentives; and
4. Geo-strategic factors.

Iraq's intention and strategic aims had a direct influence on Iranian-Saudi relations.

5.1 Historical and territorial claims

The borders of present day Iraq and Kuwait were designated by colonial powers, mainly Britain and France. Sheikh Mubarak of Kuwait 'was brought into treaty relations' with Britain, under the direction of Lord Curzon, on 23 January 1899. Despite Mubarak's repeated request for British protection, Kuwait remained a part of Iraq under the sovereignty of the Turkish sultan (Simons, 1998:263).

In 1899 Germany was granted a concession to build a railway from Constantinople to Baghdad. As Kuwait possesses the finest natural harbour in the upper Gulf, Germany

thought about extending the railway to Kuwait, which would then serve as a terminal for the project. This alarmed the British authorities (Simons, 1998:263). According to the San Remo conference in 1920, most of the territories of the Middle East, which formed part of the Ottoman Empire prior to World War I, were divided between Britain and France, 'which received mandates from the League of Nations to establish and supervise national governments in the territories'. In 1921, Britain established the Kingdom of Iraq comprising the three former provinces of Mosul, Baghdad, and Basra (Bahbah, 1992:50); and Kuwait was under the Basra governor's control.

In 1922, Sir Percy Cox attempted to hinder the extension of German influence into Kuwait by calling for the Ujair Conference with the aim of reaching a final boundary settlement for Kuwait, Iraq and Saudi Arabia (Simons, 1998:263-264). The resulting settlement delineated the modern borders of Iraq, Kuwait and Saudi Arabia, and confirmed the separation of Kuwait from Iraq. This settlement served Britains' purpose by detaching Kuwait from the Ottoman *vilayet* of Basra (Simons, 1998:264). According to the settlement Kuwait received a coastline of 310 miles, while Iraq had 36 miles only (Bahbah, 1992:50).

Thus, since independence in 1932, Iraq has claimed that Kuwait constituted, historically, part of its territory. Accordingly, Iraq attempted to invade Kuwait twice since its independence in 1961. According to Bahbah, after Kuwait had gained its independence in 1961, Baghdad threatened to annex it by force. The Kuwaiti Emir requested help from Britain which sent its troops to Kuwait to stop an Iraqi invasion (Bahbah, 1992:51). Thus, on 4 October 1963, Iraq recognised Kuwait's sovereignty (Mostyn, 1991:87) in return for an interest-free loan of $80 million, provided by Kuwait, to be paid over 25 years (Bishku, 1991:86).

Nonetheless, Baghdad did not cease to question the issue of its borders with Kuwait; and in 1973, Iraqi troops 'briefly occupied a Kuwaiti border post' (Bahbah, 1992:51) within one mile of the Kuwaiti territory. This area was occupied until the out break of the Iran-Iraq War in 1980. Furthermore, the two governments could not reach a settlement regarding the disputed ownership of the Rumaila oil field, which lies beneath the Iraq-Kuwait border. Iraq estimated that the oil field in question contained 30 billion barrels of oil located on the Iraqi side, and thus Baghdad claimed that it was entitled to the $10 billion worth of oil pumped from the oil field during the Iran-Iraq war (Bahbah, 1992:51-52).

5.2 Domestic social factors

The end of the Iran-Iraq War marked the beginning of Saddam Hussein's difficult task to rebuild his country. According to Dannreuther, as Saddam Hussein promised to achieve a great victory, his population expected 'a renewed prosperity after eight years of suffering, fighting and struggle' (Dannreuther, 1992:11).

Saddam Hussein enjoyed the support of his population for his policies during the Iran-Iraq War by 'spending generously on goods and services'. After the end of the war with Iran, the Iraqis expected a better standard of living. Saddam Hussein realised that meeting the demands of his people was critical for his regime's survival. Thus, the regime strove to have Iraq's debt forgiven and to increase its oil revenues (Bahbah, 1992:52). In particular, the Iraqi government found it difficult to demobilise its troops after the war with Iran and create jobs for nearly one million disarmed personnel to enable them to support their families (Mazarr, 1993:25, and Dannreuther, 1992:11).

Saddam Hussein initiated reconstruction projects and privatisation reforms, and promised a degree of political liberalisation (Dannreuther, 1992:11). These ambitious programmes, however, required considerable funds that Iraq did not have, as its debt was estimated at between $65-80 billion (Dannreuther, 1992:11).

Iraq had an oil-based economy and agriculture had made the country self-sufficient, but after the war, and in the absence of investors, Iraq was totally dependent on revenues from oil, which represented 97% of her exports (see table 5.7). The declining price of crude oil, due to the worldwide economic recession, made it more difficult for Iraq to pay its considerable debts and to purchase essential imports. For example, in 1989, Iraq's oil revenues were estimated at about $15 billion, whereas its needs amounted to $20 billion (Alaolmolki, 1991:163). Consequently, Baghdad suffered from a 50% inflation rate, a shortage of food, and a high unemployment rate (Alaolmolki, 1991:163). Saddam Hussein believed that by invading Kuwait, which possessed a huge oil resource and no defence ability, would be the easiest way to solve the Iraqi domestic problem.

Table 5.7 Values of Petroleum Exports of Iran, Iraq, Saudi Arabia and Total OPEC, 1961-1997 (Millions of US Dollars)

	1961	**1962**	**1963**	**1964**	**1965**	**1966**	**1967**
I.R. Iran	722	706	799	1,109	1,138	1,149	1,748
Iraq	499	500	579	634	660	698	610
Saudi Arabia	876	951	1,022	1,089	1,267	1,493	1,596
Total OPEC	5,642	5,961	6,936	7,934	8,697	9,411	10,380

	1968	**1969**	**1970**	**1971**	**1972**	**1973**	**1974**
I.R. Iran	1,688	1,857	2,358	3,494	3,637	5,614	20,906
Iraq	755	761	784	1,062	953	1,836	6,505
Saudi Arabia	1,776	1,869	2,349	3,472	4,545	7,657	31,163
Total OPEC	11,603	12,806	14,846	19,511	22,101	34,641	113,494

	1975	1976	1977	1978	1979	1980	1981
I.R. Iran	19,634	22,917	23,599	21,684	19,186	11,693	11,491
Iraq	8,177	9,114	9,560	10,913	21,382	26,096	10,039
Saudi Arabia	27,885	36,314	43,308	40,332	62,855	108,175	118,998
Total OPEC	104,879	126,501	141,623	134,823	200,086	282,625	261,073

	1982	1983	1984	1985	1986	1987	1988
I.R. Iran	20,168	21,150	16,726	13,710	6,255	10,755	9,673
Iraq	9,933	7,816	8,863	10,097	6,905	9,416	9,312
Saudi Arabia	78,119	44,830	36,285	25,937	18,061	20,427	20,205
Total OPEC	205,304	159,225	148,876	129,567	76,995	92,933	86,629

	1989	1990	1991	1992	1993	1994	1995
I.R. Iran	12,031	17,906	15,767	16,802	14,251	14,801	14,944
Iraq	11,876	9,594	351	482	425	421	461
Saudi Arabia	24,095	40130	43,701	44,754	38,621	38,139	42,502
Total OPEC	107,525	147,058	127,360	132,063	120,107	120,172	132,164

	1996	1997					
I.R. Iran	17,960	17,662					
Iraq	680	17,662					
Saudi Arabia	50,046	48,218					
Total OPEC	161,560	161,593					

Sources: OPEC Annual Statistical Yearbook, 1980, pp. XVIII, XIX, and OPEC Annual Statistical Yearbook, 1997, p. 6.

5.3 Economic incentives

Although before the war Iraq was one of the richest countries in the Middle East, with hard currency reserves between $25 billion and $38 billion (Alaolmolki, 1991:163), at the end of the war, it was the nation most in debt in the Arab world, with a debt amounting to nearly $65-80 billion, of which at least $25 billion were owed to Western governments and firms (Dannreuther, 1992:11). After the Iraqi invasion of Kuwait,

King Fahd declared that Saudi assistance to Iraq throughout the war had reached $25.7 billion (Munro, 1996:198). In total Iraq owed Kuwait and Saudi Arabia $35-7 billion. However, soon after the Iran-Iraq War, Kuwait began to request Baghdad to repay its debts, and ask Saddam Hussein to repay $2 billion of its debts by the end of 31 July 1990. Moreover the Kuwait regime made its demand (for $12 billion to Kuwait alone) towards Iraq publicly through the media which greatly humiliated Saddam Hussein (Simons, 1998:265).

After the war, Iraq needed to rebuild its infrastructure, but could not afford this investment given its diminishing oil revenues. This decline in oil revenues was partly the result of overproduction of oil and other manifestations of lack of discipline among the producers of oil within the OPEC cartel (for more details on this issue refer to chapter three).

Saddam Hussein claimed that Iraq had fought Iran on behalf of all Arabs to protect them from the Iranian Islamic revolution (Bahbah, 1992:52). In other words, 'Iraq had assumed the burden of defending the Gulf states from Iranian expansion, to the advantage of Kuwait and Saudi Arabia as much as to Iraq's benefit' (Simons, 1998:265). Thus, Saddam Hussein thought Kuwait's attitude was ungrateful as, at the time when Saddam Hussein was in a difficult situation, Kuwait had changed its attitude towards Iraq. Once the war was over, with the immediate danger from Iran dwindling, Kuwait 'distanced itself from Iraq and reverted to its traditional policy of having balanced relations with both Iran and Iraq' (Dannreuther, 1992:17). The Kuwaiti government quickly re-established diplomatic relations with Iran and, unlike Riyadh who gave this issue a very low profile, made a public announcement of Baghdad's debt. It requested Iraq to repay part of its debt, making it clear that it would not write them

off, nor would it offer Iraq the same kind of financial support it had done during the Iran-Iraq War (Dannreuther, 1992:17).

Thus, an Iraqi invasion of Kuwait seemed so tempting since Iraq could not pay back its debts and Kuwait had a limited military force to defend itself. Moreover, Kuwait's economy was flourishing with public sector reserves reaching $95 billion (MEI, 14 September 1990:19). By annexing Kuwait, as its 19th province, Iraq would double its oil reserves to roughly 200 billion barrels, and it would be second only to Saudi Arabia with reserves estimated at 258 billion barrels (MEI, 14 September 1990:19). Additionally, as Iraq would command the whole oil production, from refinement to sale of oil, it would become not only a regional power but also a global one. It would be able to 'dictate the terms of oil contracts in no uncertain terms to Iran, other regional producers and OPEC members' (MEI, 14 September 1990:20).

5.4 Geostrategic factor

The annexation of Kuwait would allow Iraq to expand its coastline, Iraq could gain access to the Persian Gulf easily, and it would extend its sphere of influence in the Gulf region. The fact that one of the main reasons for the Iran-Iraq War was the issue of who controls the *Shatt al-Arab* waterway, which provides Iraq with the only access to the Gulf, should not be overlooked. Also, it should be recalled that the 1920 San Remo conference left Iraq with only a 36 miles coastline, of which the Fao Peninsula is too close to Iran. In addition, the river is not navigable for oil tankers.

In its quest for a deep sea port in the Gulf, Iraq asked Kuwait three times to allow it to exercise control over the two strategic islands of Warbah and Bubiyan. These islands

overlook the approaches to Umm Qasr (a dry port), one of Iraq's two ports on the Gulf. The first request was made in 1975, when it proposed to lease half of Bubiyan island for 99 years. The second request came shortly after the outbreak of the Iran-Iraq War in 1980. Finally, Iraq made its third request in 1989, after the end of the Iran-Iraq War. Kuwait refused all three requests (Bahbah, 1992:51). Iraq viewed Kuwait's refusal as an unfriendly move.

All these factors contributed to Saddam Hussein's decision to invade Kuwait and at the end of unsuccessful negotiations on 1 August 1990, Saddam Hussein moved his forces into Kuwaiti territory the next day.

Thus, when Iraq occupied Kuwait it was willing to meet Iran's peace terms, in other words to set the border between Iran-Iraq in the middle of the *Shatt al-Arab* back to the 1975 Algiers Agreement. This is partly because the occupation of Kuwait enabled Iraq to control more than 360 miles of coastline and the finest harbour in the upper Gulf; thus, it enjoyed easy access to the Gulf. Another reason for concluding peace with Iran was that Iraq did not wish to have enemies on both sides, especially since Iraq still had a 500,000 army posted on the Iran-Iraq border.

Of course, there were omens that appeared from the very beginning of 1990 but people still failed to notice Saddam Hussein's intention, and none of the world leaders could believe that Saddam Hussein would mount another war in such a short period of time after the devastating eight-year war with Iran. However, Iraq's annexation of Kuwait shattered whatever remaining illusions there might have been about common Arab interests. Most of the Arab regimes disapproved of the invasion, but only a slight majority of the Arab League was prepared to condemn it outright and support the idea

of sending troops to defend Saudi Arabia. Others were more concerned with the American and European military build-up (Quandt, 1991:64), as an 'infidel' force in the Islamic Holy land.

In order to solve Iraq's economic problems, Saddam Hussein had asked King Hussein of Jordan and President Hosni Mubarak of Egypt, at the Arab Co-operation Council (ACC) meeting in Amman in February 1990, to put pressure on the Gulf states to suspend all wartime debts to Iraq, and, moreover, to make an immediate additional grant of $30 billion. He argued that Iraq had fought for eight years against Iranian Islamic fundamentalism on behalf of the Arab Gulf states, so they owed him reimbursements. He threatened the Gulf states that if they did not meet his financial demands, he would 'know how to get it' (Pimlott, 1992:36), thus, hinting that he would use force against them.

Subsequently, as Iraq's economic problems increased, due to the decline in oil prices caused by over-production, Saddam Hussein pointed out, at an Arab Summit on 27 May 1990 in Baghdad, 'for every single dollar drop in the price of a barrel of oil, our loss mounts to $1 billion a year' (Pimlott, 1992:37). He, therefore, demanded 'an end to quota violations, a permitted increase to Iraqi production and a price rise to at least $25 a barrel' (Pimlott, 1992:37). During this summit, in a private meeting with the heads of the Gulf states, Saddam Hussein again demanded an extra $30 billion from Saudi Arabia and Kuwait (Dannreuther, 1992:15). He declared that "in Iraq's present economic state of affairs, this overproduction amounted to 'an act of war'" (Bahbah, 1992:52). But still at this stage Saddam Hussein did not mention countries by name, perhaps still trying to hide his military intentions towards Kuwait.

However, the world economy was moving into recession, and the declining oil prices compounded Iraq's economic problems, as the oil price dropped from $18 in May to $14 in July 1990. Iraq held Kuwait and the UAE responsible for this drop because they substantially exceeded their quotas (Dannreuther, 1992:15). On the very day after the Iran-Iraq War ended in August 1988, Kuwait began to violate its OPEC production quotas in order to make up for the lost revenues from the Iran-Iraq War (Mazarr, 1993:25). For the UAE, on the other hand, the reason was political rivalry between Abu Dhabi and Dubai, where neither Emirate was willing to reduce its oil production (Interview with Bin Huweidin, M., 5 March 2000).

Since Saddam Hussein had been denied more financial aid ($30 billion) from the Gulf states during the Arab summit in May 1990, he stopped requesting aid from the Gulf states and started demanding it. This indicates that Saddam Hussein had already made up his mind towards Kuwait. The first public threat from Iraq towards Kuwait came on 17 July 1990, when Saddam Hussein, on Iraqi radio, described low oil prices as a 'poisoned dagger' pointed at Iraq. He accused Kuwait and the UAE of robbing Iraq of its 'economic lifeblood', and he claimed that they would have to pay for it. Furthermore, Saddam Hussein threatened clearly to take some retaliatory action as he asserted that 'if words fail to protect us, we will have no choice other than go into action to re-establish the correct state of affairs and restore our rights' (Mazarr, 1993:35).

On the same day, Baghdad sent a memorandum to the Arab League (Dannreuther, 1992:15), accusing Kuwait of 'theft tantamount to military aggressive and deliberate border violations'. In addition, Baghdad called on Kuwait and Saudi Arabia to cancel Iraq's war debts, and to 'organise an Arab Marshall Plan to compensate Iraq for what it had lost in the war' with Iran (Mostyn, 1991:261).

Saddam Hussein specifically accused Kuwait of 'stealing Iraqi oil by slant drilling beneath the border in the Rumaila oilfield, and demanded compensation of $2.4 billion' (Pimlott, 1992:37). In response, Kuwait denied the accusation and refused to write off the Iraqi debt; moreover, it maintained its oil production levels. Obviously, Kuwait did not take the threat seriously, as it did not place any troops at the Iraqi border and even took its sentries off alert status in late July 1990 (Mazarr, 1993:31).

On 31 July 1990, negotiations between Iraq and Kuwait were held in Jeddah. Iraq demanded $10 billion in cash, either as aid or as a loan, and Kuwait made an offer of $9 billion; Iraq, nonetheless, refused the offer. Later, the Saudis offered to pay the difference. The Kuwaiti Crown Prince, however, insisted on resolving the border dispute between Iraq and Kuwait before discussing the issue of aid or a loan. Iraq, in turn, refused the Kuwaiti demand and warned Kuwait against 'what might happen to Kuwait if the various issues were not settled to Iraq's satisfaction'. Thus, the meeting ended on 1 August 1990 after failing to achieve anything (Mazarr, 1993:44).

The Iraqi invasion of Kuwait came as a surprise to the whole world which highlighted Arab and US' grave miscalculations of Saddam Hussein's intention towards the Gulf region in general, and Kuwait in particular. Prior to the invasion, Saddam Hussein met with the American Ambassador in Baghdad and, hinting that the dispute between Iraq and Kuwait over the oil and border issues might result in military confrontation, the American Ambassador perhaps misread Saddam Hussein's line as she informed him that the US did not wish to get involved in any Arab neighbours' dispute. For the Arab states, they did not believe that any military invasion would occur because just merely two years ago Kuwait was still the lifeline of Iraqi war efforts, having supplied huge

financial means. Since the ceasefire, Iraq had constantly accused Kuwait of stealing its oil from the oil well located within their borderline, and also of Kuwaiti over-production of oil which had caused the oil price to drop. Therefore, several negotiations occurred between Iraq and Kuwait, and at the end of these unsuccessful negotiations on 1 August 1990, Saddam Hussein moved his forces into Kuwaiti territory on the very next day.

Saddam Hussein had miscalculated the reaction from the world in general, and Arab states in particular. He believed that the Arab states would not react strongly towards the invasion, since Kuwait did not gain the support from the majority of OPEC states for its quota violations, and at the same time the Iraqi military power still ranked as being among the top of the Gulf states, even after the devastating eight-year war with Iran. Therefore, Saddam Hussein believed that although most countries would raise their disapproval for his action, soon after that, any opposition to the invasion would die out.

6.0 The reaction of Saudi Arabia

Until the Iraqi invasion of Kuwait Saudi Arabia had adopted a foreign policy of 'conciliation' rather than 'confrontation' (Munro, 1996:ix). As Munro noted: 'Prior to the Iraqi invasion of Kuwait, Saudi Arabia had over the years made an art of financial diplomacy, whereby Riyadh had sought to avoid confrontation by buying off through judicious subvention those who might disturb its prosperous existence' (Munro, 1996:xix). Saudi Arabia perceived Iran to be the real threat to its prosperity, thus, the Iraqi invasion of Kuwait came as a shock. The Saudi regime was enraged and felt betrayed by the Iraqi aggression against its Arab neighbour (Munro, 1996:xx).

The Saudis 'were noticeably silent' when Iraq threatened Kuwait because of its over-production of oil. Gause attributes this silence to the fact that Saudi Arabia wanted Kuwait to abide by its OPEC production quota (Gause, 1993:208). Saudi Arabia had pressured Kuwait before the invasion to maintain its oil production quota, in accordance with Saddam Hussein's demands. Kuwait complied with this demand, and at the OPEC meeting of 25-27 July 1990, it agreed to cut its production to the quota level.

The Iraqi invasion caused a great deal of financial uncertainty world-wide, in particular in the oil markets. The fate of Saudi Arabia became uncertain as the Iraqi army was just over the Kuwaiti and Saudi's borders. The Saudis were so shocked by the invasion that for the first three days, the Saudi media did not report it. The Iraqi troops were concentrated on the border, and Saudi oil-fields in the Eastern Province were vulnerable to Iraqi invasion, especially since Saudi land forces lacked the necessary military equipment to defend Saudi territory (Munro, 1996:57).

Although Saddam Hussein promised King Fahd he would not invade Saudi Arabia, the latter did not trust him. Many military analysts pointed out that Iraq could easily capture the eastern oilfields in Saudi Arabia and the Arabian peninsula, and all its oil reserves, with no obstruction which would have led to Iraqi dominance of the region (Dannreuther, 1992:23).

On 2 August 1990, the US offered Saudi Arabia aid if Iraqi troops did not stop at the border, C-141 transport aircraft were ordered to European airbases in case an airlift of forces to the Gulf was needed. On 4 August 1990, the CIA received spy-satellite

photographs that showed Iraqi troops already in the Neutral Zone between Kuwait and Saudi Arabia. President Bush contacted King Fahd to inform him that the Kingdom was endangered by an Iraqi attack. He, therefore, sent Secretary of Defence Richard Cheney to Riyadh to discuss protection plans, and on 6 August 1990, Cheney met King Fahd in Jeddah and persuaded him to accept US forces' protection (Pimlott, 1992:43).

Riyadh accepted the US offer of protection after the US had promised to abide by the following three conditions:

1. The US would indicate, in writing, that it would leave Saudi Arabia once the Iraqi threat was over, and if the Saudi government asks America to leave (MEI, 14 September, 1990:10);
2. The US would not launch an offensive attack against Iraq from Saudi territory (MEI, 14 September 1990:10);
3. Washington should keep quiet about the agreement until US forces began to arrive on Saudi territory (Simons, 1998:268-269) to buy time for Riyadh to persuade its domestic opposition.

Prior to Bush's suggestion to dispatch US troops to Saudi Arabia, King Fahd explained to his people that they needed to call on Arab and friendly forces to help them defend their territory, preserve their vital interests and enhance their forces. He stressed that the presence of these forces in Saudi Arabia would be temporary and that they would depart 'immediately when requested to do so' (Khaled, 1995:180). But he repeated that the moves to invite foreign forces into Saudi Arabia were primarily defensive not directed against anyone. Evidently, King Fahd tried to avoid irritating Saddam Hussein.

King Fahd finally accepted President Bush's plan, and on 6 August 1990, Saudi troops moved into the frontier area. Saudi television began to show defensive positions in the desert. Hence, 'Riyadh began to put itself on to a war footing, a situation without precedent in its nearly 60 years of existence' (Munro, 1996:57).

On 9 August 1990, at the Arab Summit convened in Cairo, the Iraqi delegation described the annexation of Kuwait as 'returning the branch to the root' and assured Saudi Arabia that this act did not pose any threat to Saudi Arabia. But Khaled argued that by seizing Kuwait, Saddam had already undermined Saudi security, even if he did not invade Saudi Arabia (Khaled, 1995:183). On the same day, King Fahd in turn described the Iraqi invasion of Kuwait as 'the most horrible aggression the Arab nation has known in its modern history' (Khaled, 1995:180).

Furthermore, according to the Saudi Prince Khaled Bin Sultan, Riyadh was concerned that Iran would side with Iraq. In particular, Riyadh was concerned that Tehran would build up a substantial military power, as this would pose a huge potential threat to Saudi security (Khaled, 1995:183). Only after Tehran had showed its neutral stance on the conflict, Riyadh began its rapprochement with Iran, as it realised that Riyadh needed Iran to counterbalance the threat from Iraq.

6.1 The impact of the Kuwait crisis on Saudi Arabia

For Saudi Arabia, the end of the Iraqi occupation of Kuwait diminished the threat posed by Saddam Hussein. In addition, Saudi Arabia preserved its territorial integrity. Despite emerging as a regional power after the liberation of Kuwait, Riyadh had still remained vulnerable, not only domestically but also to other strong powers in the

region, i.e. Iran and Iraq in particular. This was more so, as Egypt and Syria had failed to form an Arab peacekeeping force in the area (Amirahmadi, 1993:151). Furthermore, the Kingdom and the regime had to bear the heavy cost of the war and were therefore weakened economically. According to Munro, from August 1990 to early 1991, oil prices increased, and the volume of the Saudi oil output increased by 50 per cent to stablise the oil market and, at the same time, finance war with Iraq. These increases led to a rise in the value of the Kingdom's export revenues from $24 billion in 1989 to $40 billion in 1991 (Munro, 1996:201).

This trend of the increasing oil revenue was, however, reversed in 1992, and Riyadh began to experience a serious liquidity problem. Saudi currency reserves were exhausted and the Kingdom was submerged in debt (Dune, 1995:33). Saudi economic problems had started in 1983, when it began running up budget deficits. The problem was only compounded by the war, and in the fiscal year 1991 the Saudi Ministry of Finance did not even publish the annual budget report. By 1994, Saudi Arabia was experiencing a major payments crisis (Dune, 1995:31).

These deficits were caused by the $50 billion expenditures the Saudis incurred during the Second Gulf War. Saudi Arabia devoted a significant proportion of its budget to military expenditures on the coalition troops in the Kingdom to preserve its territorial integrity, and hence its own survival. To be able to meet the needs of the war, the Saudis followed strict rationalisation policies. For example, payment arrangements were extended to major military purchases. New purchases were, however, reduced. Furthermore, Riyadh started to consider privatising some state enterprises, such as the state airline, Saudia, and the Saudi Arabian Basic Industries Company [SABIC] (Dune, 1995:32). Because of its budget difficulty, Riyadh slashed subsidies. The price of

gasoline, electricity and other subsidised commodities increased sharply and in some cases nearly doubled (EIU Saudi Arabia No1 1995:12-13). Dune argued that the economic change caused serious political dissent (Dune, 1995:34).

Political dissent was rising in the Kingdom because of the intensifying struggle between Islamists and advocates for modernisation/Westernisation. The presence of Western armies in Saudi Arabia created change in two ways. First, an Islamist opposition group emerged, who began to criticise the ruling family's secularism and alleged corruption. They called for the establishment of a more Islamic society and for putting an end to corrupt practices in the government and the royal family. In reaction to that, Western educated Saudis began to demand a reduction in the religious and governmental control of society and, in response, King Fahd established the Consultative Council on 1 March 1992.

Considering the economic impact of the invasion of Kuwait on Saudi Arabia, the political situation bears far more consequences for the Saudi regime. Saudi's position in the regional system altered. The invasion acted as a double-edged sword for the Saudi regime; first, the threat of Saddam Hussein towards Saudi Arabia diminished because the West had greatly reduced the Iraqi military power. Therefore, Saudi Arabia emerged after the war as the most influential power in the Arab Gulf region. However, at the same time, the Saudi vulnerability was exposed for failing to defend itself even after so many years of a huge budget having been spent on purchasing the most advanced weapons from the West. The invasion made Riyadh understand that it was essential to accommodate Iran into the regional affairs, which would allow Iran to play a more important role in the Gulf region.

Another issue that affected the Saudi domestic situation developed soon after the Iraq-Kuwait battle. The Saudi regime was threatened by not just the fiscal crisis but also the political developments in Kuwait, such as the re-establishment of a parliament and moves towards democracy (however limited) which would have the potential domino effects on the Saudi society. The Saudi population could be urged to demand more say and participation in the formation of its domestic and foreign policy and this would threaten the absolute monarchical system.

Saudi leadership of the Arab world (in the absence of Egypt post-Camp David and Iraq, post-Kuwait) was weakened by the evidence of its dependence on external forces for its security (including Egyptian and Syrian) and by the ineffectiveness of the Arab League in resolving the crisis itself. The regional system was not just penetrated but had collapsed, and the US held the Middle East much more firmly in its grasp than it had ever done before.

7.0 The reaction of Iran

For Iran, just recovering from the devastating eight-year war with Iraq, the Iraqi invasion of Kuwait was a great surprise but, at the same time, it was a chance to achieve vicarious revenge against its former adversaries – mainly, Kuwait, Saudi Arabia, and the US. Tehran initiated a campaign to show that 'the Iraqi president was an aggressor by nature and that blame for the Iran-Iraq war fell squarely upon him and those who supported his war efforts, including Kuwait, Saudi Arabia and the US' (Amirahmadi, 1993:108).

Although Iran was interested in preventing Iraq from swallowing Kuwait, and was concerned about the presence of US forces in the region (MEI, 28 June 1991:16-17), it did not want to be dragged into the conflict between Iraq and the US-led coalition. However, Tehran found itself walking on a tightrope. Tehran was in a very delicate position because at that time:

1. A peace settlement with Iraq was yet to be formulated;
2. Tens of thousands of prisoners of war were still not repatriated; and
3. The dredging of the Shatt al-Arab was still to be completed (Daneshkhu, 1994:300);

Having stated that, Tehran also wanted to improve its relations with the West in order to secure economic aid (Pimlott, 1992:47). Thus, Iran had three choices:

1. Side with Iraq;
2. Side with the US, the West and Saudi Arabia;
3. Keep a neutral stance.

Siding with Iraq:

Iran's anti-US sentiments could have motivated Iran to side with Iraq. Iran was concerned that the US presence in the Gulf would turn out to be permanent even after the threat of Iraq had been removed. Iran was thus concerned that the US was using this chance as an excuse to assert its hegemony over the region. Furthermore, radicals in Iran pressured the government to support Iraq against the US-led coalition, underlining the imperialist designs of the US (MEI, 28 June 1991:17). The situation was made more complicated for Tehran when, on 15 August 1990, Saddam Hussein made a major concession towards Iran, by announcing the acceptance of Iran's conditions for a full and final peace treaty between the two countries. Iraq was willing to accept the 1975 Algiers Agreement, which recognised Iran's sovereignty over the eastern half of the

Shatt al-Arab waterway (Alaolmolki, 1991:165). In exchange, Saddam Hussein hoped that Iran would side with him in his fight against the West, which he called the Islamic '*jihad*' against the '*infidel*' (Munro, 1996:66). According to Pimlott, a more likely explanation for Saddam Hussein's willingness to give up the Shatt al-Arab was to induce Iran not to join the coalition and to release 'substantial military units from border security to engage in any conflict in or around Kuwait' (Pimlott, 1992:47). Although this offer came as a surprise to Iran (Munro, 1996:147), Tehran did not trust Saddam Hussein after he had breached the 1975 Algiers Treaty. Tehran believed that if Iraq was successful in absorbing Kuwait, Iraq would become a maritime Gulf power that would challenge Iran later for the *Shatt al-Arab* (Daneshkhu, 1994:299).

Thus, Iran did not respond to Saddam's call for *jihad* (MEI, 25 January 1991:9). However, it accepted Baghdad's peace offer. According to Alaolmolki, Rafsanjani condemned Iraq's invasion of Kuwait, as well as the return of the US forces into the Persian Gulf region. Rafsanjani argued that 'Peace with Iraq is a different issue and we hold to our view that Iraq must evacuate its forces from Kuwait so as to create the necessary conditions for the re-establishment of peace and tranquillity' (Alaolmolki, 1991:165).

Siding with the US, the West and Saudi Arabia:

This option entailed a huge risk for the Iranian Islamic regime. This is because Iran had just begun recovering from its war with Iraq, and the Iranians still had a vivid memory of the role of the US, the West and Saudi Arabia during the war against the Islamic regime. Therefore, even though Rafsanjani realised that Iran needed Western help for post-war economic recovery, he could not opt for a pro-US position. He followed a neutral policy, which proved to be beneficial for Iran. According to

Ehteshami, 'as Iran had not offered any military assistance to the anti-Iraq coalition and the Arab and Muslim forces stationed in the Persian Gulf, it could claim, in the spirit of 'Islamic brotherhood', to act as the only effective peace broker between the warring Arab parties - a role which the United Nations also welcomed' (Ehteshami, 1995:153). President Rafsanjani announced, in December 1990, that Iran would remain neutral in any conflict. Subsequently Tehran asked a senior Iraqi delegation for Iraqi withdrawal from Kuwait and the government made it clear that Iran would not support Iraq if it extended its attack to Israel as it had threatened (Munro, 1996:149).

In its foreign policy, Iran was driven by its strategic interests in the Persian Gulf: it believed that a strong Iraq constituted a security risk to Iran. However, Iran condemned Saudi Arabia for inviting US and Western forces into the Gulf, as this would decrease Iran's role as a player in the region (MEI, 25 January 1991:9). It has been argued that the main reason for Iran being against the coalition during and after the war was that Tehran feared that Iraq would become balkanised. This was against Tehran's own geopolitical interests (MEI, 25 January 1991:10), despite the likelihood that it could expect to inherit the Shi'ite areas of south of Iraq; but at the same time this would have raised the Kurdish issue within Iran's own territory. This is one of the reasons why Tehran firmly declared its commitment to Iraq's territorial integrity and that it opposed any geographical change in Iraq.

Rafsanjani was able to balance these 'contradictory' goals by adopting a policy of strict neutrality. Thus, Iran adhered to the United Nations' sanctions against Iraq, while it condemned 'the long-term presence of foreign forces in the region'. By following such a policy, Iran gained considerable credit internationally. Its support for Kuwait's

sovereignty contributed to the improvement of its relations with Arab and Muslim countries (MEI, 28 June 1991:17).

Thus, while the Iraqi crisis posed a serious threat to regional stability, it led to the acceleration of Iran's move towards a more moderate foreign policy. Iran had already adopted a more accommodating policy towards its neighbours and the West to secure the required aid to recover from the economic devastation caused by eight years of war with Iraq. Furthermore, the Iraqi invasion of Kuwait made Iran's neighbours appreciate more concretely Iran's regional role (Yetiv, 1997:62). Thus, the invasion of Kuwait afforded Iran the opportunity to improve its relations with Gulf Arab states. Moreover, Iranian claims that the real threat to the Gulf had always come from Iraq were confirmed (Yetiv, 1997:62). Saudi Arabia, took Iran's neutrality in the Kuwait crisis as a good omen and a sign of Iran's new moderation and its abandonment of adventures.

7.1 The impact of the Kuwaiti crisis on Iran

The Iraqi invasion of Kuwait offered Iran a number of immediate gains while incurring few losses. Iran re-emerged as one of the leading powers in the Persian Gulf, even though it was not involved in the conflict, as Iraq was weakened by the war. Although, Iran could not prevent a Western military presence in the region, the overall effect of the war was to Iran's advantage, as it gained Western sympathy because of the losses it had sustained during its war with Iraq. Thus, Iran requested compensation for war damages if Kuwait was to be compensated (Daneshkhu, 1994:303).

In Daneshkhu's view, Iranian gains from the Kuwait crisis were:

1. Iraq sought peace with Iran in order to secure Iranian neutrality in the war.

2. Iran felt vindicated, as Western opinion changed favourably towards Iran.

3. 'The Gulf war altered the strategic balance of power in the region and the Arab Gulf states moved closer to Iran as a way of counterbalancing Iraq's aggression' (Daneshkhu, 1994:296).

However, Iran lost out in terms of influence over Gulf security. According to Gary Sick, the US and the West's influence in the Gulf began from 1986 when Kuwait requested to re-flag its oil tanker under USA and Western protection, and gradually US and Western presence in the Gulf increased to reach its peak during the Kuwaiti crisis (Conference in May 2000, Oxford, UK).

During the Iran-Iraq War, Iran attempted to persuade the UN and the Western world that Iraq was the aggressor, and it should be held responsible for the outbreak of the war. The Iraqi invasion of Kuwait afforded Tehran the opportunity to illustrate that Iran was the victim of a similar aggression in the 1980s. Moreover, Iran could also openly demonstrate to the West and the Gulf Arab states that they had been mistaken when they had supported Iraq in the Iran-Iraq war (Daneshkhu, 1994:298).

Iran was also vindicated by Saddam Hussein's peace offer, which was made on terms that were favourable to Tehran; namely, to pull back Iraqi forces from Iranian territory by the next day; to release Iranian POWs; and to be bound by the terms of the 1975 Algiers Agreement, which Saddam Hussein had torn up at the start of the Iran-Iraq War. In particular, Tehran was triumphant because it regained the *Shatt al-Arab* without having to fight Iraq again for it. By this, Saddam Hussein seemed to declare the war he had waged against Iran was fought in vain, and the immense suffering and material

loss it had inflicted on both countries was pointless (Khaled, 1995:184). This was the biggest victory for Iran over Iraq and the Gulf states, which supported Iraq during the Iran-Iraq war (Quandt, 1991:63).

For Iran, a prolonged crisis, in the absence of war, was particularly advantageous as it enabled Iran to consolidate its short-term economic and political gains, which included higher oil prices (which increased Iran's 1990 oil revenue by around $4-5 billion) and gaining peace with Iraq (Amirahmadi, 1993:111-116). In addition, Saudi Arabia and the Western coalition wanted Iran to side with them, or at least not to side with Iraq which, in turn, would enhance the importance of Iran in regional affairs. Iran's long-term security concerns were also served by the weakening of Iraq and other Gulf Arab countries (Amirahmadi, 1993:111).

By proclaiming a neutral stance, Iran managed to clean up its image and this accelerated its reintegration into the Western capitalist economy, which brought several large post-war reconstruction works. Iran established better relations with the West, the IMF and the World Bank. As a consequence, its trade relations with the West increased. For example, the trade from Germany with Iran was increased by 29.4% to $273.9 million (EIU Country Report Iran, No. 4 1990:18). Italy and France also recorded an increase in imports from Iran (mainly crude oil and products) by more than 93 and 37% respectively in 1991 (EIU Country Report Iran, No. 3 1991:20). Moreover, both the World Bank and the IMF promised Iran technical assistance and the World Bank approved a loan for $250 million in mid-March, 1991 (Amirahmadi, 1993:116).

According to Amirahmadi, a quick defeat for Iraq also meant a major victory for Saudi Arabia and the US. Iran's total losses as a result of the Iraqi invasion of Kuwait can be summarised as follows:

1. OPEC's importance weakened due to the non-OPEC members making up the short fall. OPEC lost the ability to set the oil price and Iran's position within OPEC was marginalized further after it had attempted to increase its quota production. In comparison with Saudi Arabia, which increased its quota from 5.38 mbd to 8.03 mbd (see table 3.7) soon after the invasion, Iran failed to increase its quota. Riyadh's main argument was that it needed to pay for the war effects, while none of any other OPEC states was able to gain any significant increase in their own quota. Iran had great difficulty in regaining its influence within OPEC following the domination of the organisation by Saudi Arabia.
2. Islamic movements were demoralised, the Kuwaiti crisis showed the division within the Islamic world, and Iran realised that the common religious factor could not be mobilised to form a coalition in the region (Amirahmadi, 1993:111).
3. The invasion of Kuwait marked the beginning of a protracted US stay in the Gulf region and the consolidation of the US-Saudi alliance. This, in geo-strategic terms, means that Iran's role has been vastly diminished by the Western military intervention. The military presence of the US and the Western allies has seriously disrupted the regional balance of power. At the same time, the Western alliance, especially with Saudi Arabia, and the other Arab coalition partners such as Egypt and Syria, has added to the change in the regional power. Iran's position changed from that of being a credible rival to Iraq for Gulf supremacy to that of becoming a minor claimant at the end of the Second Gulf War (EIU Country Report Iran, No 2 1991:8).

4. The GCC plus Egypt and Syria security pact (The Damascus Declaration), which was suggested by the GCC states, was opposed by Iran as it disregarded its interests in the region. Iran advocated a defence arrangement in which it could play a role of regional importance. It also tried to use its close relations with some GCC states 'to undermine US-sponsored Gulf defence plans which excluded Iran' (Abir, 1994:211).

8.0 The impact of the invasion on Saudi-Iranian relations

Iran's intense opposition to the annexation of Kuwait by Iraq had a positive impact on its relations with the Gulf Arab states, mainly Saudi Arabia. Bashir and Wright argue that when Iraq threatened Saudi territory in August 1990, Riyadh could not defend itself, and so had to rely on 'other friendly states' (Bashir and Wright, 1992:108) i.e. Syria, Egypt, the US and the West after the Gulf War. This led to a change in Riyadh's foreign policy towards Iran as Riyadh recognised its needed to accommodate Tehran in regional affairs. According to Saudi Prince Khaled, during the Iraqi invasion of Kuwait, Saudi Arabia was concerned about Yemen, Jordan, Sudan and Iran. In particular, it feared that they would launch a surprise missile attack on Saudi Arabia, and as 'it might not be easy in the heat of battle to detect the source of such an attack', he recommended greater monitoring and surveillance of these countries (Khaled, 1995:327). When 135 Iraqi aircraft flew to Iran, Saudi Prince Khaled believed that Saddam Hussein had made a deal with Tehran to provide a safe haven for Iraq's aircraft (Khaled, 1995:358). At this stage Riyadh was still suspicious of Tehran's intentions.

To ensure that Iran would side with Saudi Arabia, or at least take a neutral stand, the Jeddah-based Islamic Development Bank approved $6.5 million in project financing for

small industries in Iran, in August 1990 (Daneshkhu, 1994:306), suggesting that because Riyadh feared, for its own security, it 'hastened' negotiations with Tehran.

Furthermore, King Fahd attempted to appease Iran by suggesting that Kuwait and Saudi Arabia had offered financial assistance to Iraq during the Iran-Iraq war in order to defend Iraq and not to invade Iran. He noted that "he had personally tried to dissuade Saddam Hussein from invading Iran and referred to past events between Iran and Saudi Arabia as an 'aberration'" (Daneshkhu, 1994:306, and MER, 31 January 1991). Of course, although it is very difficult to prove his words, it shows King Fahd's eagerness to appease Tehran in the post-Kuwait war period.

Subsequently, Iran's 'prompt condemnation' of the Iraqi invasion of Kuwait reassured Saudi Arabia, and contributed to the rapprochement between the two countries. This, however, was 'offset' by Iran's hostility to the arrival of US and other Western troops in the Gulf (Munro, 1996:148).

Eventually, Saudi Arabia perceived the end of the Gulf War as an opportunity to improve relations with Iran. Iran's declared neutrality in the conflict was regarded as a friendly gesture (Gause, 1993:214). In addition, Saudi Arabia wanted to 'hold the door open to Iran and offset the activity which Iraq was undertaking in Tehran to seek the return of its military aircraft and persuade Iran not to change its neutral stand'. Thus, the Saudis took the initiative in restoring diplomatic relations with Iran. Prince Saud met Iranian Foreign Minister Velayati in Bonn in early February 1991 to discuss the re-establishment of their relations (Munro, 1996:283), which they did in March 1991. In other words, the Saudis benefited indirectly from the confrontation with Iraq as they were able to re-establish their relations with Iran.

However, in the post-Kuwait war period, Iran became concerned about its possible isolation from a new regional political order. Thus, Iran endeavoured to discourage Gulf states from developing a wider Arab defence arrangement or renewing security agreements with Western countries. This aroused Saudi suspicions about Iran's intentions and ambitions in the Gulf region, although Iranian military expenditure was far less than Saudi Arabia. Iran was trying to rapidly build its military power and develop its conventional and unconventional weapons industry. Furthermore, Riyadh still believed that Iran attempted to spread militant Islamic fundamentalism in the Arab countries and the Muslim world even after mending its relations with the Arab states (Abir, 1994:210).

Although Riyadh began to improve its relations with Tehran, it was still afraid of Iranian domination of the Gulf region. So if on the one hand, Riyadh began to re-establish its relations with Tehran, at the same time, it proceeded with its own cooperative security pact with other GCC states. The Gulf states plus Syria and Egypt met in Damascus on 5 and 6 March 1991 and issued a statement of principles, known as the 'Damascus Declaration'. It dealt with security in the Gulf and the Arab-Israeli conflict. In the former, there was no mention of a role for Iran, and in the latter, it omitted to mention a role for the PLO.

According to Munro, Iran was excluded from the arrangement because Saudi Arabia remained sceptical of Iran (Munro, 1996:344). Consequently, this Declaration arose Tehran's anger, as the Iranians had insisted, since the start of the Gulf crisis, that they would have a major role in any plans for protecting the stability of the region in the future (Amirahmadi, 1993:113).

But as Butt argues, as there were no diplomatic relations between Saudi Arabia and Iran, it was unlikely that Tehran would be included in any regional security plan. At the same time, as Riyadh itself emerged in the Post-Kuwait war as the most important and influential player in the region, it would not wish to give up this role to Tehran. Additionally, most of the Gulf states remained sceptical of 'Tehran's long-term ambitions' (MEI, 22 March 1991:10).

Although Iranian-Saudi relations had been restored by the end of March 1991, some significant issues remained unresolved; these included: 'the future leadership and security of the Persian Gulf and the traditional sources of tension between Arabs and Iranians' (Amirahmadi, 1993:140).

In an attempt to improve relations with Saudi Arabia, the Iranian foreign minister Velayati visited Jeddah in April 1991; the Saudi foreign minister Saud reciprocated his visit in June 1991 and discussed the Iranian pilgrims quota. He also assured Tehran that Riyadh did not intend to allow a permanent foreign military presence and that the Damascus Declaration was not aimed against Iran (Gause, 1993:214). At the end of the visit, the two sides agreed on a framework for co-operation in the Gulf, on Islamic and economic issues, and for continuing the GCC-Iranian dialogue on security matters. Iran also scored a major diplomatic success on 18 June 1991, as Riyadh agreed to receive 115,000 Iranian pilgrims instead of the fixed quota of 45,000 decided after the 1987 clashes. In addition, during the *Hajj*, Velayati, who was among the pilgrims, personally pledged to King Fahd that the demonstrators would stage an anti-US and anti-Israeli demonstration but would not proclaim anti-Saudi slogans.

For Riyadh this would demonstrate how far Rafsanjani could control his own people, and the result seemed to be in the Iranian president's favour (MEI, 28 June 1991:7, and Abir, 1994:211). Hence, in an interview following a GCC foreign ministers' meeting with Velayati in Kuwait, in October 1991, Saudi Foreign Minister Saud praised Iranian policy since the election of President Rafsanjani, indicating how it had positively contributed to Gulf stability and security (Amirahmadi, 1993:157).

As a part of its attempt to develop closer ties with the Gulf Arab states, particularly Kuwait, Iran co-operated with them within OPEC and expanded economic ties. Iran managed successfully to win a $100-million contract from Kuwait to help put out the flames of some thirty blazing oilfields (Amirahmadi, 1993:152).

9.0 Conclusion

This chapter investigated how Iraq affected Saudi-Iranian relations through the Iran-Iraq war, the Iraqi invasion of Kuwait in 1990 and, consequently, the war against Iraq in 1991, which was led by the West but particularly by the US.

At the start of the Iran-Iraq War, the balance of power in the Gulf region rested on Iran and Iraq as the major powers. Saudi Arabia was less important and could not challenge either of the regional players. Relations with Iran had been strained since the Islamic Revolution, but while Iraq represented a useful counter-balancing power Saudi remained concerned by its pro-Soviet orientation. Thus Saudi Arabia was also reliant on its own American sponsor for support.

During the Iran-Iraq conflict, the balance of power shifted several times and was shaped

by the developments of war. At the beginning of the Iran-Iraq War (1980), Saudi Arabia attempted to maintain the situation as it had been by trying to appease both Iran and Iraq, and hoping that the war would end soon. However, it was soon clear that this was a vain aspiration.

In its efforts to maintain its own security, Saudi Arabia led the establishment of GCC, which gave it greater authority in regional affairs as the major partner in a collective grouping. Furthermore, the closer US-Saudi relations enhanced Saudi Arabia's ability to act as a regional power, strengthened as it was by the supply of America's most advance weapons and AWACs aeroplanes.

As the war progressed Saudi Arabia began to redefine its position. Although the Saudi regime used Islamic or Third World countries to mediate with Iran, and worked towards an United Nations intervention as an effort to end the war, these acts of negotiation were mainly motivated by the fear of an Iranian victory over Iraq, as the consequence of which there would undoubtedly have been a change in the balance of power in favour of Iran. Therefore, by the end of 1981, Saudi Arabia moved to take Iraq's side, becoming its primary financer.

By July 1982, the battlefield situation had moved to favour Iran, which had succeeded in recovering all the territories it had initially lost to Iraq. Saudi Arabia was concerned about an Iranian advance into Iraqi territory, particularly as Iran had threatened to block the Straits of Hormuz. Both the Saudis and Kuwaitis feared an Iranian victory due to the adverse implications on the stability of their own regimes should Iran win. Therefore, Saudi Arabia and Kuwait aimed at gaining a ceasefire by offering financial compensation to Iran. Saudi Arabia was itself burdened by the war, as falling oil

prices affected their own financial situation.

Between 1982 and 1984 one could argue that the regional balance of power was in thus in favour of Iran. Yet Iran was becoming more isolated in the international arena because of its consistent rejection of such a ceasefire, with the consequence being that the US was increasing its support of Saudi Arabia. The potential was there, then, for a shift in the balance of power to Saudi advantage. In 1984, when using the most advantageous AWACs surveillance airplanes which had been supplied by the US, the Saudi air force shot down an Iranian airplane, causing a major diplomatic dispute between Saudi Arabia and Iran. The event indicated that Saudi Arabia felt a new confidence in its own political power, such that it was strong enough to challenge the Iranian military domination of the region.

With financial and other support from the international powers aiding Iraq, Iran began to lose its advantage in the war from 1985. At the same time, the religious factor intertwined with the political one, and the 1987 Mecca riot led Iran to become isolated not only from the West but also from most Muslim countries, with the consequence that Saudi Arabia improved its own position relative to Iran to the point where it felt sufficiently strong as to be able to cut off its diplomatic relations with Iran. The Iran-Iraq War changed the balance of power in the region, diminishing the military and political status of both Iran and Iraq and enabling Saudi Arabia to emerge as a strong contender in the region.

The Iraqi invasion of Kuwait changed the balance of power in the region again. At the same time the international players managed to wholly penetrate the regional system (not least through the permanent stationing of Western troops in the Gulf region),

influencing the balance of power between Saudi Arabia and Iran to a great extent.

Saudi Arabia had proved unable to alter the course of events. By the end of the crisis, Saudi Arabia had preserved its territorial integrity but at the same time its vulnerability to other regional powers had been exposed by Iraqi threats to Saudi territory. Riyadh could not defend itself, and had to rely on other friendly states such as Syria, Egypt, the West and particularly the US to defend itself. Thus despite having emerged as a regional power after the Iran-Iraq War, and despite still playing this role following the liberation of Kuwait, Riyadh was clearly only able to do so by virtue of its external allies and its oil revenues. On the other side of the Gulf, Iran had not been able to prevent the international powers from penetrating militarily the region, diminishing its ability to regain its former influence in regional affairs. The regional balance of power now rested on external 'regional' powers as much as on local regional powers.

After the Kuwaiti crisis, security arrangements developed within the GCC, which essentially focused upon Saudi's assistance to its smaller neighbours. However, these arrangements clearly did not provide the capacity to protect Saudi Arabia from aggressive action by a major military power, such as Iraq or Iran. On the Saudi side, in spite of its efforts to improve relations with Tehran and the pragmatism of Rafsanjani's government, Riyadh became increasingly suspicious of Iran's endeavours to rapidly build up a substantial military power and develop its conventional and unconventional weapons industry. Riyadh had learned from the example of Iraq, that regional military powers could threaten the Saudi regime. A US-sponsored regional security arrangement (the 'six-plus-two' formula) was implemented (although it was soon to dissolve into inactivity) which deliberately excluded Iran and Iraq, considered to be the main threats to regional security by both Saudi Arabia and the United States. Thus the

war with Iraq had not created a new alliance between Saudi Arabia and Iran: despite some warming in their relationship Saudi Arabia still viewed Iran as a threat rather than an ally in the regional balance of power.

CHAPTER SIX

THE REGIONAL SECURITY FACTOR

1.0 Introduction

This chapter uses two case studies, Bahrain and the UAE, to examine how the relationship between Iran and Saudi Arabia evolved throughout the period 1977-1997. It analyses how Saudi foreign policy towards Iran changed from the early stage of covertly backing the two newly independent Gulf states, Bahrain and the UAE, to the more overt confrontation over Iranian regional hegemonic ambitions in the 1990s. Through the case studies, one can distinguish that Bahrain and the UAE have played different roles in affecting the relations between Saudi Arabia and Iran.

2.0 The Bahraini case

2.1 Historical background of the establishment of Bahrain

The history of the Gulf is the history of rivalry among powers of control of the region. As was mentioned in Chapter Two, the announcement of the British government withdrawal from the region and the establishment of Bahrain in 1968, caused great tension between Saudi Arabia and Iran. From the sixteenth century to the mid-twentieth century Iran had constantly claimed sovereignty over Bahrain. From the early nineteenth century the British government controlled the Omani coast, which included Bahrain. Although Iran was not willing to relinquish its claim on Bahrain, it was not able to challenge the British government until 1968, when the British government announced its intension to

withdraw from the region. This rekindled Iran's ambition to control Bahrain, the Shah having increased Iran's regional influence in line with its ambitions on the basis of growing economic and military strength. Only after the British government had launched the highly sensitive and secret diplomatic initiative to solve the issue of Bahrain, did the Shah relinquish his claim over Bahrain, resulting ultimately in Bahrain achieving independence in 1970.

The Bahraini issue was then dormant for a decade until the Iranian revolution in 1979, when Iranian *ulamas* were intent on exporting their version of Islam. They had already singled out Bahrain as a place where *Shi'ites* were suffering from oppression under *Sunni* rule (Holden and Johns, 1981:511).

In September 1979, Iranian Ayatollah Ruhani, a leading figure in the Iranian Islamic Revolution, proclaimed that he 'did not agree with the policies of the Shah's regime regarding Bahrain and that the Island still belonged to Iran' (Mojtahed-Zadeh, 1994a:56). He also stated that he would 'lead a revolutionary movement for the annexation of Bahrain unless its rulers adopted an Islamic form of government similar to the one established in Iran' (Mojtahed-Zadeh, 1994a:56). His view was quickly rejected by Iranian Foreign Minister Yazdi (Ramazani, 1988a:20), who blamed Ruhani's 'unauthorised' statement on the chaotic revolutionary conditions in Iran (Mojtahed-Zadeh, 1994a:56). However, this careless announcement had incensed the Gulf rulers, and their peoples' criticisms of the Khomeini regime (Yorke, 1980:5).

2.2 1981-1990 period, minor events caused by the Iranian Revolution

During this period, the Iranian revolutionary regime attempted to export its ideology into

the Gulf states and especially into Bahrain. The majority of Muslims in Bahrain are *Shi'ite*, yet in politics they are discriminated against by the Sunni minority. The consequent resentment of Bahraini *Shi'ites* towards the regime made a perfect target for the Iranian regime in its efforts to export its revolutionary brand of Islam.

On 13 December 1981, Bahrain's security forces allegedly prevented a coup, arresting a group of terrorists capturing arms and radio equipment. Those arrested were said to have been members of the Islamic Front for the Liberation of Bahrain (Mojtahed-Zadeh, 1994a:54-55). The Bahraini Minister of the Interior stated that members of this group had been trained in Iran. 73 people were charged and sentenced to death on 23 May 1982. 60 people were each sentenced to 15 years in prison and 10 were imprisoned for 7 years. The Iranian government strongly denied any involvement in the plot (Allocock et al, 1992:365-6).

The Foreign Ministry of Bahrain also made an official protest to the Iranian Charge d'Affaires, although the Iranian Ministry of Foreign Affairs quickly denied any complicity. The Iranian media commentaries stated that this accusation was part of a concerted campaign to tarnish the character of the Iranian Revolution. The Bahraini regime was conscious of its inability to defend itself against the unrest within its own territories, thus the ruler of Bahrain, Isa Al-Khalifa, turned to Riyadh for help (Zahlan, 1998:152).

Saudi Arabia was also prompt in accusing Iran of supporting and engineering the coup and was quick to turn the event to its own advantage. The Saudi Minister of the Interior, Prince Nayef, immediately visited Bahrain on 20 December 1981 and declared, without any hard evidence, that 'the sabotage plot was engineered by the Iranian government and

was directed against Saudi Arabia .....'. On the same day Saudi Arabia signed bilateral mutual security pacts with Bahrain, thus bringing Bahrain one-step closer to Saudi domination (Mojtahed-Zadeh, 1994a:55).

Iran was accused of supplying Islamic militants when arms were discovered in Bahrain in 1984 and of sponsoring an apparent attempted coup in June 1985. In December 1987, Iran was again accused of a plot to blow up a Bahraini refinery (Allocock et al, 1992:366). In all of these cases, the Bahraini regime could never prove that Iran directly supported Bahraini opposition groups. Engaged as the region was in the prolonged Iran-Iraq conflict, this issue nonetheless achieved a relatively minor status in relations between Saudi Arabia and Iran (see Chapter Five).

After the ceasefire between Iran and Iraq, relations between Iran and Bahrain improved, when an Iranian Charge d'Affaires was appointed to Bahrain in November 1988. Full diplomatic relations between the two states were later established in December 1990 (Allocock et al, 1992:366). However, the honeymoon between Iran and Bahrain lasted less than four years, until *Shi'ite* and *Sunni* Bahrainis together staged demonstrations against the government's mismanagement, corruption and inability to control unemployment. Again, the Bahraini regime blamed the unrest on Iran. In order to comprehend the cause of these unrests, which have been a recurrent feature of Bahraini domestic politics, one needs to understand the history of the Bahraini uprising against the regime.

2.3 Post Iran-Iraq War, Bahraini domestic unrests

Bahrain is the smallest state in the Gulf region, and its economy relies totally on oil

income and the financial sector. Therefore, the economy is vulnerable to any change within the global economy. The Bahraini economy plunged into a recession after the Iraqi invasion of Kuwait led to a dramatic rise in the unemployment rate and inflation. Accordingly, demonstrations erupted demanding social, economic and political change.

The Kuwaiti government's restoration of the National Assembly in 1992 catalysed the Popular Front for the Liberation of Bahrain (PFLB) and the National Liberation Front (NLF) to submit a petition signed by 350 prominent citizens asking the Amir to establish democracy in Bahrain (Fakhro, 1997:180), i.e. restore the National Assembly. The opposition leaders met with the Amir; however the regime was not willing to give in to their demands.

Saudi Arabia was closely watching events in Bahrain, as the protest movement could become a source of inspiration for similar protests its own lands. In the early days of the unrests, the Saudi Interior Minister, Nayef, announced that the security of Bahrain was inseparable from that of Saudi Arabia, thus reinforcing the view that weaknesses in any of the Gulf states would have a negative effect on the other regimes (Fakhro, 1997:184).

Demonstrations continued in June 1994, and again, in October 1994, a petition was signed by 23,000 citizens, (comprising both men and women from *Sunni* and *Shi'ite* sects), calling for reforms, such as the return to democracy, the end of corruption, a reduction of unemployment and a limitation on foreign labour. They cited the need to address socio-economic and political problems, such as unemployment, slackness in business, forced exile, restrictions on freedom of expression and subordination of the press by the government. The leading signatories requested permission to meet with the Amir to present the petition but their request was declined (Fakhro, 1997:181). Both

Saudi Arabia and Iran were interested in Bahraini domestic developments as they were concerned about their own domestic situation. The Saudi regime has a significant geographical link with Bahrain, and the majority of Saudi *Shi'ites* are located in the Eastern Provinces of al Hasa and Qatif. Therefore whatever happened in the Bahraini domestic arena would have an immediate effort on Saudi's own *Shi'ites*. For Iran, although the Shah had relinquished the Iranian claim over Bahrain in 1970, there still remained an historical linkage, and some Iranians still regarded Bahrain as being part of Iran.

2.4 The 1994 marathon event

In November 1994, a minor clash between a group of runners (mixed foreigners and locals) and some *Shi'ite* protesters caused the most serious unrests in the history of Bahrain. On 25 November 1994, the Western runners, passing through some *Shi'ite* villages, encountered a group of Shi'ites demonstrating against the mixing of sexes and the 'indecent dress' (i.e. shorts worn by the runners); and these protests escalated into fist fights and stone throwing. On the same night, riot police arrested several people whom they accused of participating in the protest. Those arrests triggered further demonstrations by the *Shi'ite* community as a whole (Bahry, 1997:48).

However, things got worse when on 5 December 1994 the Bahraini authorities in Manama arrested Sheikh Ali Salman, a *Shi'ite* clergyman who had returned from Iran after completing his religious studies. Manama accused Sheikh Salman of initiating the whole incident (MEM, 19 December 1994:18). Again, the Bahraini regime arrested another two leading *Shi'ite* clerics, Hamza al-Dairi and Haidar al-Sitri, soon after the marathon event. The Bahraini regime's arrest of three of the most prominent religious

Shi'ite leaders led to even more turbulence within the Bahraini Shi'ite community, which held further demonstrations against the government. In December, there were many demonstrations in several *Shi'ite* villages, and when the Amir gave the order to arrest the demonstrators this, in turn, led to more disturbances. According to Fakhro, more than 30 people were killed, a few hundred were injured and between 3,000 to 5,000 people were arrested. Among them, were nearly 30 women and 50 children, aged between 12 to 15 years old. All of those arrested were *Shi'ites* (Fakhro, 1997:181).

At first, the Bahraini regime completely censored media news of the unrest. According to MEM reports, news agencies posted in Bahrain were prevented from reporting the events, even though, the incidents were repeated on a 'virtually daily basis'. A bid to secure Salman's release before being deported resulted in rioting and attacks on private and public property (MEM, 19 December 1994:18). However, the Bahraini regime deported all three *Shi'a* clerics to Dubai on 15 January 1995 (MEI, 20 January 1995:12).

Because Salman had studied in Qom, in Iran, the Bahraini regime associated him with Iran and accused Iran of backing the whole incident. Manama went on to reiterate in a further hint to Iran 'that one neighbour state is broadcasting through its radio station news urging people to challenge the authorities and to persist in acts of violence' (MEM, 19 December 1994:19). At this stage, without official backing from the GCC states, the Bahraini regime only dared to hint that Iran was the mastermind behind the scene.

Riyadh paid great attention to these developments in Bahrain. Concerned about the possibility of similar uprisings in its territory, Saudi Arabia led the GCC states in forming the Joint Security Agreement in November 1994. This Agreement contained sweeping provisions for media restrictions, extradition and cross-border pursuit of suspects and

allowed other GCC states' forces to move into other states to maintain security (MEI, 6 January 1995:13).

The Bahraini unrest cast a shadow over the 15th Gulf Cooperation Council (GCC) summit, which opened in Bahrain on 19 December 1994. The 1994 GCC summit mainly discussed the internal security developments in the GCC states (MEM, 19 December 1994:20). The Bahraini regime played down the scope and scale of the unrest and hinted that it was an Iranian-inspired bid to disrupt the annual gathering of Gulf heads of state (MEM, 19 December 1994:16).

Although Tehran was certainly sympathetic towards the opposition in *Shi'ite* Bahrain, however, the Bahraini regime could never prove that Iran was directly behind the unrest. However, the Iranian regime supported the Bahraini *Shi'ites* against their own regime. The Tehran conservative daily, Jumhuri Eslami, identified democratic reform and jobs as the two key demands of Bahraini protesters, but asserted they were also demonstrating against discrimination against the Shi'ite majority by the ruling Sunni elite (MEM, 19 December 1994:19).

The unrest continued from December 1994 until 1996, and a number of small bombs exploded at a prestigious target in Manama. On 17 January 1996, a homemade bomb went off in the Meriden hotel, followed by one outside the Diplomat Hotel on 11 February. A car transporting a bomb exploded in Isa town three days later (MEI, 1 March 1996:11).

Now, this time with full backing from the GCC states, especially Saudi Arabia, Bahrain's regime strongly accused Iran of masterminding these unrests, even though they consistently failed to produce any evidence of Iranian involvement. With the GCC states

support, Bahrain expelled a junior Iranian diplomat in February 1996 (MEI, 1 March 1996:11), and recalled its ambassador from Tehran in June. Tehran responded in kind but vehemently denied any allegations, saying they were due to 'foreign provocation', and even offered to send a delegation to investigate. However, this offer was rejected by Manama (MEI, 21 June 1996:9).

2.5 How the Bahraini issue has affected Saudi- Iranian relations

Potential rivalry between Iran and Saudi Arabia for Gulf hegemony was submerged in the 1960s and 1970s, according to Yorke, partly because of a shared interest in security and partly because of Saudi passivity in the face of the Shah's ambitions. Iranian expansionism had nevertheless always been feared among the Gulf rulers (Yorke, 1980:5). The possibility that Iran was implicated in domestic Bahraini insurgency after 1979 served to fuel these fears, coinciding with Saudi Arabia's own growing regional status and ability to confront Iran where necessary over its regional behaviour. The Bahraini issue showed that Saudi Arabia could also influence its smaller regional neighbours in their dealings with Iran, thereby pursuing its own Saudi agenda.

Fakhro argues that Saudi Arabia has been able to influence Bahraini policy towards Iran because it enjoys leverage with Bahrain for the following reasons:

1. Since the opening of the King Fahd causeway in 1986, the ties between Saudi Arabia and Bahrain have strengthened; especially as the business flow between both countries has grown rapidly.
2. Saudi Arabia has provided Bahrain with a major oil pipeline that carries crude oil directly from the mainland into Bahrain's refinery for eventual exportation. In addition, Bahrain receives the revenues of a Saudi-managed oil field north of

Bahrain, (Abu Safa), equal to 100,000 barrels per day, on which it is almost entirely dependent.

3. The general expectation is that oil may be fully depleted within the coming few years unless new fields are discovered. This would inevitably bring Bahrain closer to and make it more dependent upon Saudi Arabia, as its financial resources dwindle. Therefore, Bahrain is aware of its dependence on, and is eager to appease Saudi Arabia.
4. Saudi Arabia provides Bahrain with assistance for joint venture and infrastructure project financing (Fakhro, 1997:184).

The fact that Saudi did so reflects its growing preoccupation with the regional balance of power. Developments on its doorstep which influences this balance in favour of regional competitors like Iran were necessarily of interest to Saudi Arabia. Moreover, for the Saudi regime, any change within Bahrain is likely to have an effect on its own society and politics due to the concerns of its own *Shi'ite* population, the common monarchical political system and the physical geographical linkage between Saudi Arabia and Bahrain.

Although soon after the outbreak of the Kuwaiti crisis, the relations between Saudi Arabia and Iran became closer, the 1994 Bahraini unrest demonstrated that the Saudi regime was willing to confront Tehran because of its own anxiety concerning the stability of Bahrain. If it collapsed, it might well have a domino effect with the possibility of similar uprisings to occur in Saudi's own territory which may also change of balance of power in the region. Although Riyadh refrained from accusing Iran of the unrest, Saudi Arabia still utilized this event to form the Joint Security agreement within the GCC states and extended its sphere of influence further.

From the case-study of Bahrain, one could argue that Saudi Arabia's reaction towards Bahrain is a classic example that supports the neo-realist school of thought. Maintaining the balance of power in the region and regime survival are the most important goals for the Saudi regime. Therefore, Riyadh refused to relinquish its strong influence on Bahrain as it regards Bahrain as being under its own sphere of influence. Controlling Bahrain also strengthened the stability of its own regime. It did not allow any dramatic change in Bahrain for fear of any potential chain reaction within its *Shi'ite* dominated Eastern Provinces in al Hasa and Qatif. Therefore, whatever happens to Bahrain in the future, the Bahraini issue will always remain at the top of the Saudi regime's agenda and when it is involved with Iran regarding the Bahrain situation, the balance of power and the regime-survival strategy will always play a major role for both countries when conducting their foreign policy towards each other.

3.0 The UAE islands' issue

The UAE issue mainly focuses on Abu Musa, and the Greater and Lesser Tunbs dispute. The geographical location of Abu Musa and the Tunbs play a very important part in the relations between Saudi Arabia, Iran and the UAE. This section aims to show how Iran has been claiming ownership of these Islands, as a vital element in its security zone, and how in this case, Saudi Arabia has not taken any offensive policy against these claims. This shows how Saudi Arabia's foreign policy has been dictated rationally to serve its own political interests. According to the neo-realist theory, although balance of power plays an important part in the anarchical world system, for Saudi Arabia the UAE issue did not have the same importance as the Bahraini issue, because regime-survival strategy was the most important factor for Saudi Arabia. One could notice that Saudi Arabia is

very reluctant to get involved in the islands' dispute with Iran since the UAE did not play an important role in Saudi foreign policy. At the same time, in the economic sense the UAE was in opposition to Saudi Arabia, and both were competing in a similar market.

The two interrelated factors for the tripartite relations, between Saudi Arabia, Iran and the UAE, were the Abu Musa and the Greater and Lesser Tunbs dispute, and the formation of the UAE.

3.1. The location of the disputed islands

For understanding the islands dispute one should first understand the strategic positions of Abu Musa, and the Greater and Lesser Tunbs in the Persian Gulf and the history of Iran's claim on these islands.

The Persian/Arabian Gulf is connected to the open seas only through the narrow Strait of Hormuz. The Strait of Hormuz, and its shipping lanes, lies between Omani and Iranian waters, and about 40 percent of the Western world's oil imports pass through it (Yorke, 1980:6). In addition, security threats from the outside world via the sea route cannot be prevented without an effective control over this strait. Iran is in possession of a number of islands situated at the entrance of the Strait of Hormuz, of which six islands of the so-called 'curved line' are of greatest significance. These are the islands of Hormuz, Larak, Qeshm, Hengam, Greater Tunb, and Abu Musa (Mojtahed-Zadeh, 1994b:106), they lie at short distances from one another and the Iranian mainland, and form a strategic curved line close to the median line between Iran and the UAE. However, three of them, Abu Musa, the Greater and Lesser Tunbs have been the cause of dispute between Iran and the UAE.

Abu Musa is located 42 miles from the Iranian port of Bàndar Lengeh and 40 miles from Sharjah (one of the emirates of the UAE) (Mojtahed-Zadeh, 1996:33). With 600 permanent residents, it is the largest among the three islands, almost rectangular in shape and about 5 km across diagonally. It is particularly well known for its deposits of red iron oxide, and the oil field located in the nearby Mubarak oilfield (Mojtahed-Zadeh, 1994b:108), though the oil production is not so significant.

The Greater Tunb is located 26 miles to Bandar Lengeh and 46 miles to Hamra Island of Ras al-Khaimah (another emirate of the UAE), and because it is relatively far from the entrance to the Persian/Arabian Gulf, its strategic value is less significant. The Lesser Tunb is situated 7 miles south west of the Greater Tunb, 24 miles to Bandar Lengeh, and 45 miles from Ras al-Khaimah (Mirfendereski, 1996:118). The Lesser Tunb is an uninhabitable island with some significance as a connecting point secondary to the Greater Tunb (Mojtahed-Zadeh, 1999:162).

However, the value of Abu Musa and the Greater and Lesser Tunbs to Iran has always been based on their strategic location. They are guarding the entrance to the Strait of Hormuz, and their control has traditionally seemed vital for Iranian national security. Since the 1930s when the Gulf region began its oil explorations, huge quantities of oil have passed via these islands, enhancing their importance.

The sovereignty of these islands is therefore crucial although evidence for ownership before the mid-nineteenth century barely exists.

3.2 The impact of the Iranian Revolution

The Iranian Revolution left Saudi Arabia as the sole guardian of the conservative regimes, and of Western interests, (following the Soviet invasion of Afghanistan), in the area. Since 1979, the UAE had been driven closer to Saudi Arabia by external circumstances. As stated earlier, the Iranian Islamic regime's wish to export its ideology into the Gulf region greatly alarmed the conservative UAE rulers. This forced the UAE to forge a much closer relationship with Riyadh. In the troubled situation in the Gulf, the UAE continued to rely on Saudi Arabia for policy guidance towards Iran and oil policy within OPEC (al-Alkim, 1989:135). Saudi Arabia in turn struggled to preserve Gulf security and stability.

The Iranian Revolution led the UAE and Saudi Arabia to speculate that the islands issue might well be revived. The announcement by Iran's new leaders that all agreements made by the Shah would be reviewed, and possibly abrogated, gave strong grounds for hope that Iran might give back the islands of Abu Musa and the Greater and Lesser Tunbs to the UAE. However, in June 1979, the Iranian Foreign Minister Ibrahim Yazdi, denied that Iran was ready to return the islands (al-Alkim, 1989:159).

The islands dispute in fact remained dormant until the eruption of the Iran-Iraq War in December 1980, which led the UAE delegation at the UN to raise their claim to their sovereignty over the islands (al-Alkim, 1989:162). However, the issue became dormant soon after the UN session because the Iran-Iraq War came to occupy the full attention of world politics issues, and it was to be another decade before the dispute was able to re-emerge in April 1992.

3.3 Abu Musa and the Greater and Lesser Tunbs' issue re-visited

Iran's dispute with the UAE over the sovereignty of Abu Musa island, Greater and Lesser Tunbs was reactivated in 1992. Prior to these incidents, the UAE Defence Minister Rashid al-Maktum visited Rafsanjani, in February 1992. At the meeting al-Maktum still 'praised Iran for its fundamental stands and role in strengthening peace and security in the Gulf region'. He declared his country's readiness to expand cooperation, particularly on oil, but made no mention of Abu Musa and the Greater and Lesser Tunbs. In return, Rafsanjani stressed Iran's willingness to expand ties with all Muslim and neighbouring Arab countries (SWB, 11 February 1992).

The dispute over Abu Musa was resurrected by Iran, which in April and August 1992 prevented non-UAE nationals (employed by the UAE government) from working in the southern, Sharjah-administered part of the island. Furthermore, on 20 April 1992, Iranian authorities in Abu Musa prevented a ship loaded with more than hundred non-UAE's nationals, employed by the UAE government, from unloading in the harbour. At that time, the UAE government censored the whole incident, and prevented national newspapers from reporting the event.

The UAE government immediately sent their Foreign Minister, Rashid al-Nu'aymi, to Iran. On 21 April 1992, al-Nu'aymi carried a message from the UAE President, Zayid Al Nahyan, concerning issues of 'bilateral interest' (SWB, 22 April 1992). Although the detail of this message is still unknown, it seems that at this stage the UAE Foreign Minister still wanted to prevent an impasse between both countries.

The Iranians deported the expatriate Arab and Iranian workers who ran the island's basic

services, shutting down essential utilities and prompting many of the islanders of UAE nationality to leave for the mainland (MEI, 1 May 1992:9). Iranian authorities in the island also seized its school, police station and desalination plant. The UAE complained to its GCC partners that its resident nationals had been expelled (MEI, 1 May 1992:9).

According to *Middle East International*'s report the UAE apparently asked its partners in the GCC not to react to the move, and there was a virtual news blackout in the Gulf press. The first mention of the issue made by the Saudi and Kuwaiti media was to report Iran's denials that anything was amiss. Presumably this was motivated by a desire not to upset relations just as the GCC countries were looking forward to a new era of 'moderation' in Iran (MEI, 1 May 1992:9).

Iran had played down the incident, denying that it had any intention of excluding the UAE islanders or any 'expansionist' ambitions in the Gulf, and claiming that the expatriates it removed had no right under the terms of the 1971 deal to be there without its permission. It also stressed that Abu Musa was an integral part of Iran, and that Tehran had plans to develop and populate it (MEI, 1 May 1992:9).

Iranian Foreign Minister Velayati declared that: 'Iran is making great deal of efforts for development and reconstruction of the southern regions of the country, especially the islands of Persian Gulf, the Strait of Hormuz and the Sea of Oman' (SWB, 24 April 1992). He emphasised that Iran had put a lot of effort into developing Abu Musa, including the upgrading of the administrative organisation in the island from a district to a governorate. He also denied that Iran intended to expel the Arab residents of Abu Musa. The Island issue would be debated between Iran and Sharjah (SWB, 24 April 1992).

Things went quiet until a second incident occurred, in August 1992, which caused a strain in Iranian - UAE relations. A passenger ship from Sharjah with 104 passengers aboard, was seized at Abu Musa. Iran claimed that the entry of passengers into its port in Abu Musa was unauthorised. The Iranian Foreign Ministry spokesman, Morteza Sarmadi, said 'entry of foreign nationals into the Iranian island of Abu Musa must be consistent with normal procedure agreed upon between Iran and Sharjah'. In other words, foreigners were to obtain entry permits from Iranian port authorities (SWB, 27 August 1992). However, the UAE Foreign Ministry protested by saying that 'the Iranian action was not in line with the relations binding the UAE and Iran, and reflected negatively on bilateral relations, at a time when the UAE wished to establish relations of good-neighbourliness and cooperation with Iran' (SWB, 5 September 1992).

The dispute intensified in early September 1992, when Tehran began major construction works for new military installations on Abu Musa, including an airstrip for newly acquired Russian Mig-29 and Ilyushin aircraft, launch pads for North Korean Scud missiles, and advanced radar equipment. Accordingly, hundreds of Arabs, mostly from Sharjah, and some Iranians had to be transferred to other locations, including mainland Iran and the UAE. The evacuation scheme was perceived by Arabs as a desire on the part of the Iranian regime to 'cleanse' the island of its Arab population, who enjoyed privileged rights in Abu Musa. Both sides had reasons to escalate the conflict; Arabs to "unify" their shattered ranks and consolidate a loose co-operation, and Iranians to divert public attention from a worsening political, social, and economic situation (MEI, 9 October 1992:5).

Tehran justified its action which it called an internal security matter, by claiming that the 1971 Iran-Sharjah MOU granted Iran control over security matters. At first, the UAE

demanded direct negotiations with Iran, and Tehran accepted. However, Egypt and some other Arab states announced that they were ready to defend the smaller Arab states against 'Persian expansionism'. Egypt used renewed fears of Iran to project it s position as a vital Gulf security partner. According to Milani, the UAE, encouraged by this support, suddenly demanded negotiations not only about Abu Musa but also about the two Tunb islands as well. Tehran rejected the proposal. Later on, the UAE insisted on taking this issue to the International Court of Justice for arbitration. Tehran rejected this suggestion saying that the islands issue was an internal conflict, and demanded bilateral negotiation only (Milani, 1996:97).

On 20 September 1992 in a press interview the UAE Foreign Minister Hamadan Al Nahyan stated, 'Iran's endeavour to give an impression that she desires to resolve the dispute through direct negotiations with the Sharjah Emirate, pointed out that Iran's real aim behind all this is to isolate the emirate from the union'. He added that 'Iran is trying to isolate the UAE from the [political] reality in the Gulf by making positive statements towards the Gulf [countries]'. Concerning Iran's claims that its action on Abu Musa was legal under the agreement of the 1971 MOU, he asserted that such claims 'are a false interpretation of the clauses of the agreement with Sharjah', and

> 'Iran is trying to be exclusively in charge of security [on the island], a matter which has no legal or political basis; it is only an expression of Iran's political determination to control the island. Iran's current actions on the island bespeak its intention to change the island's demographic composition and its legal status' (SWB, 21 September 1992).

3.4 The negotiations between Iran and the UAE on the Abu Musa dispute

On 26 September 1992, the Iranian Foreign Ministry's director-general of Persian Gulf Affairs, Mostafa Fumani-Ha'eri, visited Abu Dhabi to hold talks with UAE officials

about Abu Musa (SWB, 28 September 1992). The UAE was represented by the head of the department of Gulf Cooperation Council affairs, Sayf Saudi Sa'id Sa'id. Iran and the UAE began talks in Abu Musa on 27 September 1992. The UAE delegation had presented a memorandum to its Iranian counter-part containing the UAE's views on the dispute over the three islands, which amount to:

1. Ending the military occupation of the islands of Greater Tunb and Lesser Tunb.
2. Emphasising Iran's commitment to the 1971 memorandum of understanding [MOU] on the island of Abu Musa.
3. Refraining from interfering in any way and under any circumstances or pretexts in UAE's exercising its full sovereignty over its portion of the island of Abu Musa, in accordance with the memorandum of understanding.
4. Cancelling all arrangements and measures imposed by Iran on the state organs on the island of Abu Musa, the state citizens and the non-UAE residents.
5. Finding an appropriate framework to resolve the issue of sovereignty over the island of Abu Musa within a definite period of time (SWB, 30 September 1992).

However, the talks only lasted for 15 minutes. When the UAE negotiators tried to discuss all three islands, the talks were suspended. According to a UAE official, 'the Iranian delegation which had only been empowered to discuss Abu Musa, had asked for a break to consult Tehran' (SWB, 29 September 1992).

After the talks had broken down, the UAE issued a statement proclaiming that Iran was solely 'responsible for not achieving any progress in the talks because of its insistence on refusing to discuss the issue of ending the Iranian occupation of the islands of Greater Tunb and Lesser Tunb or to agree on referring the issue to the International Court of Justice' (SWB, 29 September 1992).

With the whole Arab League members' backing, and Iran's refusal to go to the International Court of Justice, the UAE felt there was no alternative but to approach the UN. Foreign Minister Rashid Abdullah brought the issue up at the General Assembly on 30 September 1992 (MEI, 9 October 1992:4).

Facing mounting criticisms from Arab states, Rafsanjani defended Iran's position regarding these islands, and stated that according to the 1971 MOU, it was decided that a number of citizens of Sharjah could live in Abu Musa, in a part of the island where they operate a school and a hospital and they go around living as others do. Iranians would live on the other side. In February 1992, within the territorial waters of the island, Iran arrested a few suspect individuals, holding foreign identity cards. According to Rafsanjani, they were armed and had come to Abu Musa island on armed boats, and he referred the incident to the UAE (SWB, 21 September 1992).

The UAE, without officially denying this serious breach of the 1971 MOU, accused Iran of preventing UAE nationals from entering Abu Musa, by demanding visas from them. The UAE also accused Iran of gradual encroachment in Abu Musa, by building roads and an airstrip, and of intending to expand its military presence on the island (Mojtahed-Zadeh, 1999:293).

Several reasons might explain the Iranian action:

1. In the early spring of 1992, the Iranian President Rafsanjani paid a visit to Abu Musa. This is regarded as the first undertaken by an Iranian head of state since Iran moved its troops to this island in 1971. El-Issa argues that 'after this visit, Iranian authorities began to take a series of administrative measures by which

Iran sought to affirm its control and impose its hegemony over the entire island and its residents, in a move towards annexation by *fait accompli.*' (El-Issa, 1998:242).

2. The Iranian action of denying access to the southern, Sharjah-administered part of the island to non-UAE nationals was a local administrative blunder, a knee-jerk reaction to its exclusion from collective security arrangements for the Gulf or a calculated move designed to enhance its strategic position in the Lower Gulf (Schofield, 1997:133-4).
3. Iran wanted to send a message of warning that it was not prepared to forfeit any part of its territories (El-Issa, 1998:244-5).
4. The economic crisis in Iran forced Tehran to pursue a course to defuse this crisis, even if it meant sparking an oil crisis with its neighbours in a bid to increase oil revenues or its oil reserves. By imposing its control on Abu Musa and the Tunbs, it affirmed its ownership of these islands, and all oil wells and oil reserves within the territorial waters became its own (El-Issa, 1998:244-5).
5. Iran was isolated internationally by the US and denied a say in regional security arrangements (the Damascus Declaration). This incident was a reminder to its Arab neighbours that Iran was still a force to be reckoned with in any security arrangements in the Gulf (Schofield, 1997:133-4).

After the Abu Musa incident, Iran held several large-scale exercises in Gulf water to show its military power to its Gulf neighbours and demonstrate that Iran was able to protect and control its coastal borders and to confront any operation quickly and decisively (SWB, 30 April 1992). Again, in May 1992, Iran held another large-scale five-day military exercise in Shiraz, south of Iran. It included model armoured, infantry and air units of the ground force (SWB, 27 May 1992). Other land and sea military exercises were held in the Amir

Kabir dam region in September 1992 (SWB, 26 September 1992).

Despite this show of strength, Iran attempted to cool down the whole situation. In September 1992, the Iranian Deputy Foreign Minister, Ali Besharati, stated that relations between Iran and the UAE would return to normal and those UAE citizens would 'be allowed access to Abu Musa island in a normal fashion without a visa' (SWB, 21 September 1992).

Milani has noted that current Iranian policy towards the islands is no different from that of the Shah. Khamenei, Rafsanjani, and Khatami have repeatedly reiterated that they will not abandon or compromise Iran's sovereignty over the islands. Tehran simply cannot relinquish Iran's historical claim over the islands, to do so would be political suicide because the majority of Iranians support the *status quo* in the three islands. (Milani, 1996:97-8). However, the leaders of the UAE, too, are under pressure from their own nationals and Pan-Arabists not to give in to Iranian demands. Their national pride and honour are also at stake (Milani, 1996:98).

3.5 How the UAE issue has affected Saudi –Iranian relations

The strength of UAE-Saudi relations post the Iranian Revolution is found in the changing Saudi attitude towards the issue of Abu Musa and the Greater and Lesser Tunbs. When Iran sent troops into these three islands on 30 November 1971, Saudi merely expressed sorrow, without condemning the Shah's action. In 1980, however Saudi Arabia declared its full support for the UAE in its demand for the recovery of the islands (al-Alkim, 1989:131-2). One can see that since the 1973 oil embargo, the UAE had cooperated fully with Saudi Arabia over the oil pricing. Without the UAE's full support, the oil embargo

might not have been so successful. In 1975 Abu Dhabi finally gave in to Saudi's demand and ceded its long-disputed territory to Saudi Arabia. This could explain why in December 1980, the UAE delegation to the UN raised their claim to sovereignty over the islands for the first time with the full backing from Saudi Arabia. Furthermore, after the GCC had been established in 1981, a bilateral security agreement was signed between the UAE and Saudi Arabia in 1982 (al-Alkim, 1989:132).

One could argue that Saudi Arabia began to be more proactive in defence of the UAE in the 1980s because it was then in competition with the Iranian attempt to develop a complete hegemony over the Gulf, rather than being cowed by its military strengths as it had been in the 1960s and 1970s. With the backing of the US and the majority of Arab states on Saudi Arabia's side, the balance of power between Saudi Arabia and Iran had shifted in favour of Saudi Arabia.

However, in spite of Saudi support for all GCC leaders, King Fahd never explicitly backed the UAE in its claims to Abu Musa, and the Greater and Lesser Tunbs. According to neo-realist theory, survival is the *raison d'etre* of the state, 'and states behaviour is characterised by self-help' (Quilliam, 1999:9). Regarding geopolitical factors, since the UAE did not cause a security or religious problem to Saudi Arabia during the Abu Musa dispute, the Saudi reaction towards the whole islands' issue became lukewarm.

This was demonstrated on 19 September 1992, when Crown Prince Abdullah of Saudi Arabia received the Iranian Ambassador in Riyadh and described Iran as 'a very important country in the region and..... called for the expansion of ties between Riyadh and Tehran' (SWB, 21 September 1992). At this meeting Prince Abdullah did not mention the Abu Musa issue.

After the Abu Musa incident the UAE President Sheikh Zayid toured the Gulf and Arab states to gain support. The first round of visits was to the GCC states and then Egypt, Syria, where he requested Syria to send another envoy to Tehran to resolve the dispute between Iran and the UAE. On 26 September 1992, Sheikh Zayid, visited King Fahd for the second time to ask for the support of Riyadh.

However, Riyadh's stand on the Abu Musa dispute is confused. In his speech to the UN General Assembly, the Saudi Foreign Minister, Saud al-Faisal, declared that Riyadh supported a solution regarding the three islands dispute between Iran and the UAE. According to the French News Agency, this only appeared in the written text of Saud al-Faisal's speech which was distributed among those present at the UN General Assembly. However, this stand did not appear in the Minister's oral speech (SWB, 2 October 1992).

The written text stated that:

> We have heard with great concern the announcement made by the United Arab Emirates about the failure of the efforts it made with the Islamic Republic of Iran to reach a peaceful and amicable solution regarding a full recovery of its rights of sovereignty over the island of Abu Musa and the Greater and Lesser Tunb islands. We express our support for the United Arab Emirates in this context and its demands for the cancellation of the measures taken unilaterally by Iran and [the continuation of] endeavours to solve this problem through negotiations and the recourse to the arbitration of international law and international legitimacy (SWB, 2 October 1992).

According to Iranian official Newspapers, IRNA report, the territorial claim on the three islands by the UAE against Iran and the support of that claim by Arab states and

Washington, led Saudis to think that the time was ripe for voicing historical claims. On the other hand, as the military machine of Iraq had been smashed, the Saudis were tempted to prove that they were the dominant power in the Persian Gulf, and on that basis, they decided to exploit the situation for attaining their goals on the basis of historical precedence (SWB, 6 October 1992).

Tehran regarded Riyadh as the most important influential player affecting Arab world opinion in this dispute. The Iranian ambassador in Jeddah delivered a message from President Rafsanjani to King Fahd in October 1992 on 'the current problems and developments' in the Gulf. The message emphasised the ability of the countries of the region to solve problems through negotiations. King Fahd thanked the Iranian President and stressed the important role of Iran in maintaining peace in the Gulf region (SWB, 14 October 1992).

Thus, the Abu Musa issue emerges from time to time between Saudi Arabia and Iran. King Fahd, in his message to the 1994 Hajj pilgrims, asked Iran to give back the islands of Abu Musa and Tunbs to the UAE (Mojtahed-Zadeh, 1998:303). However, it has never become a major obstacle improving their relations in the 1990s.

Again, in January 1996, Riyadh commented that if Iran had valid claims of its own to the islands, these ought to be adjudicated by a submission of the case to the International Court of Justice (Schofield, 1997:155). However, because both countries had been on friendlier terms since 1995, with officials frequently exchanging visits, the Abu Musa issue receded into a minor disagreement between both countries.

From the beginning was the of Abu Musa, the Greater and the Lesser Tunbs dispute in

1971, Saudi Arabia was not willing become involved in a dispute with Iran, because according to neo-realist theory, Saudi security had not been undermined by this dispute. Therefore, Riyadh kept a very low profile and allowed the British government and the Shah to wrestle over the independence issue and the UAE islands' dispute. At the same time, Riyadh itself had a border dispute with Abu Dhabi, which could explain the Saudi's lukewarm attitude towards the UAE. Soon after the Iranian revolution, the subsequent eight-year Iran-Iraq war, Iran was in weaker position, and the UAE, under the support of Saudi Arabia, raised their claim to sovereignty with the UN.

Although, the issue of island sovereignty re-emerged in the 1990s, and the UAE attempted to gain support from Saudi Arabia, one can see because of the political situation with Iran Saudi Arabia was not willing to jeopardise its relations on both sides.

4.0 Conclusion

From these two case studies –Bahrain and the UAE, one can easily detect the different approaches of Saudi foreign policy towards Iran.

For Bahrain, several reasons could explain its importance in influencing Saudi - Iranian relations. First, its strategic location close to the Eastern Provinces of Saudi Arabia, Hasa and Qatif, and the increasing interactions between them after the linkage of the two countries by a causeway. Any political change in Manama will affect Riyadh dearly. Second, from the religious point of view, Bahrain being mainly *Shi'ite* - if the Manama regime changed to an Iranian style Islamic Republic, this would encourage Saudi's own *Shi'ite* minority to request fairer treatment from Riyadh.

Throughout different periods, Saudi Arabia has adopted different approaches towards Bahrain. In the early nineteenth century Saudi Arabia itself had ambitions towards Bahrain but it was only when it realized that it could not gain control of Bahrain that Saudi Arabia was forced to change its tactics to ensure the Bahraini government should always consider Riyadh's position.

The Saudi reaction to the unrest in Bahrain illustrated that the Saudi regime will not allow any dramatic regime change in Bahrain to occur, due to its own security concerns. Therefore, Riyadh is willing to confront Tehran to guard stability in Bahrain, and this situation is certain to continue in the foreseeable future. In effect, the Bahraini issue will always be a cause of friction between Saudi Arabia and Iran.

In contrast to Bahrain, Saudi foreign policy towards Iran regarding the UAE was remarkably different. First, although, Abu Musa, the Greater and Lesser Tunbs are very important for the Saudi oil shipments through the Gulf, they will not threaten Saudi's security and domestic situation. At the same time, the Saudi regime learned that during the 'Tanker War' the superpowers, especially the US, were very eager to protect the oil shipments moving through the Strait of Hormuz, preventing the Iranian government's aim of sabotaging the world economy. Therefore, the Saudi regime believed that the international community would not allow Iran to utilise these islands to pose any threat to the oil shipments. Second, Riyadh regards the UAE as an opposition in competing for regional and international markets, and domination within the GCC. Therefore, Saudi Arabia's reaction towards the islands dispute remained lukewarm. Only when the UAE requested that Saudi Arabia should raise the islands' issue, or when Riyadh needed to show its influence and importance within the GCC, would it raise the 'ownership' issue of these islands in the media, or in the international arena.

In conclusion, Saudi foreign policy can be seen to be driven by neo-realist thinking. The state is a rational actor; and security concerns are fundamental in determining Saudi foreign policy, whereas economic issues play a secondary role. In conducting relations with its neighbours, Saudi Arabia acted according to its own national interests. Security concerns dictated its confrontational policy with Iran when regarding the issue of Bahrain. On the other hand, Saudi Arabia took a neutral stance towards the UAE issue, because the UAE does not represent a direct challenge to Saudi's interests. Therefore, Saudi Arabia did not wish to aggravate Iran, over this issue.

CHAPTER SEVEN

THE SUPERPOWER FACTOR

1.0 Introduction

This chapter analyses how the superpowers (i.e. the Soviet Union/Russia and the US) influenced relations between Saudi Arabia and Iran from 1977 to 1997 by highlighting each superpower's own concerns in the region, their individual policies towards Saudi Arabia and Iran, the responses of those states and how these responses affected their bilateral relations. The researcher of this project has argued for a neo-realist approach to understand international and regional systems. In the context of the Saudi-Iranian relations, therefore, the research offers evidence to suggest that the US and the Soviet Union's penetration of the Middle East [necessarily] had a consequent impact on the policies of the regional players, who had to respond to the changes that were introduced by both superpower actors. Therefore, this chapter looks at the superpower policies towards Saudi Arabia, Iran and the region, and accesses how Saudi Arabia and Iran responded and how those responses affected the relations between Saudi Arabia and Iran. In this chapter, the researcher identifies four general variables that help to understand the foreign policies of the superpowers towards the region and specifically their impact upon the Saudi-Iranian relations. These variables are security (border, water, and military presence), ideology (communism vs. capitalism), economic factors (oil, arms, aid, trade), and regional conflicts (i.e. the Arab-Israeli conflict, Yemen, the Soviet invasion of Afghanistan, the Iran-Iraq War, the Iraqi invasion of Kuwait).

This chapter is divided into two sections. The first section highlights both superpowers' interests in the Middle East post-WWII; the second section examines how the relationship between Iran and Saudi Arabia has been influenced by the superpowers' interests and by their need to respond to these policies.

2.0 Superpowers' interests in the Middle East

The importance of the Middle East for both superpowers had evolved from the early twentieth century from being of minor importance into being one of the arenas for competition between the US and the Soviet Union in the 1970s and 1980s. This was due to the superpowers' struggle to gain power and influence throughout the world vis-à-vis one another. This 'Cold War' (1945-1990) was based on maintaining a strict but flexible hierarchy between the superpowers and their allies, as well as between the nuclear states and the non-nuclear states. Griffiths and O'Callaghan argue that powerful domestic interests on both superpower sides, helped to sustain the Cold War. Within the US, the arms race strengthened sectors of the military-industrial complex, justified their intervention in conflicts abroad, facilitated the establishment of the national security state, and made the President become prominent over other institutions of the US federal government. For the Soviet Union, the Cold War justified domestic repression, subordinated the civilian to the military sectors of society, and maintained an authoritarian government (Griffiths and O'Callaghan, 2002:36-37).

The Cold War began as a result of Soviet expansion into Eastern Europe and the imposition of Communist regimes in the countries of that region. However, the competition between both superpowers in Europe spread into the Middle East when the Soviet Union refused to withdraw from Azerbaijani areas of Iran in 1946. Throughout

the 1950s and 1960s superpower rivalry manifested itself in American and Soviet support for conservative and revolutionary movements and regimes respectively, with the emphasis being on maintaining a geo-strategic and territorially based balance of power. In the 1970s Arab oil played an increasingly significant role, with the domination of the West upon the oil industry in the region posing a major threat to Soviet security. Oil created a new inter-dependency between the superpowers and the region, enhancing the territorial and ideological aspects of cold war competition.

By the 1990's, however, the Soviet Union proved unable to sustain its competition (in the arms race) with the US as it faced internal economic and political turmoil. With an economy that was less than half the value of the US, the Soviet economy, being largely unreformed since Stalin's day, had declined since the 1960s due to the cumbersome and inefficient central planning system. It was therefore unable to incorporate the technological advances that were revolutionizing the economies of the US (Kort, 1998:82-85). The Cold War finally ended when the Soviet Union became economically exhausted by the burdens of trying to keep up with the far more developed, financially richer, and technologically more efficient US and its allies. One of the consequences was that the US was able to dominate the international system (Griffiths and O'Callaghan, 2002:36).

The period covered in this thesis, (1977-1997) thus witnessed a fundamental alteration in the impact of superpower penetration of the region, from Cold War to post-Cold War, from bi-polar to unipolar international systems.

In order to understand how this changing superpower involvement in the region influenced the relations between Saudi Arabia and Iran, we need to analyse the framework within which their main policies towards the area were designed.

The Soviet Union and the US had similar interests in the Middle East region. The author attempts here to define their interests in terms of the different issues. In contrast, although, the US had the similar concerns regarding regional affairs, they got involved soon after WWII, when American policies were formulated with regards to the Soviet threats. Each American President issued a so-called 'doctrine' to counterbalance the threats from the Soviet Union. Therefore, the best way to understand the evolution of US foreign policy in the region would be to assess the various doctrines implemented in each period.

2.1 Soviet interests in the Middle East

Soviet interests in the Middle East region were shaped by four factors that dominated Soviet policy thinking in the twentieth century: security, ideology, economics and regional politics.

In terms of security, basic geopolitical factors were crucial to Russian policies. Middle Eastern countries, notably Turkey, Iran and Afghanistan, near or adjacent to the Soviet borders, formed a buffer zone to protect Russia's southern border (Joshua, 1970:1). Critically these countries held predominantly Muslim populations who held much in common with the populations of the Central Asian Republics of the Soviet Union. Thus their internal politics were of great concern to the Soviet Union as well as their geo-strategic alignment.

In the wake of WW II, strategic concerns were increasingly matched by ideological considerations (the spread of communism and the struggle against Western imperialism) and economic concerns. The withdrawal of British and French military forces from the region created a power vacuum in the Middle East that provided tempting opportunities for the extension of Soviet influence for these accumulating reasons (Pinchuk, 1973:65).

With the oil crisis in 1973, Moscow learnt that oil not only represented an economic asset to which it needed access, but also that economics could be a very effective weapon to use against the West's interests. Moscow had an interest in gaining (indirect) control over this strategic resource, at least to the extent of being able to threaten the regular flow of vital oil supplies to the West (Golan, 1990:17). This increased Soviet interest in the Persian Gulf region, moving Soviet influence beyond conventional support for Arab nationalist regimes as in Syria and Egypt or efforts to infiltrate the regimes of regional neighbours like Turkey and Iran. Following the announcement of the British withdrawal from the Persian Gulf, the Soviet Union immediately expanded its naval presence in the Indian Ocean. They signed treaties with Iran in 1968, 1972 and 1976, and also with India in 1971 and Iraq in 1972. This allowed the Soviet navy to have access to the port of Umm Qasr at the northern end of the Persian Gulf, and develop close ties with the Marxist regime in South Yemen (PDRY). By 1978, the Soviet Union was influential in Afghanistan, Ethiopia, Libya and the South Yemen. At the same time it had signed friendship treaties with Iraq, Syria and Algeria and had established full diplomatic relations with Kuwait, Iran and Jordan.

The Iranian Revolution in 1979 changed the Cold War game in the region. For

Moscow, Iran was regarded as critical for Soviet foreign policy, in the light of the historical Soviet preoccupation with border security and its own ethnic Muslim minorities that were linked with Iran by their common religion. The strategic value of the Soviet relations with Iran lay, to a large extent, in Iran's location in the Persian Gulf water and its oil production and export capacity (Varasteh, 1991:46). The revolution in Iran, and Iran's immediate rejection of the previous American influence, represented a net gain to the Soviet Union, despite the subsequent alignment of Iran with 'neither East nor West'. Despite the ideological differences between the secular Soviet Union and the Islamic Republic, the Soviet Union sought to capitalize on its fortune by developing relations with the Islamic state.

1979 also saw the Soviet Union attempting to improve its strategic position by its invasion and occupation of Afghanistan. While this, combined with the loss of Iran for the US, initially improved its Cold War position, the occupation was soon to become a military liability for the Soviet Union, and drew it into ideological conflict with Arab Gulf regimes (and eventually fighters), who were forced closer to the United States security umbrella by the aggressive policies of the Soviet Union.

Up until its 1979 invasion of Afghanistan, the Soviet Union seemed to be having some success in a policy of penetrating the Middle East but, within the Persian Gulf, it had only managed to establish a client relationship with Iraq and diplomatic relations with Kuwait. In the early 1980s, the Soviet Union tried to capiatlise on the opportunities offered by the Iran-Iraq War which provided an ideal opportunity for Moscow to play an important role in the region, by providing weapons to both of the warring states. However, the Soviet economy could no longer sustain the costly arms race in direct competition with the US and, as it underwent its own internal traumas, its actual

influence within the Middle East ultimately dwindled somewhat. It failed to establish itself as a major actor in the Persian Gulf. Only during the Second Gulf War in 1991 and in its immediate aftermath, did Russia begin to reassert itself in the region. However, post-Soviet and USSR status meant that the new Russian policy changed its orientation, to what can be best described as being a 'constructive engagement'. The policy was not just limited to arms sales, but also concentrated on economic development issues, particularly in the area of energy (e.g. pipelines) as well as making a revitalised contribution in international for a such as the United Nations.

2.2 US policies towards the Middle East

The US had the same concerns as the Soviet Union in regional affairs, namely security, ideology, economics, and regional political factors, though they used them at various different levels during each period which affected the US perceptions of directing their own policies in the region.

After WWII, the US was concerned about Soviet encroachment into the Middle East region. This imminent threat was accelerated by Britain's gradual departure from the Middle East in the aftermath of the war. In the post-war era, US involvement in the Middle East region was shaped by a series of American presidential pronouncements, or doctrines which represented responses to the superpower competition for power at the global level, as well as with specific reference to the Middle East. The early Truman and Eisenhower doctrines essentially sought to provide US military support to regional regimes fighting communist insurgencies, while the 1969, Nixon doctrine (also known as the 'Twin Pillars' strategy) ramped up the US interest in the Middle East by providing economic and military support to regional 'policemen' nominated by itself.

The US still relied on regional states to assume the primary responsibility for their own defence but sought to ensure stability in the Gulf through promoting co-operation with, and between, Iran and Saudi Arabia (Kuniholm, 1987:16).

The policy sought to keep Iran as the supreme power, but enabled Saudi Arabia to remain sufficiently strong (both qualitatively and quantitatively) to provide a major supporting role. The Iranian Revolution in 1979 undermined the premise of the 'Nixon Doctrine'. With the hostage crisis in Iran, the burning of the American embassy in Pakistan, the Soviet invasion of Afghanistan, and Turkey's domestic turmoil, together with problems in the Horn of Africa and also in Saudi Arabia, the whole area subsequently became known as the 'Arc of Crisis'. It was clear that the 'Twin-Pillar' policy was in ruins and US policy along the Northern Tier was in disarray (Kuniholm, 1987:17).

The Iranian Revolution in February 1979 and the Soviet invasion of Afghanistan in December 1979 were both perceived to threaten US vital interests in the Gulf region – i.e. access to oil and strategic advantage. The 'Carter Doctrine' that was subsequently introduced in 1980 committed the US to the military defence of the Gulf from any external threats – and was directed specifically at the Soviet Union (Evans and Newnham, 1998:61-62).

The Reagan administration consolidated the security framework that had been initiated by President Carter. The essence of the 'Reagan Doctrine' was the active destabilisation of selected target states that embraced Marxist/Leninist and pro-Soviet ideologies and policies (Kuniholm, 1987:17) as well as the consolidation and expansion of the Rapid Deployment Forces established by Carter, with base facilities being

procured within the 'Arc of Crisis'.

The Reagan administration had been determined to halt the expansion of Soviet power. Their main targets in the Middle East were Afghanistan and Iran. Furthermore, the administration emphasised the idea of 'regional influence' and as a result of this, Turkey and Pakistan were beneficiaries of improved assistance packages, and the US continued to develop a close relationship with Saudi Arabia (Kuniholm, 1987:17). Saudi Arabia, while willing to receive diplomatic support from the United States, and the develop economic ties, proved reluctant to make the mistakes of the Iranian Shah and refused to allow the US the desired permanent military base facilities within Saudi soil, offering instead what was effectively only 'storage' space at Dhahran.

The Iran-Iraq War offered the US new opportunities to expand its influence on Arab regimes in the Persian Gulf, although it also offered threats in terms of a potential Iranian victory or Soviet co-operation with either warring party. However, with the Soviets largely pre-occupied with their internal troubles and with the war in Afghanistan, the latter threat remained largely at the non-military level (the exception being arms sales).

The end of the Iran-Iraq War in July 1988, and the withdrawal of the Soviet army from Afghanistan, marked a new beginning in the history of the Middle East. Furthermore, the political and ideological map of international relations was altered in 1990. The end of the Cold War and the inappropriateness of the Soviet system as being a model for Third World states, terminated the bipolar system and the US then became the unilateral superpower of the world.

The Iraqi invasion of Kuwait on 2 August 1990 and the subsequent war in the Gulf brought the issue of security in the Middle East to the top of the international political agenda. The Second Gulf War in 1991, which was led by the US for the restoration of the Kuwaiti government, saw American hegemony ensured. Although the coalition has been sanctioned by the United Nations, and had included fighting forces from many countries, the US was largely credited with having reduced the threat from Iraq towards Saudi Arabia and the other GCC states (Hudson, Johns, 1996:340) and subsequently became their major security partner.

In return for the protection it offered, the US gained a new level of access to the energy resources in the region (Hader, 1993:42). Riyadh showed its gratitude by agreeing to continue supporting the stabilisation of the oil market, accepting a more visible American military presence in the Gulf, and playing a more active diplomatic role in regional Arab politics, including its backing of the US-led peace process (Hader, 1993:42).

As the Clinton administration came into office in 1993, it faced the challenge of ensuring Gulf stability in a new international and regional environment. The disappearance of the Soviet Union gave the US unprecedented freedom of action, while the Madrid Conference, which had been sponsored by the Bush administration, inaugurated a fundamental new phase for the Middle East peace process, offering hope that the Arab-Israeli conflict might eventually prove resolvable (Brzezinski et al, 1997b:22).

Clinton was concerned that the American economic base was no longer able to support an over-extended military presence abroad. The Clinton Doctrine rested on three main

pillars: the preservation of global military predominance; the quest for continued economic prosperity; and promotion of a free market democracy abroad. However, the Clinton Doctrine differed from previous doctrines, in that there was no open-ended commitment to military intervention, nor was there any promise to bear the costs of world conflicts (Evans, Newnham, 1998:68).

The Clinton administration's strategy for achieving this goal, during the president's first term, was its attempted 'Dual Containment' of Iraq and Iran, which was first proposed in 1994. This policy was predicated on the assumption that America could restrict both Iranian and Iraqi military expansion, and could therefore, bring stability to the Persian Gulf. This policy was intended to topple Saddam Hussein's regime in Iraq and also reform the regime in Iran.

However, it can be argued that this policy was largely ineffective because there was no regime change in Iraq and, added to that, Iran continued to support extremist groups such as Hizbullah in Lebanon. There was also a lack of support from all other actors including the EU, Russia, China and Japan for maintaining sanctions on Iran due to their own separate economic interests in Iran (Brzezinski et al, 1997b:20). They all seemed to desire lifting the sanctions and gaining the chance of receiving contracts for their own companies to work on the reconstruction of the country.

The first Gulf War and the subsequent Clinton strategy of 'Dual Containment' saw Iran's reduction from regional power following its break with the United States in 1979 largely completed. Moreover, the US sought to isolate Iran and to promote its Saudi ally to a new level of regional power. However, the failure to truly isolate Iran (given European, Asian and Russian connections with that state) and Gulf Arab

acknowledgement that Iran remained a significant regional force, meant that Iran never truly slipped from its regional status. This chapter, while now moving on to examine how Iranian-Saudi relations were affected by this alteration in superpower politics, argues that ironically, the end of superpower rivalry, the hegemony of the US and the latter's efforts to promote one while demoting the other, did not serve to influence the Saudi-Iranian relationship to a greater extent that had the previous superpower rivalry.

3.0 The impact of superpowers involvement on Saudi-Iranian relations

In order to fully assess and analyse the impact of superpower involvement in the region on Saudi-Iranian relations during 1977-1997, one should first understand how both Saudi Arabia and Iran reacted to the superpowers' penetration into the region and how this ultimately affected the foreign policy of Saudi Arabia and Iran towards each other. Therefore, in this section the research attempts to highlight both Saudi Arabia and Iran's foreign policy orientation during the Cold War and soon after the collapse of the Cold War, when the US became the unassailable hegemon in the world. It will be possible to use the events that occurred between the 1977 and 1997 period as a signpost to discuss the impact of the superpowers' influence on the relations between Saudi Arabia and Iran.

3.1 The foreign policy of Saudi Arabia in response to the superpowers involvement in the region

The key to understand the Saudi Arabia's foreign policy would be to examine the strength and weakness of Saudi Arabia in the world political arena. Saudi Arabia is an unconventional power. It is militarily weak compared to its regional neighbours (see

table 2.4, 5.6 and 7.1). Its size of population is dwarfed by that of Egypt, Turkey or Iran. Yet, it is the world's largest producer and largest exporter of oil, and its oil reserve amounts to more than 25% of the entire world (Ahrari, 1987:70). It is also home to the two Holy Cities, Mecca and Medina, which has enabled Saudi Arabia to claim a special leadership role in the Muslim world.

Table 7.1 Evolution of the Principal Gulf Powers, 1970-1980

	1970			**1980**		
	Iran	**Iraq**	**Saudi Arabia**	**Iran**	**Iraq**	**Saudi Arabia**
Manpower (1,000)	161	95.5	60	240	242	67
Tanks	>750	685	90	1,735	2,750	380
APCs	>750	>200	--	>825	2,500	>350
Strike Aircraft	32	124	24	265	217	--
Interceptor Aircraft	138	105	51	166	115	136
Major Naval Ships	11	--	--	11	--	--

Source: Hameed, M.A., (1986), Saudi Arabia, the West and the Security of the Gulf, (London: Croom Helm) p.4.

Therefore, Saudi Arabia's foreign policy is best understood by its fundamental goals of regime/state survival which was of utmost importance in the policy-thinking of the Al Saud regime: to protect the country from foreign domination and/or invasion and to safeguard the domestic stability of the Al Saud regime. According to Gause, Saudi foreign policy is one tool among many used to secure the ruling of the Al Saud regime and build a secure Saudi state. However, the pursuit of these goals has rarely been direct and clear-cut, because Saudi foreign policy must operate on three levels: first, on the international level, dominated by the Saudi Arabia strategic alliance with the US and

the Saudi role as an oil power; second, on the Middle East regional level, where Saudi Arabia plays a balancing game among larger and more powerful neighbours, such as Iran and Iraq; and third, on the Arabian Peninsula level, where Saudi Arabia asserts itself as a hegemon over its smaller monarchical Gulf neighbours (Gause, 2002:193).

Due to the complexity of the international politics which affects Saudi Arabia's foreign policy so immensely means that some policies may seem beneficial for Saudi Arabia on one level, but can present serious problems on another level. Saudi's alliance with the US has been of great benefit both militarily and economically, but has also exposed the Saudi regime to regional attack and domestic criticism. Their leading role in the world's oil market has brought them wealth and international status, but also subjected them to both intense international and regional pressure. The leadership in the Muslim world has brought them the domestic legitimacy and regional stance, but has also opened up the competition with Egypt's Pan-Arabism and Iran's challenge against its role in the Muslim world (Gause, 2002:193-194). Therefore, all these factors shaped the Saudi foreign policy in the twentieth century.

3.2 The foreign policy of Iran in response to the superpowers penetration in the region

For understanding the Iran's foreign policy in response to the superpowers involvement in the region, one should look into the role and position of Iran in the region/world which plays an important role in shaping Iran's foreign policy towards international and regional players. Geography has played a key part in forming Iran's foreign policy for centuries. However, in the twentieth century due to the superpowers' Cold War game, this directly affected the Iran's relations with the superpowers and the regional Gulf

states. Geography acted as a single force in shaping Iran's foreign policy in the early stage of the Cold War. Historically, fears and perceptions of foreign interference/invasion formed the basis of Iran's foreign policy. However, at the same time, this contributed to Iran's forceful struggle for both political and economic independence from foreign powers. According to Ehteshami, during the twentieth century, a combination of factors – geography; the need to secure the country's territorial integrity; adverse historical experiences; competition with regional players; external meddling with Iran's internal affairs by the Soviet Union, Britain and the US; and the oil resource – have all come together to give geopolitics an acute factor in the weight of history, as it holds a special place in having determined Iranian foreign policy (Ehteshami, 2002:285).

For Iran, both in pre- and post- revolution, their economic power and independence of action in economic terms have all been seen as the predecessors to gain their political independence and establish a regional influence. Therefore, developing the Iranian economy was always at the heart of the regime. This has been witnessed during the Shah's period of rule and the clerical regime from 1979, all with an attempt to expand the Iranian domestic economy and broaden the country's industrial and manufacturing base.

As discussed in Chapter Three, oil has acted as a double-edged sword for the Iranian economy. Since the late 1960s, the economics and politics of oil began to influence Iranian foreign policy and their national-security strategy. However, this heavy reliance on oil wealth, as the main pillar of Iran's development strategy, increased its vulnerability to the outside powers and international economic pressures. Although, since the revolution, the clerical regime attempted to divert its heavy reliance on an

oil-economy strategy, the war with Iraq destroyed the chance for Iran to transfer its oil-based economy into having a broader agricultural, manufacturing and industrialised base, which limited Iran's ambitions to become the dominant power in the region (Ehteshami, 2002:285, 288-291).

After the end of Iran-Iraq War and soon after that the end of the Cold War, this allowed Iran to readdress its economic problem. In the absence of foreign investment and other immediately available and accessible resources during the Iran-Iraq War, this forced the Iranian clerical regime to 'face the music' and change its foreign policy towards the West in general, and the Arab states in particular.

Due to global dependence on oil as the main source to generate the world's economic growth, oil has enhanced Iran's capabilities and its potential to influence the balance of power in the region. However, this very point has, caused the intense competition/rivalry between Iran and Saudi Arabia. During the Shah's reign, due to the oil factor, the Shah forged a very close alliance with the US and this enabled Iran to build a substantial military capability in the 1970s and pursue Iran's ambitious political objectives in the Middle East. But, soon after the 1979 revolution, oil acted as one of the main factors to cause serious frictions with the outside players.

The ambition towards regional supremacy has long been a feature of Iranian foreign policy which could be derived from Iran's long history and its geographic location. Iran sees itself as being unique to play an important role in the region. Throughout the Shah's period, it can be seen that Iran tried to become the Gulf region's primary military power and finally became the main pillar of the Western security system in the Middle East. However, since the Iranian Revolution, the clerical regime based its legitimacy

on religion, therefore, religion has also emerged as being an important factor to affect Iran's foreign policy towards its neighbours. In the early 1980s the Iranian policy of exporting the revolution caused huge tension in its relations with Saudi Arabia and other influential Islamic actors in the Muslim world, which ultimately led both superpowers to change their policies towards Iran. Since the end of the Cold War, and despite its more integrationist and non-ideological foreign policy, Iran has still tried to keep pace with the politicized Islamic groups in the Arab world and has actively supported their activities (Ehteshami, 2002:286-288).

For understanding the impact of the superpowers' involvement in the Middle East and the response by both Saudi Arabia and Iran, including whether there was any change of the balance of power between them, the research attempts to highlight the events that occurred during the time scale of 1977-1997. This section will be broken down into three main time periods. These periods are, 1977-1979, and the dramatic changes in the region caused by the 1979 Iranian Revolution; then 1980-1988; during this period a change in the balance of power between Saudi Arabia and Iran occurred because of the deterioration in the relations between Iran and the superpowers which was caused by the eight-year Iran-Iraq War; and finally, 1990-1997, as this period witnessed the decline of the Soviet influence in the region which led to the US emerging as the unipolar power.

3.3 1977-1979: The dramatic changes in the region

Between 1977 and the 1979 Iranian Revolution, the region witnessed competition between the superpowers, the result being damaging for the regional stability. As this chapter has shown, prior to the Iranian Revolution the Shah had proven to be an important ally for the US. The Shah had helped restore US-Egyptian relations, helped

lure North Yemen and Somalia away from the Soviet camp, and had defeated the Communist revolt in Dhofar, Oman, as well as maintaining a monitoring role on Iraq and South Yemen. The Shah had utilized the Cold War game between the superpowers, gaining American support by threatening to strike up closer relations with the Soviet Union. To counter-balance US influence on Iran, Moscow had, during the decades prior to the Iranian Revolution, cultivated Iranian trade and joint ventures (such as increasing its assistance for expanding the Esfahan Steel Mill). However, Soviet-Iranian relations became more limited as Iran increased its ideological and political proximity to match US interests in the region.

Closer proximity to the US carried its own costs. Initially, the opposition in Iran to the Shah came from the leftists who were led by the Tudeh (Communist) party, some theology students and several members of the bazaar merchants (who believed that their economic position was being threatened by the economic changes). When the revolutionary movement in Iran began to escalate during the autumn of 1978, there arose the possibility of some intervention by Washington, which led the Soviet leader, Leonid Brezhnev, to warn the US against interfering with Iran's domestic affairs. The Soviets were impressed by the anti-imperialist and anti-Western rhetoric that was being openly expressed during the revolution. This, and the inclusion of leftist forces in the coalition, all combined to the Soviet's advantage; the Soviet media also started to attack the Shah, denouncing him as a 'corrupt and brutal dictator' who oppressed the Iranian people. Evidently, the increasingly obvious instability of the Shah's regime presented the Soviet Union with the possibility of turning Iran into the Soviet camp which could be used to undermine the American influence and their prestige in the region (Varasteh, 1991:47). For these reasons, it can be argued that, this is why they prevented any US involvement in Iran. Article Five of the Iranian-Russian Treaty, signed in 1921,

allowed both countries to prevent the presence of forces of a third party into both countries. The treaty also entitled Moscow to move its troops into Iran if it felt threatened by any armed intervention by a third party interfering with Iran. To counter their position as being the 'third party' the American Secretary of State, Cyrus Vance, stated publicly in 1978 that Washington had no intention of becoming involved in Iran's internal affairs (Hiro, 1996:127).

Therefore, one could argue that because of the competition of both superpowers the Soviets did not allow the Americans to interfere in Iran's domestic problems, which ultimately resulted in the downfall of the Shah.

3.3.1 The Iranian Revolution

The Iranian Revolution in February 1979 changed the balance of superpower influence over Iran. For Moscow, it initially signified a golden opportunity for improving its relations with Iran, because the bond between Iran and the US was broken. Therefore, the Soviet Union intensified its attention towards Iran by providing support through the Tudeh party. Moscow regarded the revolution as having provided it with the opportunity of once more moving into the centre of the political stage. For the Soviet Union it represented an effective and efficient way of combining ideological preference with political necessity (Varasteh, 1991:48). Nonetheless, this optimism did not last long, because soon after the revolution, Tehran asked Moscow to abandon the 1921 Iranian-Russian Treaty (Golan, 1990:29), as it wanted to function free from foreign intervention under its new 'neither East nor West' foreign policy; a request which Moscow refused to comply with.

Tensions were exacerbated between Iran and the Soviet Union over the Kurdish problem. Tehran accused the Soviet Union of stirring up trouble among the Kurds on its northern borders and of sending arms and back-up support to the Kurdish Democratic Party (KDP). Moscow denied this accusation (Varasteh, 1991:48-49). At that time, Moscow still attempted to keep friendly relations with Tehran.

The Arab Gulf states, especially Saudi Arabia, were horrified by both the revolution itself and the fact that the US had offered no assistance to support the Shah. This made Riyadh doubt any genuine US commitment towards Saudi Arabia. However, despite its reservations regarding the reliability of its American ally, anew degree of Saudi co-operation with the West was manifested in the 1979 oil crisis (see Chapter Three). The Iranian Revolution caused a panic reaction in the world's oil market and therefore in order to stabilise the oil price, the US requested Saudi Arabia to act as a swing producer. By actively becoming an oil swing producer during the oil crisis, Riyadh hoped that it had bought itself guaranteed US protection. During the Iran-Iraq War, for its own regime survival, Saudi Arabia was forced to align itself closely to the US, feeling threatened by the possibility of Iran potentially winning the war, and the potential for a domino effect eventually hitting Saudi Arabia. The Saudi regime was fully aware of its vulnerability and therefore, the necessity to rely on the US for their protection.

Thus, the Iranian Revolution drew the US and Saudi Arabia close together despite Arab concerns over the extent of US support for the regimes themselves. The anti-American and anti-Saudi stand that was taken by the Islamic Republic of Iran, became a unifying factor between the US and Saudi Arabia (Amirahmadi, 1993a:148-149). Soon after the revolution, the Iranian clergy claimed that the Gulf regimes were corrupt, and

un-Islamic, so they wished to export their Islamic ideology throughout the Gulf region, and further (Sankari, 1982:190). The new Iranian regime threatened the legitimacy of the Arab Gulf regimes, which led them to request help from the US, in order to prevent any Iranian intrusion. The US provided Saudi Arabia with weapons in order to enhance their defence system and this US involvement in Riyadh's military build-up enhanced Saudi Arabia's position to confront any Iranian threats provided thereafter.

3.3.2 The American hostage crisis

In 1979, when the Shah fled Iran after a year of growing public unrest, President Carter allowed the ailing Shah to enter the US for medical treatment on 22 October. On 4 November 1979 an angry mob of young Islamic revolutionaries seized the American embassy in Tehran, taking more than sixty Americans in hostage, in what was called the 'American hostage crisis'. It lasted for 444 days and ended just minutes after President Reagan took office. The whole event led to a steady deterioration in the US-Iran relations.

The hostage saga exposed the fact that the Americans had underestimated the new Iranian clerical regime, and the Carter administration was slow to understand the realities of the Iranian Revolution (Kort, 1998:73). Kort argues that Carter allowed himself and his administration to become 'hostage to the hostage crisis'. Carter commented that he felt the same helplessness that a powerful person would feel if their child was kidnapped. He made the mistake of allowing those feelings to be known publicly. While Carter visibly agonized over the fate of the hostages, the US looked like a weak and helpless giant as the Iranians mistreated the hostages and taunted the president. A humiliating failed rescue attempt in April 1980 only made the US and its

president look even worse, and the saga left Carter's presidency in ruins (Kort, 1998:73-74).

The American hostage crisis in Iran led to a dramatic change in the US policy towards both Iran and Saudi Arabia. The hostage crisis caused a deterioration in the relations between the US and Iran and, at the same time, reinforced the US commitment towards Riyadh for safeguarding the stability of Saudi Arabia. This issue changed the balance of power between Saudi Arabia and Iran, and for the first time Riyadh began to compete with Iran to have a major influence within the region.

3.3.3 Invasion of Afghanistan

The invasion of Afghanistan by the Soviet Union on 25 December 1979 is regarded, by many, as an unprovoked invasion of one sovereign country by another. It caused a significant tensions between the Soviet Union, Iran, and Saudi Arabia, due to their very different ideological and strategic perspectives (Rabins, 1989:91).

The Soviet invasion of Afghanistan, (1979-89), became a conflict between anti-Communist Afghan guerrillas, the Afghan government and the Soviet forces. A year earlier, in April 1978, a successful coup had installed a new Communist government in Afghanistan under Nur Mohammad Taraki. However, this new Afghan regime was unpopular from the start in that conservative and Islamic country and by 1979 it was on the verge of totally collapsing (Kort, 1998:75). In 1979, another coup brought in Hafizullah Amin, whose actions Moscow had been increasingly unable to control, so Moscow desired to topple this new regime (Smolansky and Smolansky, 1991:216). Soviet troops invaded, and installed a new Communist leadership through

Babrak Karmal, as the new president. Moscow had calculated that Karmal would be more effective under its own direct influence (Girardet, 1985:35-37).

The Soviet Union considered this invasion to be a defensive action. Moscow calculated that they were saving a friendly Marxist regime threatened by both American and Chinese subversion. Furthermore, the Soviets feared that Islamic fundamentalism, which already had led to the overthrow of the Shah in Iran, would spread via Afghanistan to millions of Muslims living in the Soviet Union. In addition, this invasion actively affirmed the Soviet Union policy thinking of the Cold War era, where the Soviet Union intervened in conflicts outside its own borders in order to prevent the fall of Communist regimes (Kort, 1998:75-76). The whole invasion could be regarded as being based on the Soviets' ambition to use Afghanistan as a springboard for further Soviet advances towards the Persian Gulf in general (Quandt, 2001:68).

The Soviet invasion of Afghanistan once again led Arab states to question the credibility of the US as an ally and a defence against the spread of communism. The invasion had led to fears in Washington of a possible Soviet move into the Persian Gulf (Al Rasheed, 2002:160) and it was increasingly important to allay these fears and demonstrate the extent of America's commitment to the region. Thus the 'Carter Doctrine' came into being whereby the Carter administration ordered the formation of a Joint Task Force of fifty thousand men, in order to bolster the US Fifth Fleet in the Indian Ocean and to safeguard Gulf oil shipments. The so-called 'Rapid Deployment Joint Task Force' was a form of the military fire brigade, which was available to race into trouble spots around the world, and particularly in the Persian Gulf region. Its main purpose was to aid friendly countries in the region (Alnasrawi, 1989:77). At the same time, it also involved renewed US efforts to establish rights to secure bases from

which such a task force could be deployed (Evans and Newnham, 1998:62). In this context, Saudi Arabia was viewed as a key ally. Saudi, conscious of the spreading enthusiasm for the Islamic revolution on its back doorstep, proved reluctant to comply with American requests for base facilities, unwilling to host American troops on Saudi soil despite its reliance on its ally for strategic support.

Iran's stand vis-à-vis the Soviet invasion of Afghanistan and Moscow's treatment of its own Muslim population had added a new religious dimension to the Cold War– based Iranian-Soviet relations (Ehteshami, 2002:287). For Iran, which until 1991 bordered both the Soviet Union and Afghanistan, the invasion caused considerable alarm, creating the possibility of a similar Soviet attack on Iran. The Iranian clerical regime was well aware of the Soviet desire for access to warm-water naval facilities as well as the strategic gains that could be made from control over the Strait of Hormuz (Varasteh, 1991:49) which traditionally has been under the sphere of Iran.

However, parallel to its fears, came the opportunity for Iran to unite itself with the Afghanistan resistance and establish itself as the leader of the Pan-Islamic movement (Varasteh, 1991:49). It could be argued that this acted as a prelude of the competition for the leadership in the Muslim world between Iran and Saudi Arabia. Despite the knowledge that there was little that Iran could really do to save Afghanistan from occupation, Tehran became more vocal in its anti-Soviet sentiments. As the Iranian-Soviet differences escalated, Iran closed its Consulate in Leningrad (St. Petersburg) and the Soviets retaliated by closing its Consulate in Rasht (northern Iran). Furthermore, Iran also boycotted the Olympic Games that were held in Moscow in 1980 as a direct protest against the Soviet invasion of Afghanistan (Varasteh, 1991:49-50).

For Saudi Arabia, due to its self-proclaimed leadership of the Muslim world, then, when the invasion had occurred, although Riyadh could not prevent or change the outcome, the Saudi regime were fully aware that if Riyadh did nothing to show its concern about other Muslim states and to assist the Afghan *mujahidin* (guerrilla fighter) then taking no action would ultimately undermine the Saudi regime's credibility among the Muslim world. Therefore, following the invasion, Riyadh began to support the Afghan *mujahidin* through funds, arms and its volunteers to oust the Soviet invaders (Eilts, 2001:241), although their support efforts had little success.

The conflict soon became a stalemate. The Muslims were supported by aid from the US, China, and Saudi Arabia. This whole episode drew Iran and Saudi Arabia closer together as they both condemned the invasion, both provided funds and arms and both stood against the atheist Soviet Union.

One could argue that the competition between the Soviet Union and the US contributed to the downfall of the Shah and the collapse of the Twin Pillar policy. Ironically, however, while Iran and Saudi Arabia were no longer the twin allies of one superpower, and while America was increasingly reliant on promoting Saudi Arabia as its regional front-man, Riyadh had begun to doubt the American commitment towards itself (or at least the Saudi regime). Moreover, Saudi Arabia was unwilling to comply with some aspects of the new American military doctrine (notably forward bases). Furthermore the invasion of Afghanistan had created common religious concerns between Iran and Saudi Arabia.

3.4 1980-1988: Iran-Iraq War

3.4.1 The establishment of the GCC

Soon after the outbreak of the Iran-Iraq War, Saudi security began to come under threat from Iran, and Riyadh immediately asked for emergency US military support. Saudi Arabia had always wanted the American military protection; however, as discussed in the Saudi Arabia's foreign policy section, the Saudi regime tends to walk on the tight-rope in this situation, as it always wants to keep a fine balance between its security needs and its domestic situation. Saudi's alliance with the US has been of great benefit both militarily and economically, but has also exposed the Saudi regime to some regional attack and domestic criticism. When the US offered the military protection for Saudi Arabia in the early 1980s, Saudi Arabia still refused to permit American combat forces into their territory.

Soon after the Iranian Revolution, and then the dramatic American hostage crisis and finally, the Soviet invasion of Afghanistan, Saudi Arabia tested the merit of its liaison with the US by pushing for more arms sales. At the same time, it diversified its policy thinking by establishing a regional collective power (the GCC) to prevent any possible Iranian attack.

Chapter five discussed the formation of the GCC in 1981, and the information provided suggests that one could argue that with the support of the US, Saudi Arabia emerged as an important regional player and during the Iran-Iraq War it utilised this support to challenge Iranian superiority in the region for the first time. The establishment of the GCC began to change the balance of power between Saudi Arabia and Iran in regional

affairs, as one could argue that the GCC allowed Saudi Arabia to balance its reliance in the US for military support with a regional collective 'power base'.

However, the formation of the GCC seemed to backfire somewhat on Riyadh's relations with Iran. Iran began to attack Riyadh for its hostility towards Iran concerning its support of Iraq, and its role in lowering oil prices in the international markets, and also in having welcomed a US military presence in the Gulf (Menashri, 1990:293). This confrontation between Saudi Arabia and Iran emerged as a regular feature during the Iran-Iraq War.

The Iran-Iraq War exposed the vulnerability of Saudi Arabia because, for the regime/state survival, this led the Saudi regime to attempt to forge close relations with the US. In response to the threats from Iran, King Fahd, more than any other Saudi leader, pursued a special relationship with the US. Long argues that King Fahd was the driving force for closer military, political and economic relations (Long, 1985:119).

According to Al Rasheed, throughout the 1980s Saudi Arabia had no option but to adopt a policy based on 'a balance of dangers' and chose the least dangerous path. Saudi Arabia sought important military assistance from the US, but continued to promote itself as a non-aligned Islamic country, resisting all US efforts to establish any military airbase facilities on its soil (Al Rasheed, 2002:161). Saudi Arabia was under the illusion that this resistance would conceal the intimate relations with the US for fear of regional Pan-Arabist attack and domestic fundamentalist criticism.

3.4.2 The superpowers' initial ambivalence towards the warring parties

The outbreak of the Iran-Iraq War on 22 September 1980, and the engagement of the

superpowers with that conflict, had a profound influence on the relationship between Iran and Saudi Arabia. In the beginning of the war both superpowers tried to avoid any involvement, but both were inevitably drawn into the conflict.

At the beginning of the Iran-Iraq War, the US insisted on their neutrality, but found itself drawn into planning security strategies for the Gulf region. Soon after the outbreak of the Iran-Iraq War, Saudi security became under threat from Iran, and Riyadh immediately asked for emergency aid from a US military support, which included deployment of American AWACs, enhanced air defence, and greater intelligence support. The Saudi's request was driven by fear of potential Iranian air strikes (Acharya, 1989:128). Washington's response to Riyadh's request took the form of arms transfers which were designed to bolster the Saudi capability against Iran, and they also provided an economic and political backing of Iraq in order to prevent an Iranian victory in the war (Acharya, 1989:126).

The war also presented a series of severe dilemmas for the Soviet Union. Having cultivated both Iran and Iraq as assets in the region, it was far to side with either party. While the Soviet Union was far from being happy at the prospect of a victorious Islamic state on its southern borders, which could incite its own Muslim minorities to rebel, it was still less enthusiastic to see an increasingly Western-backed Iraqi victory. Therefore, Moscow expressed its own neutrality in the war (Varasteh, 1991:50), trying to maintain good but uncommitted relations with both sides.

The war nonetheless created difficulties for Moscow's relations with both Baghdad and Tehran. The Soviet Union was tied to Iraq by their treaty of friendship and by close military and economic co-operation and, in the case of Iran, Moscow still attempted to

maintain the economic and strategic interdependence network which connected both countries (Vassiliev, 1993:323). However, once the US began to decisively tilt towards Iraq and as the war began to have an impact on oil markets, the Soviet Union was forced to engage more closely with events.

According to Golan, there were signs that the Soviet Union tried to prevent an escalation of the Iran-Iraq War (Golan, 1990:282), and restricted its own military supplies to Iraq in the first two years of the war (Vassiliev, 1993:323), for fears that the US would benefit greatly from the hostilities. From 1982, the Soviet Union also started favouring its client regime in Iraq. The main reason for this was that the Soviet Union realised that Iran's anti-Western rhetoric was matched by its anti-Soviet rhetoric. They were also concerned that the Islamic Revolution could spread into the Soviet southern Muslim areas. After the Iranian military had pushed back the Iraqi forces out of its territory and had invaded the southern part of Iraq, Moscow supplied Iraq with surface-to-surface missiles (Golan, 1990:282), partly as the Soviet Union grew alarmed at the possibility of a loss of its own oil supplies from Iraq (Varasteh, 1991:52).

As far as US alignment was concerned, although the 'Carter Doctrine' of the Rapid Deployment Joint Task Force was put into place in Saudi Arabia in 1980, the most important development was the coming to power of the Reagan administration. This saw an increased commitment to Saudi security and a strengthening of US–Saudi military co-operation. An agreement was reached with the Saudi government, for the sale of an integrated package of highly sophisticated weaponry. In total, Saudi Arabia bought 60 F-15 aircrafts and 5 AWACs airplanes to protect its territory, and enhance its defence system (Vassiliev, 2000:398). The AWACs sale became a symbol of growing

US concern over the potentially destabilising consequences of the Iran-Iraq War (Acharya, 1989:130).

3.4.3 The AWACs deal

Soon after the outbreak of the Iran-Iraq War, Riyadh immediately requested the US to dispatch four AWACs aircraft in September 1980 to help direct Saudi air defense against possible Iranian attacks. Al Rasheed argues that the sale of the AWACs to Saudi Arabia in 1982 was an attempt to restore both US credibility as a reliable security partner and Saudi faith in US commitment to regional Gulf security (Al Rasheed, 2002:160-161).

In the 1980s Saudi Arabia increasingly became a partner of the US, upon whom it depended for huge quantities of arms, economic development and security. The AWACs package was considered vital for protecting Saudi security (mainly the oil fields) against Iran and countries in which the Soviet Union had military presence (i.e. South Yemen) (Al Rasheed, 2002:161).

The AWACs package deal between the US and Saudi Arabia was significant for two reasons. First, it was meant to enhance Saudi Arabia's capabilities against Iranian air attacks. Since most of Saudi's oil fields, export facilities and military installations are on the coast of the Eastern Province, the early warning ground radar could not be placed in locations forward enough to provide a sufficient warning time in order to intercept any attacking aircraft. Second, the important aspect of the AWACs deal was its contribution to the US capability for direct intervention in the Gulf. With the AWACs and the F-15 enhancements, the US provided 'an extensive logistics base and support

infrastructure, including spare parts, facilities, trained personnel, and specialized test and maintenance equipment' (Acharya, 1989:140-1).

With neither of the two superpowers supporting Iran, Riyadh realised it could confront the isolated Iran without fear of any reprisal. For example, the Saudi Air Force used the AWACs provided by the US to shoot down an Iranian F-4 Phantom, which they claimed was in their airspace on 5 June 1984 (SWB, 6 June 1984). Iran delivered 'a strongly worded memorandum to Riyadh protesting vigorously against the Saudi attack on aircraft' (Simons, 1998:260), and this event nearly caused a war between Saudi Arabia and Iran.

3.4.4 Banning the Tudeh party in Iran

The revolution in Iran had represented an opportunity for the previously banned Tudeh party (which was linked to the Soviet Union) to become actively involved in the politics of government in Iran. The Tudeh party had been banned by the Shah in the 1950s, but soon after the revolution the exiled Tudeh party leaders returned to Iran from abroad and opened several offices. During the period of uprising against the Shah, members of the Tudeh party in Iran supported Khomeini's anti-imperialist stand, and formed a coalition of anti-Shah forces with radical students and the bazaar merchants which was the main driving force to overthrow the Shah. Soon after the revolution the Tudeh party built up their influence and began to infiltrate the different government organizations (Varasteh, 1991:52).

When the Soviet Vice Consul in Tehran defected to Britain in 1982, he took with him documents regarding the activities of the Soviet intelligence community in Tehran

which also included the names of members of the Tudeh party. The British government handed these documents over to Tehran who promptly began to arrest more than 5,000 members of the Tudeh party, branding them as 'Soviet agents' and declared the Tudeh party as being outlawed (www.iranchamber.com). This event closed the lines of Soviet influence in Iran. Those documents and the later arrests of the Tudeh party members exposed the Soviet-supported Tudeh activities and Soviet political intervention in Iranian domestic affairs (Varasteh, 1991:52-53)

Moscow's supply of weapons to Iraq, plus the 'espionage' saga of the Tudeh party, led Tehran to expel 18 Soviet diplomats in 1983, and to launch a campaign on behalf of the 'oppressed Muslims in the Soviet Union' (Golan, 1990:282). The Soviet Union retaliated against Iran's hostile action by expelling three Iranian diplomats from Moscow (Freedman, 1991:161), and criticized/blamed Iran for the continuation of the Iran-Iraq War, warning the Iranian regime to stop the 'filthy campaign of slander' against the Soviet Union (Freedman, 1991:192). This event raised the political tensions and strains between the Soviet Union and Iran, and the outcome was that Tehran lost the Soviet political neutrality towards the war with Iraq. Furthermore, the Soviet Union began to openly support the exiled Tudeh party which was based in Baku (which was then within Soviet territory), through radio broadcasts via 'The National Voice of Iran' which demanded the overthrow of the Islamic regime (Varasteh, 1991:54). Nonetheless, it was still in Moscow's interests to preserve some ties with Iran (Freedman, 1991:161), therefore, although in the political arena the relations between the Soviet Union and Iran were at a low point, both states still tried to maintain economic contacts through several agreements, which included Soviet assistance in developing Iranian Steel Mill in Esfahan, in return for which Iran supplied the natural gas to the Soviet Union.

3.4.5 The effect of the Iran-Contra Affair

In March 1984, the pro-Iranian Lebanese Hizbullah had captured William Buckley, the US Central Intelligence Agency (CIA) station chief in Beirut, and later captured four more Americans. At the same time, one Saudi diplomat based in Beirut was also kidnapped. Hizbullah demanded that 17 *Shi'ites* who had been convicted in Kuwait on charges of bombing the US embassy should be freed and they also called on the US to end its arms embargo against Iran.

Some of the top ranking officials within the National Security Council of the US and the CIA believed that the isolation of Iran would be potentially harmful to the long-term American interests in the Middle East. They continued to view Iran as strategically important to the region, on account of its proximity to both the oil-rich Persian Gulf states and to the Soviet Union. Due to the criticism presented by Iran concerning the issues of the Soviet invasion of Afghanistan and the expulsion of the Soviet diplomats from Iran, they believed that Iran was naturally anti-Soviet. Therefore, they wanted the US to position itself in a way that Washington would benefit from the new political climate (Hooglund, 1991:39-40).

The National Security Council initiated a clandestine policy that had the objective of seeking a rapprochement with Iran. The main feature of this secretive initiative was a US willingness to sell Tehran weapons, ostensibly for defensive use only, in return for Iran's assistance in getting the release of American citizens being held as hostage in Lebanon (Hooglund, 1991:40, Hiro, 1996:126). To achieve this aim the National Security Council used Iran's influence over the pro-Iranian Lebanese Hizbullah. At the same time, the officials from the National Security Council believed that by selling

desperately needed weapons to Iran, it might improve the relations between the US and Iran in the long run. As the events developed and unfolded, relations between the US and Iran directly affected Saudi-Iranian relations.

After 1983, the Saudi authorities were borrowing money from local banks as the economic situation had worsened due to the burden of war. This led, in 1985, to increased diplomatic efforts by Riyadh to bring the war to an end and make peace with Iran. At the same time, under US request, Saudi Arabia began to supply weapons to Iran (Abir, 1994:131) and, for the first time since Iranian Revolution, each country's foreign minister made an official visit to his counterpart's capital. Soon after Israel had, with US approval, shipped the US-made missiles to Iran, one American hostage was released in September 1985 (Hiro, 1996:127). Tehran showed goodwill towards Riyadh by intervening with the Lebanese Hizbullah to free the Saudi diplomat who had been abducted in Beirut (Abir, 1994:131). However, the secret US arms-for-hostages deal, the so-called 'Irangate Affair', was exposed in November 1986, as was King Fahd's personal involvement in the secret deals (Walsh, 1997:19-20). Public knowledge of this information had a devastating impact on the rapprochement between Saudi Arabia and Iran, because King Fahd had felt that, although he had good intentions towards Tehran, the Iranian clerical regime had betrayed him by disclosing the whole secret arrangement to the media. This had undermined his credibility throughout the Muslim world. Soon after this saga, one could notice that King Fahd took a very strong stand towards Iran in the later stage of the Iran-Iraq War.

The revelations of the Iran-Contra Affair also had a side effect on the relations between Saudi Arabia and the Soviet Union. When the Soviet Union found out about the secret arms deal between the US and Iran, this alarmed Moscow that it might lose its influence

in the Middle East. Therefore, Moscow intensified its efforts to forge closer relations with the Gulf states, which paid off in 1987 when Oman and the UAE established diplomatic relations with Moscow.

Since the start of the Cold War, Moscow had attempted to forge close relations with Riyadh but without any success, due to the US holding a very strong link with Saudi Arabia. However, the oil issue changed Saudi Arabia's attitude towards the Soviet Union. Riyadh sought after the cooperation with Moscow in 1987 to stabilize the oil price by conducting its first oil minister visit to the Soviet Union in January 1987. At the end of this visit, Moscow agreed to cut back its oil production by 7% to boost the oil price. Given the fact that the Soviet Union had long wanted diplomatic relations with Saudi Arabia, and at the same time could raise its own revenues from the sale of oil and natural gas which was 60% of the Soviet hard currency earnings, it is no doubt that Moscow would be willing to cooperate with Riyadh (Freedman, 1991:251-252). However, it could also be argued that this visit paved the way for the Soviet Union and Saudi Arabia to establish their diplomatic relations in the 1990s.

The outcome of the Iran-Contra Affair was totally different for both countries. Iran, due to its continued effort to fight with Iraq, meant that Tehran was willing to conduct an arms deal with the superpower it had always regarded as the 'Great Satan' (i.e. the US). However, the revelations of the whole issue, led the US administration to withdraw its attempt at rapprochement with Iran, and tilt towards Iraq. For Saudi Arabia, although King Fahd was personally involved with the arms sale deal, Saudi Arabia mainly wished to show Washington Riyadh's willingness to keep its good relations with the US. Soon after the Iran-Contra affair became public, Riyadh explored the opportunity to forge its relations (although only focus on the economic side

at this stage) with Moscow. Iran became isolated from both superpowers and the result was that both superpowers tilted towards Saudi Arabia in regional affairs, which meant that the balance of power in the region changed to favour Saudi Arabia.

3.4.6 The 'Tanker War'

The 'Tanker War' began in 1984 when, once again, Iran refused to accept the Iraqi ceasefire offer. In response to this Iraq attempted to reduce Iran's oil incomes, in the hope that the economic strains would force Iran to accept the ceasefire. To achieve this Iraq attacked Iranian oil tankers and the Iranian oil terminal on Kharg Island. As Iran could not damage Iraqi tankers or their oil terminals very easily, they retaliated by attacking Saudi and Kuwaiti tankers in the Gulf waters which were targeted due to their support of Iraq. The attacks occurred in May and July 1984 and again, in February 1985 (for detail offensive and counter-offensive attacks between Iran and Iraq during this period please see Chapter Five). Saudi Arabia feared that if it asked the US to protect its sea-lanes this would provoke Iran and would cause internal dissent (Hiro, 1987:343). Thus, Saudi Arabia only requested the US to maintain a strong presence 'over the horizon', in the Arabian Sea and did not request the US to provide any direct military protection.

Iran's relations with both superpowers deteriorated sharply in the mid-1980s. Concerning the Soviet Union, the main reasons included the banning of the Tudeh party and the expulsion of Soviet diplomats from Tehran. Concerning the US, the rapprochement was put on hold by the 'Irangate Affairs', and the consequence of this pushed Washington towards promoting the policy of the containment of Iran.

The progression of the war played an important role in shaping the relations between the Soviet Union and Iran. In 1983, the diplomatic dispute between Moscow and Tehran had caused serious problems between them. The outbreak of the 'Tanker War' between Iran and Iraq caused Iran to partially change its policy towards the Soviet Union, and it initiated the first major positive diplomatic gesture to Moscow by sending its director general of the foreign ministry to visit Moscow in June 1984. For Moscow, due to its attempt to build upon its economic relationship with Tehran, in the hope that this might be the foundation for improved political relations with Iran in the future (Freedman, 1991:193), this meant that the dialogue between both countries still continued.

In early 1986, Iran invaded the Fao Peninsula in Iraq, suggesting the possibility of an Iranian complete victory over Iraq. However, as the consequence of this would change the balance of power in the region and was something that neither the US nor the Soviet Union were willing to face, both superpowers changed their view on the war and became much further tilted towards Iraq.

On the regional level, for Kuwait and Saudi Arabia, the invasion of the Fao Peninsula meant that Iran threatened their very regime survival, and this threat had literally reached their doorsteps. Added to that, at the beginning of the Fao offensive, Iran had threatened Kuwait not to allow Iraqi troops to use the Kuwaiti strategic Bubiyan Island for them to push back the advancing Iranian troops. However, when Iraq had regained its territory later in 1986, Iran intensified its attacks on both Kuwaiti and Saudi tankers. For Kuwait alone, during this period, Iran attacked 14 ships, bound to and from Kuwait, and also seized some Kuwaiti cargoes. Kuwait sought protection from both superpowers.

When Kuwait first requested protection from the US in the Autumn of 1986, Washington's initial reaction towards 're-flagging' the tankers was unenthusiastic. The US believed that there was no evidence that Kuwaiti ships were being singled out for such attacks, at any greater rate than those of other Arab states. The US offered support only when the news of the Soviet Union had agreed to assist Kuwait, and both Oman and the UAE had established diplomatic relations with the Soviet Union. This led to the American perception that Moscow was on the verge of significantly increasing its presence and influence in the Persian Gulf. All the above–mentioned reasons led Washington to change its mind (Hooglund, 1991:42-43). Another reason was the revelation of the 'Iran-Contra' Affair which pushed the US involvement into the conflict even further.

The revelations about the clandestine US-Iran contact and arms sale deals came at a critical time. Saudi Arabia and Kuwait were trying to persuade Washington to intervene more forcefully in order to protect freedom of navigation in the Persian Gulf. Therefore, the revelations of the 'Irangate' issue embarrassed Washington among the Arab states which later on forced the US to attempt to mend their relations with the Arab Gulf states, by offering its naval protection, albeit with reluctance.

According to Hooglund, initially, Washington did not regard the 're-flagging' of tankers to be considered as a major military intervention in the Persian Gulf or any confrontation with Iran. The policy was perceived to be an effective means of countering the Soviet Union, and redeeming the American tarnished reputation among its Arab allies. It was also used to generally divert attention away from the revelation of their covert relations with Iran, as that issue which was still causing domestic and

international embarrassment (Hooglund, 1991:42-43).

The expulsion of the Soviet diplomats from Iran marked the lowest point in their diplomatic relations. However, Moscow still tried to maintain its relations with Iran at the level of economic engagement, so both countries conducted several official visits to their counterpart's capitals. The Soviet leadership changed in 1985 with the election of Mikhail Gorbachev who began to separate political and economic issues. In 1986, Moscow attempted to improve its relations with Tehran, and thereby broaden Soviet options to a variety of states, regardless of any ideological considerations (Golan, 1990:282-84). With the initiative coming from Moscow to mend its relationship, Tehran reacted prudently. As Golan argues that in the period prior to the Tanker War, Moscow's policy had clearly tilted towards supporting Iran in the context of the war. Tehran also realised it could benefit from an economic agreement with Moscow, and in December 1986 both countries signed an agreement that allowed for the reopening of the gas pipeline from Iran to the Soviet Union (Golan, 1990:285).

For the Iran-Iraq War, the primary dilemma for the Soviet Union had been the choice between its desire to develop friendly relations with Iran, to maintain its relations with Iraq, and its need to contain the war so as to limit the opportunities for the expansion of any American influence in the region. They also wished to minimize the tension between the US and Soviet interests in the Middle East for the sake of gaining a general defrosting in relations with the US (Varasteh, 1991:56).

However, the Cold War game between the superpowers still played an important role in affecting the Soviet involvement in the region. Since the revelations of the Iran-Contra Affair, Moscow had been concerned at the possibilities of a reconciliation between Iran

and the US (Freedman, 1991:248) which would affect the Soviet position in the region. Therefore, when Kuwait first made the 're-flagging' request to Moscow, Moscow was happy to extend its influence/role even deeper into the regional affairs.

Moscow nonetheless viewed with deep concern the continuation of the war as it was threatening the international sea-lanes and vessels that did not belong to either of the belligerents, and the disrupted oil supply also affected the Soviet's own economy. Therefore, Moscow immediately offered help to Kuwait. However, in doing this, such a decision brought conflict between the Soviet Union and Iran. The seizure of a Soviet cargo vessel in the Gulf by the Iranian Navy in September 1986 did little to improve their relations (Varasteh,1991:55).

As stated earlier, one could notice that, under Gorbachev, the Soviet policy towards Iran clearly divided into political and economical considerations. In the political arena, by 1987 the Soviet Union was reversing its policy towards the Iran-Iraq War. In July 1987 the Soviet Union began to support the American attempt to secure an immediate ceasefire between both countries. From the economic perspective, Moscow still attempted to maintain its economic activity with Iran and Iraq.

One could conclude that the Tanker War drew both superpowers deeper into the regional conflict. The US began to have direct involvement in the Persian Gulf, although at the beginning of the war it attempted to avoid any military involvement. The Soviet Union also had engaged in direct military involvement, although it was more reactive than initiatory, due to the competition with the US during the Cold War. However, superpowers engagement in the Tanker War also directly affected the equilibrium between Iran and Saudi Arabia. Iran alienated itself from both superpowers which

made the Soviet Union tilt politically towards Iraq. The relations between the US and Saudi Arabia were enhanced further which eventually formed a strong interdependence relationship. With the support of the US, Saudi Arabia emerged as [one of] the most important regional powers, while the war had exhausted the Iranian military and political resources further, and made Iran weaker to resist the superpowers' influence in the region. The balance of power in 1987 was already on the side of Saudi Arabia, so, when the riot in Mecca occurred in that year, one could notice that the Saudi regime dared to have an open confrontation with Tehran.

3.4.7 The Mecca riot

From the beginning of the Iranian Revolution and later during the war against Iraq, Iran felt that it had been treated badly by the superpowers, especially the US, because of the US support for Iraq. Therefore, during the annual *Hajj* in Mecca, Iranian pilgrims held anti-American and anti-imperialist political demonstrations in the name of liberating Mecca from the Western infidels. There were also demonstrations and protests held against the Saudi regime (MEI, 8 August 1987:3). These demonstrations became an annual event during the *Hajj* and was one of the main reasons that caused fierce frictions between Saudi Arabia and Iran (see chapter three, section 5.2). As the war against Iraq progressed, Iranians became particularly enraged by the US decision to protect Kuwaiti and Saudi tankers from Iranian attacks. However, the implications of the Tanker War meant that both superpowers wished to end the war as soon as possible for their own benefit. Therefore, the US and Soviet Union put huge political pressure on Iran to force them to accept the ceasefire (see Tanker War section).

The American UN delegations took the initiative in rewriting a draft resolution that won

unanimous Security Council support on 20 July 1987. Resolution 598 called upon both Iran and Iraq to follow a step-by-step peace process beginning with ceasefire and the withdrawal of their forces back to within their separate international borders (Hiro, 1991:309-310). According to Hooglund, Resolution 598 also provided a mechanism for the Security Council to impose sanctions on whichever country refused to comply. Both Washington and Baghdad assumed Tehran would reject Resolution 598 because Iran, which still occupied Iraqi territory, had strongly opposed any consideration of withdrawing their troops during several unsuccessful earlier efforts by third parties to try and mediate for a ceasefire (Hooglund, 1991:43-44).

The Iranian regime felt that the international pressure to force Them to accept the ceasefire without punishing Iraq, the aggressor, had come mainly from the US. Therefore, prior to the 1987 *Hajj*, Khomeini had 'called upon Iranian pilgrims to demonstrate against the US presence in the Gulf' (MEI, 8 August 1987:3). As the *Hajj* incident unfolded, the Iranian pilgrim demonstrations in Mecca caused the relations between Saudi Arabia and Iran to reach a nadir on 31 July 1987, when pilgrims shouted slogans against the US, Israel and Saudi Arabia. The Saudi authorities crushed the demonstration causing more than 400 deaths. Soon after the incident, Rafsanjani issued a strong protest against the Saudi regime (SWB, 4 August 1987, ME/8637/A/5). Furthermore, crowds in Tehran surrounded the Saudi embassy (SWB, 4 August 1987, ME/8636/i) and one Saudi diplomat was killed. Khomeini blamed the US for the incident and also proclaimed that Saudi Arabia was Iran's main enemy (SWB, 4 August 1987, ME/8637/A/i). As Iran still battled in war against Iraq, Tehran opened up another battlefield on the religious front.

Thus, following these events, Iran became increasingly isolated in world politics,

although the Soviet Union had attempted to mend its relations with Iran by having reported the Mecca riot in a neutral manner (Freedman, 1991:272). At the start of 1987 Moscow began its charm-offensive policy with Riyadh and attempted to forge diplomatic relations with Saudi Arabia (Freedman, 1991:251-252). Therefore, Moscow did not wish to offend Riyadh due to its own political gains. Furthermore, due to the decline of the Soviet economic situation, this began to show that it was losing the Cold War battle with the US so, therefore, its influence in world politics also dwindled.

In the Islamic world, most of the Muslim countries accepted the Saudi account of the event as it was seen as having been deliberate provocation by the Iranians for political purposes. Also, even the most anti-American Arabs had dismissed Iranian charges that the US had orchestrated the tragedy in Mecca as being 'pure nonsense' (MEI, 8 August 1987:3). Therefore, all the Arab leaders, apart from the Syrian and Algerian Presidents, condemned the Iranian pilgrims' action (MEI, 8 August 1987:3). Due to the Mecca riot, Saudi Arabia not only gained support from the majority of the Muslim world, but also enhanced its links with the US. The US naval presence in the Persian Gulf further weakened Iran's position in the region. On 18-20 April 1988, the US Navy attacked Iran's naval vessels and oil platforms (MEI, 14 May, 1988:13). Riyadh seized this chance of having US support to confront Iran in regional affairs, and severed its diplomatic relations with Iran on 26 April 1988. This sent their interactive relations into the lowest point their link had reached in the twentieth century.

Thus, one could conclude that superpower support for Saudi Arabia could explain why Riyadh had, from 1986, dared to confront Iran on all fronts, and why they competed with Iran for influence in the region. At the beginning of the Iran-Iraq War, Saudi

Arabia fought with Iran for its own regime/state survival, but clearly at the end of the Iran-Iraq War, Saudi Arabia, used the Cold War game as a strategy to determine its own foreign policy. Essentially it used both superpowers for its own advantages to gain the upper hand in its position in the region and took this route in order to emerge as one of the dominant regional powers. However, in contrast to this, Iran, due to its ideological and political stand and the exhaustion of its economy by fighting the costly eight-year war with Iraq, had antagonised both the Muslim states and rest of the world. The result of this was that Iran became weakened in both the political and economic arenas and gradually lost its competition against Saudi Arabia gaining dominance in the Gulf.

The end of Iran-Iraq War and soon afterwards, the end of the Cold War changed the international political situation and saw the US emerge as the unassailable unipower in the world. This development and dramatic change also played the definitive role to shape the relations between Saudi Arabia and Iran in the 1990s.

3.5 1990-1997: The decline of Soviet influence in the region and US emergence as the unipolar power

3.5.1 How the end of the Cold War affected the regional balance of power

With the end of the Cold War, the distribution of capabilities and the legitimating myths of the superpowers no longer structured international politics. The consequence was that the superpowers were much less interested in containing their old allies' domestic turmoil, for fear of losing them to the other camps. The Cold War had significantly affected economic and political developments in the Middle East due to both superpowers having each cultivated their own allies in the region. For example, the

control and price of oil was the result of political more than economic considerations. The US tolerated not only the nationalization of the holding of the international oil companies in the Middle East states, but also major and discontinuous increases in the price of oil. Krasner argued that this development could have been avoided if it had not been due to the geo-strategic calculations involved (Krasner, 1997:201-202). Following the end of the Cold War, conflict among oil producing states in the Persian Gulf became one of the most dominant factors which caused regional frictions. The superpowers were no longer in a position to constrain their allies, which was something that they were motivated to do during the Cold War because of their fear that they could be drawn into a mutually undesired conflict (Krasner, 1997: 202).

With the end of the Communist threat and the relative decline in American economic power, the US shifted its ideological and political considerations of policy into economic policy. For this reason, the US has tried to maintain close economic ties with the Gulf states through the activities of its multinational corporations, military sales and oil. Soon after the end of the Cold War, the US became – and still is - the external balancer against any effort by a Middle Eastern state, such as Iran and Iraq, to exercise hegemony over the Persian Gulf which could lead to steep oil price increases (Krasner, 1997:206).

The balance of power between Saudi Arabia and Iran became problematic, because there were huge incompatibilities between economic wealth and military capability. For example, Saudi Arabia controls large oil reserves and has a small population. Their military resources are limited when compared to those of Iran and Iraq whose oil revenues have always been absorbed by the demands of their much larger populations. Any country that is incapable of defending itself from outside powers, will always be a

target for the militarily stronger neighbours.

Although the US emerged as the unipower in the world soon after the end of the Cold War, there was still an inherent problem for the US in trying to establish the credibility of the American commitment to defend the weaker oil-exporting states of the Arab world. The Arab world still had in their memory how the US had abandoned the Shah at a critical time. At the same time, there will always be an incompatibility between the interests of the US and its military commitments and power.

With the end of the Cold War, the necessity of giving priority to global stability in international relations with respect to regional circles began to fade away. Tendencies towards regionalism are presently increasing, both economically and politically (Aliboni, 1997:216). For this reason, states in the Persian Gulf are reacquiring a degree of freedom in conducting their foreign policy. One could notice that soon after the end of the Cold War, both Saudi Arabia and Iran attempted to conduct their own foreign policy towards each other, and their relations could be best described as rapprochement. Nevertheless, according to the neo-realist framework, both states still tried to dominate the Gulf regional affairs and become the dominant players in the game of the balance of power in the Persian Gulf.

3.5.2 The Iraqi invasion of Kuwait

The Iraqi invasion of Kuwait came as a surprise to the whole world, especially since Saddam Hussein's delegates had just begun negotiating with the Kuwaitis in Jeddah on the previous day (Abir, 1994:173). The invasion and the subsequent collapse of the Soviet Union in December 1991, brought a new horizon throughout the region. The

dissolution of the Soviet Union led to the formation of the Russian Federation led by Boris Yeltsin. The relinquishment of territory in Transcaucasia and Central Asia ended three hundred years of imperial expansion, and meant that Russia was one-step removed from being able to directly influence the Middle East (Rubinstein, 2001:75).

When Russia lost 24 per cent of its territory in December 1991, it also lost some of the major oil-producing areas of the state, and became dependent on the oil in the Middle East (Rubinstein, 2001:89). Russia's influence dwindled to such an extent in the region that it is unlikely to ever be able to equally compete with the US in regional affairs again.

Saddam Hussein's seizure of Kuwait constituted 'an immediate threat' to Saudi Arabia as well as threatening the oil and strategic interests of the US (Khaled, 1995:168). Soon after that, President George Bush Snr. offered military protection for Saudi Arabia, and promised to withdraw US forces from Saudi territory at the end of the war. King Fahd accepted the US protection on 6 August 1990, and the Americans moved into Saudi Arabia. This caused a very strong reaction from Tehran, due to its own ambitions, as Iran did not wish any foreign power, especially US forces, to be present in the region.

By proclaiming a neutral stand by refusing to support either Iraq or the US coalition, Iran managed to clean up its image and establish much better relations not only with the West, the IMF and the World Bank, but also with its Arab neighbours. Through this neutral stance, Iran accelerated its reintegration into the Western capitalist economy and encouraged Riyadh to begin its rapprochement with Iran because it needed Iran to counterbalance the threat from Iraq. The US however, was to be the biggest obstacle

for Tehran's reconciliation with Saudi Arabia.

As Muir argues, the main reason for Iran being against the US-Saudi coalition during and after the war was because Tehran feared Iraq would become another state of Balkanisation and this was against Tehran's own geopolitical interests (MEI, 25 January 1991:10). Although Iran could expect to inherit the *Shi'ite* areas of southern Iraq, this would raise the Kurdish issue within Iran's own territory. Tehran, therefore, firmly declared its commitment to Iraq's territorial integrity.

Iran was also interested in preventing Iraq from swallowing Kuwait, but it was more concerned about the presence of US forces (MEI, 28 June 1991:16-17), which challenged the Iranian main ambition for gaining greater influence in the region. This could explain why Tehran resisted the presence of foreign powers in the region, and especially the US.

Rapprochement between the Gulf states and Tehran was met with disdain from Washington. Tehran advocated organising a regional defence pact among the Persian Gulf states which would give Iran the dominant position. With Washington's backing, Riyadh allied itself with other Gulf states, plus Syria and Egypt, to from its own defence pact, the so-called 'Damascus Declaration' in 1991, and this excluded Iran. This declaration totally alienated Iran, and caused resentment from Tehran.

3.5.3 The regional defence pact: 'six plus two'

Soon after the Iraqi invasion of Kuwait, there was much enthusiasm to create a viable regional security arrangement. The Secretary of State, James Baker, even mentioned

the possibility of Iran participating in such an arrangement. However, President Clinton was against any Iranian participation in the Gulf security pact because of firm belief that Iran supported Islamic terrorist groups in several countries (Milani, 1996:95).

At that time, Iran claimed that there was a power vacuum in the region created by the lack of an all-embracing and all-round security system. This, Tehran believed, constituted a threat for regional security and stability. Iran wanted regional security and non-security problems to be resolved within the framework of a fruitful and useful system for everyone, on the basis of collective interests, and through friendly negotiations (SWB, 6 October 1992). Therefore, Iran believed the GCC's philosophy must expand and undergo reform in order to admit Iran.

With the US strongly opposed to allowing Iran to join any regional security pact, and with Clinton's support, King Fahd refused to allow Iran to join the Gulf security pact. This meant that Riyadh was not willing, in any way, to allow Tehran to share its dominate position in the region, or to play an important role in the regional affairs. For these reasons, during the last stages of the war against Iraq, it was agreed between Egypt, Syria and the GCC countries to form a regional defence pact, the so-called 'Damascus Declaration', (i.e. six plus two), on 6 March 1991. The main propose for this was to maintain a strong 'Arab army' to protect the Gulf states. This declaration represented an Arab solution to the Gulf security predicament which totally excluded Iran from playing any significant role in regional affairs (Gargash, 1996:142-43)

Meanwhile, Iran continued to pursue its traditional strategy of excluding any foreign presence from the Gulf, insisting that Gulf security was the responsibility of the Gulf regimes themselves. Iran realised that, although a Western presence would not

threaten the position of the region's smaller states, it would challenge Iran's role as the major regional power (Gargash, 1996:143). However, although Saudi Arabia, the driving force behind the GCC, and the US recognised that a viable regional security apparatus must include Iran, neither state was prepared to officially accept this notion (Milani, 1996:95).

Nevertheless, Riyadh recognised that it needed to accommodate Tehran in regional affairs. The Iraqi invasion of Kuwait forced Riyadh to realise that buying the most advanced weapons could not prevent external threats, and that it had to rely on 'other friendly states' (Bashir and Wright, 1992:108) i.e. Syria, Egypt, the US and the West. Therefore, Saudi Arabia re-established its diplomatic relations with Iran in March 1991, relaxed Iran's pilgrim quota, and even allowed the Iranian pilgrims to demonstrate against America and Israel in the 1991 *Hajj* season (Abir, 1994:210-211). Ironically, these kind of demonstrations that were held by the Iranian pilgrims in Mecca had been the main reason that had caused Saudi Arabia to have broken their diplomatic relations with Iran in 1988. The whole event in 1991 demonstrated tha,t since the end of the Cold War, Saudi Arabia had obtained a degree of freedom in conducting its own foreign policy towards Iran, and utilized the support of the US for its own advantage when dealing with Iran. However, at the same time, Riyadh was not willing to relinquish its dominance of power and influence in the region, and understood that with US support, Iran could not match Saudi Arabia's influence in regional affairs.

3.5.4 The 'Dual Containment'

Relations between the US and Iran affected Saudi-Iranian relations. In part because Tehran hosted an anti-Madrid conference in February 1993, Washington imposed the

'Dual Containment' policy and economic sanctions on Iraq and Iran in May of that year. The Clinton administration argued this would protect Saudi Arabia and the smaller Gulf monarchies and enable Israel and the moderate Arab states to move towards peace (Brzezinski et al, 1997b:22).

The issue of the renewal of the Nuclear Non-Proliferation Treaty in early 1995, further underlined fundamental differences between Iran and the US. Tehran refused to renew the treaty, as long as Israel had not signed. Israel and the US claimed that Iran 'was close to developing a nuclear weapon', although the International Atomic Energy Agency failed to find sufficient evidence to prove the claim and Iran also denied the accusation (EIU Iran Country Profile, 1995:9).

3.5.5 The Comprehensive Iran Sanctions Act

In January 1995, the US Senator, Alfonso D'Amato:

> 'proposed a bill that would prohibit any US-owned subsidiary overseas from conducting business with Iran or any enterprise owned by an Iranian citizen. This bill became the 1995 Comprehensive Iran Sanctions Act, which also prohibited US oil companies from purchasing any Iranian oil for resale on the spot market. In February 1995, Clinton issued an order to prevent the US-based oil company, Conoco, from carrying out a deal to develop Iranian oilfields, and from June 1995 a further executive order came into force banning all American exports to Iran and all investment in Iran by US companies and their subsidiaries' (EIU Iran Country Profile, 1995:9).

Although the Iranian President Rafsanjani admitted in 1995, that his administration sought to form better ties with the US, he criticised the Clinton administration for misinterpreting Iran's intentions in negotiating a deal with the US oil company Conoco. Rafsanjani asserted that in forcing Conoco to abandon its deal with Iran, the US had

missed an opportunity to improve its relations with Iran (EIU Iran Country Report No.3 1995:9).

Although this illustrated Iran's willingness to forge better relations with the US, the US senator Alfonso D'Amato passed a new bill, in December 1995, which extended US sanctions 'to cover third countries and non-US companies dealing with Iran' (EIU Iran Country Report No.1 1996:8). The new bill was intended to intensify pressure on Iran by discouraging foreign companies from dealing with the Iranian oil industry, as Washington believed that oil was the main source of revenue for Iran, and was the source of funds with which Iran sponsored international terrorism (EIU Iran Country Report No.1 1996:8-9).

The Clinton administration argued that the sanctions had been implemented due to Iranian sponsorship of terrorist activities within and outside the region; its continued efforts to subvert friendly governments through the export of the Islamic revolution; its opposition to the Arab-Israeli peace process; its relentless pursuit of the material and technology needed to build weapons of mass destruction, including nuclear arms; and finally, its dismal human rights record. The most important point, as Ben-Meir argues, was that Clinton insisted that 'Iran continues systematically to undermine US interests and shows no inclination to change its ways' (Ben-Meir, 1996:59).

3.5.6 Saudi domestic problems

However, despite tensions in the US-Iranian relations, since the Kuwaiti crisis Riyadh had pursued its own agenda towards Tehran. Evidently, the Saudi regime was serious about establishing a firm reconciliation. The rapprochement between Saudi Arabia and

Iran faced yet another test when, on 13 November 1995, a car bomb exploded at the Office of Programme Management of the Saudi Arabian National Guard in Central Riyadh. This office was the signals and communications headquarters of the military force, whose primary function was internal control, and was partly-staffed by US military advisers (Esposito, 1997:63). However, the threat at that time seemed to draw little attention. The Saudi authorities refused to comment on the possible perpetrators, although some critics were quick to blame external sources, implicating external support from either Iraq or Iran. (The Financial Times, 20 November 1995).

Another 'wake-up call' came to shake Saudi society just six months after the Riyadh bombing. On 25 June 1996, the explosion at a military housing complex (al-Khobar Towers) in Dhahran resulted in 19 Americans being killed and 264 casualties (The Guardian, 26 June 1996:1). The bombing was preceded by several warnings to the US and British embassies, threatening attacks on Western forces in Saudi Arabia.

Following Iraq's defeat in February 1991, most of the foreign troops had departed from Saudi Arabia. Nonetheless, Riyadh was concerned about possible external threats still remaining, such as from either Iraq or Iran. It feared that Iraq, though momentarily defeated, might at some point in the future seek to renew its aggressive actions towards Saudi Arabia since Riyadh supported the war against Iraq. A very good example to support this fear would be the Iraqi invasion of Kuwait after Kuwait had supported Iraq during the Iran-Iraq War. Concerning Iran, Riyadh still considered it as potentially hostile. Hence, in response to a US proposal, Saudi Arabia reluctantly agreed that 5,000 American military personnel could remain in its territory (Eilts, 2001:238). Nevertheless, this stationing of US troops in Saudi Arabia caused the resentment within Saudi by the conservatives and militant fundamentalists.

As soon as the bombing in Dhahran took place, the United States Defence Secretary, William Perry, vowed retaliation if the bombing turned out to be 'a case of state-sponsored terrorism', and he indicated that the external sponsor might be Iran (The Guardian, 1 July 1996:10). According to the American newspaper 'USA Today', which had obtained official documents, the Clinton administration was convinced that the terrorists who bombed the US military compounds in Saudi Arabia in both attacks of November 1995 and June 1996, had been trained in Iran (The Guardian, 3 August 1996:13). Clinton wished to punish Iran for its part in the bombing incidents, but it was never proven whether Iran had direct or indirect involvement in these two incidents.

Again, on 2 August 1996, the American Defence Secretary, William Perry, hinted that Washington would retaliate against Iran if a Saudi investigation into the bombing of the US barracks implicated Tehran. He stated that: 'if we have compelling evidence of international sponsorship of that bombing, we will take strong action' (The Guardian, 3 August 1996:13). He also went further, declaring that he expected Saudi Arabia to conclude that there was 'an international connection' to the bombing in which the terrorists were trained or sponsored by a third country (The Observer, 4 August 1996:25), which would strongly indicate that Iran was behind the scene.

However, despite such immense pressure, the Saudi investigation still pointed out that hard-line Saudi *Sunni* Islamists were responsible. One Saudi, Hani Abdel Rahim al-Sayegh, was arrested in Canada in March 1997, on suspicion of being involved in the bombing of Dhahran. Saudi and US sources indicated that al-Sayegh co-ordinated the travel arrangements of the Saudi dissidents who had been recruited by an Iranian intelligence officer in Damascus, and then sent to Iran for religious indoctrination and

finally to Lebanon for guerrilla training (The Guardian, 28 March 1997:17). Again, Riyadh had no hard evidence to prove Iran was really the mastermind behind the Dhahran bombing, and tensions between the US and Saudi Arabia increased when Riyadh refused to hand over the suspects to the CIA, even following several requests to do this from Washington.

One could argue that with the backing of the US, Saudi Arabia could easily blame its domestic turmoil on Iran. Charging the Iranians with masterminding the bombings instead of admitting to having dissidents of its own would certainly have been easier for the Saudi regime. However, in May 1997, the Saudi Minister of the Interior announced publicly that the government had concluded that there was no foreign involvement in the bombing and that all the actors were Saudis. The Saudi government notably refrained from issuing charges against any specific individuals or groups, including those in custody, despite the deep frustration of the US in its inability to proceed with any prosecution of the case (Fuller, 1999:192).

In sum, the US wanted to use the bombing incidents in order to punish Iran, and pressurised Riyadh to allow the bombing suspects to be interviewed by the CIA. However, Riyadh was on the road towards full rapprochement with Tehran post the Kuwaiti crisis, and this could be the reason to explain Riyadh's behaviour.

The subsequent improvement in the relations between Saudi Arabia and Iran started with the election of Iran's President Khatami in 1997, who expressed a strong desire to start relations afresh. Saudi Arabia, who once felt threatened by the religious revolutionary dimensions of Iran's Islamic Republic, now felt more comfortable dealing with a state driven more purely by political self-interest rather than by religious

ideological fever. Relations between the Arab countries and Iran, which had already begun to improve in the early 1990s, showed dramatic progress after the election of Khatami, especially between Saudi Arabia and Iran (Fuller, 1999:79).

In the 1990s, one could argue that trends in the relations between Saudi Arabia and Iran were only affected by the last remaining superpower; the US. However, at the same time, the Saudi regime depended on the US for military protection from both internal and external threats, while the US needed oil from Saudi Arabia for its own domestic needs. Although Saudi Arabia had utilised the US support to deter Iran from joining the 'Damascus Declaration', the Saudi regime also understood that it needed Iran to ensure its regional security. Therefore, Saudi foreign policy towards Iran evolved around its own self-interest. Accordingly, when the bombing incidents happened within Saudi territory, Saudi Arabia resisted the immense pressure from the US to accuse Iran which, in having not passed on the blame, managed to pave the way for rapid rapprochement between the two countries.

However, the author predicts that the relations between Saudi Arabia and Iran will always involve the role of the US in regional affairs. Saudi Arabia will be shrewd enough to utilise the US for its own policy towards Iran, but will not be totally under the US command to antagonise Iran. In other words, the Saudi regime will use the US as its bargain chip in its relations with Iran.

4.0 Conclusion

This chapter has developed around the neo-realist assertion that states behave in response to the nature of, and play within, both international and regional systems.

Iran and Saudi Arabia developed their relations vis-à-vis one another within the context of superpower relations and penetration of the Middle East region. The period until 1990 was characterised by superpower rivalries, with both superpowers having defined interests in the region and instituting polices in pursuit of those interests. Saudi Arabia and Iran were both the targets of those policies, and players who responded to the policies at the same time as responding to regional power play by each other (and other states such as Iraq). At all times, regimes sought their own survival and to maintain a balance of power favourable to their own interests.

Superpower rivalries and policies impacted upon the domestic politics of both Iran and Saudi Arabia. The Iranian Revolution can be traced to some extent to the close relationship between the US and the Shah of Iran, and the latter's vigorous modernisation policies which had American backing. Saudi Arabia has had similar problems in maintaining its own regime legitimacy while depending on America for strategic and military support.

To prevent the Communist threat to spread into the region, in the late 1960s, both Saudi Arabia and Iran became the policemen of the region, and the US provided huge quantities of weapons to them both. However, despite the attempt from the US to raise the power of both Saudi Arabia and Iran in the region, the balance of power still favoured Iran due to its huge human resources and extensive military capacity. Thus, Iran still remained as the unassailable power in the region during the late 1960s. Nonetheless, in the 1970s, when the oil embargo raised the profile of Saudi Arabia, both superpowers began to focus on Saudi Arabia's potential importance in the regional and world arena. The Iranian Revolution changed the balance of power even further. The new Iranian clerical regime alienated itself from both superpowers: from the US, due to

the hostage crisis, and from the Soviet Union due to the invasion of Afghanistan.

Soon after the Iranian Revolution and the American hostage crisis, plus the hostility of the new Iranian clerical regime towards the US, the US changed its policy towards Iran. Consequently, this change enhanced Saudi's influence in the region, enabling Riyadh to overtly confront Iran for the first time in the history of their relationship. Needless to say, this would not have been possible without the support of the US. From the history of events in the period of the Iran-Iraq War, one can notice that the superpowers affected the balance of power and relations between Saudi Arabia and Iran quite immensely.

For Saudi Arabia, during the Iran-Iraq War, due to its own regime/state survival, Riyadh attempted to forge a close relationship with the US. The US also needed the oil resource from Saudi Arabia so, as a result, both states forged an interdependence relationship. With strong support from the US, this enhanced Saudi Arabia's position in the region which increased its bargaining power to deal with outside threats. For Iran, due to its ideology, the clerical regime changed its foreign policy orientation to 'neither East nor West' and alienated itself from both superpowers, finally becoming largely isolated in the world political arena. The outcome of this was that the balance of power between Saudi Arabia and Iran shifted from being in favour of Iran in the 1970s towards Saudi Arabia in the 1980s.

The end of the Cold War had a fundamental impact on the world in general, and Saudi Arabia and Iran in particular. The disappearance of the Soviet/Russian influence in the region meant that the US became the hegemon in the world political arena. However, the US only acts as the external balancer against any regional state attempts to become the hegemon. The former superpowers are no longer in any position to constrain their

allies, and this has allowed both Saudi Arabia and Iran to have some freedom to conduct their own foreign policy towards each other.

After the Kuwaiti crisis although the Saudi and US policies were interlinked, Riyadh also realised the need to accommodate Iran within regional affairs for counter-balancing the threat from Iraq. The regime survival still played an important role in shaping Riyadh's foreign policy towards Tehran. Nevertheless, since the end of Iran-Iraq War, the balance of power was in favour of Saudi Arabia of which Riyadh was not willing to abandon its new-found dominant position in the region. Saudi Arabia prudently utilised the support of the US when dealing with Iran. Riyadh sometimes used US support to exclude Iran from the regional defence pact, and at other times, resisted against any US pressure for them to antagonise Iran. The fact that both countries still attempted to gain the upper-handed position in the regional affairs for their own regime/state survival and at the same time, keep the balance of power in the region, demonstrates the neo-realist theory that balance of power plays an important part in the anarchical world system.

In case of Russian or US involvement in the future relations between Saudi Arabia and Iran, one could predict that, due to the utter importance of oil in the world economy, both countries, due to their own geopolitical ambitions in the region, will always have strong interests in the regional affairs for their own economic benefit. Therefore, they will not abandon their influence towards Saudi Arabia and Iran. One could argue that the relations between Saudi Arabia and Iran will always be affected by any superpower or superpowers, in the future.

CHAPTER EIGHT

SUMMARY AND CONCLUDING COMMENTS

1.0 Introduction

This chapter is comprised of three parts. The first section briefly reviews the preceding chapters, while the second part highlights how each factor affected the relations between Saudi Arabia and Iran, assessing the impact of each factor, and how they intertwined. Finally, the concluding comment suggests that neo-realist theory provides a suitable framework to use in order to explain the relationship between Saudi Arabia and Iran but that certain qualifications to this assertion are appropriate.

2.0 Thesis revisited

From the discussion throughout the chapters, the thesis set out to understand the roles of oil, religion, Iraq, Bahrain, the UAE, and the superpowers in shaping the relations between Saudi Arabia and Iran. The researcher has argued that neo-realist theory can explain the behaviour of the two countries and their foreign policy towards each other, although with certain qualifications. The core elements of neo-realism include the notion that the state can be seen as a rational actor and that, although economics and the search for power both affect the state's foreign policy, power is more important than economics when external situations threaten regime survival. Maintaining the balance of power in a state's own favour plays a critical role in foreign policy thinking. This was discussed in Chapter One, where neo-realist theory was contrasted with other theoretical models.

Chapter Two established the context for the main analysis by setting the historical background. Saudi-Iranian relations were examined through the pre-WWII period, through the periods of state formation and consolidation, Arab nationalism, the growth of the oil wealth, until 1977. The historical investigation illustrates that in differents periods, relations between Saudi Arabia and Iran were shaped by a number of factors including oil, religious competition, response to the regional role of Iraq, regional disputes over Bahrain and the UAE, and the role and policies of the superpowers in the regional system. The subsequent chapters developed the impact of these factors further for the period 1977-1997.

Chapter Three analysed how oil affected their relations as each state devised policies based on their own oil resources. The chapter argues that despite the importance of oil for both states' economic development policies, they have used oil principally as a tool for asserting their regional and international power. The 1973 oil embargo fundamentally changed the balance of power between Saudi Arabia and Iran as Saudi Arabia was able to enhance its own position as a major player both regionally and specifically relative to Iran. Nonetheless oil acts as a double-edged sword for both states, Saudi more than Iran, given the rentier nature of their economies and their dependence on oil revenues for their economic growth. To this extent, the determinism of neo-realist theory has to be moderated with acknowledgement of the importance of domestic economic considerations.

Chapter Four examined how religion helped to reinforce the competition between the two countries soon after the Iranian Revolution in 1979. It highlighted how religion has been used as a tool to gain legitimacy for both Saudi and Iranian regimes; and how

both regimes have fought to control and influence the Muslim world through their own interpretations of Islam, using this influence to improve their positions relative to one another via international Islamic organisations and the *Hajj*.

Chapter Five assessed the role of Iraq, which was seen to be a country which evolved from being a regional player into an international villain, by invading both Iran in the 1980s and Kuwait in 1990. Iraq's own actions in pursuit of its regional ambitions have threatened Saudi Arabia but also enabled it to consolidate its relationship with the United States and thereby increase its own regional power. The Iraqi invasion of Iran significantly weakened Iran militarily and brought an American military presence to the region which was aligned against the Islamic Republic. However, Iraq's invasion of Kuwait in 1990 and the 1991 Coalition war against Iraq reduced Iraq's own regional power significantly and opened the way for Iran and Saudi Arabia to embark on their own rapprochement.

The penultimate chapter focused on regional disputes between Iran and two regional countries, Bahrain and the UAE. The chapter shows how Iran has sought to enhance its regional power through its pursuit of these disputes and how Saudi Arabia has exhibited differing responses as each dispute has offered different dilemmas and possibilities for Saudi itself. The chapter highlights the regional systemic constraints which help determine Saudi-Iranian relations.

The final chapter analysed the superpowers' involvement in the region working on the premise that Iran and Saudi Arabia are regional powers within a penetrated regional system and that the superpowers have played a fundamental role in shaping that system. The chapter argued that during the Cold War, relations between Saudi Arabia and Iran

were largely shaped by the playing out of superpower rivalries and the responses of the two states to those superpower policies. Since the end of the Cold War, however, and despite the extent of American hegemony in the region (which has seen a significant diminishment of Iran's regional power), Iran and Saudi Arabia have had a greater degree of power in determining their own bilateral relationship.

3.0 The role of factors in Saudi-Iranian relations

Both Saudi Arabia and Iran originally emerged as independent countries lacking prominence in world politics. Their foreign policy mainly reacted to the demands of external situations which determined their place in the regional balance of power or which threatened the legitimacy or survival of their ruling regimes. Prior to WWII, both Saudi Arabia and Iran were minor players in the international political scene, and made little impact on regional politics. At the same time, because Saudi Arabia and Iran did not have frequent contact with one another, their relations with each other did not show fluctuation to any great degree. However, the superpowers and regional events thereafter affected their relations in different ways. From the beginning of the Cold War in 1945, Western interests were mainly concerned with preventing the spread of Communism, which resulted in the West and the US supporting both Iran and Saudi Arabia, although the former to a greater degree than the latter. This, together with the greater resource base of Iran, enabled the Shah to successfully aspire to Iranian regional dominance in the late 1950s and early 1960s. During this period Saudi-Iranian relations were shaped by superpower involvement in the region rather than by regional (Gulf) disputes, religious, Iraqi or oil-related factors.

From the 1960s, the importance of oil in the world transformed both countries from being minor players in the international arena into regional powers. Both Saudi Arabia and Iran utilised their oil wealth to consolidate their influence in the region. However, the Saudi regime was still unable to challenge the Shah's military power. Thus when the British announced their withdrawal from the region and the conflicts over Bahraini independence, Abu Musa, and the Greater and Lesser Tunbs emerged, Saudi proved more concerned with the Bahraini dispute (which threatened its own regime survival) than with confronting Iran over its regional ambitions regarding the other disputes. Iraq and regional conflicts only served as a minor cause of friction between the two states, but religious disputes became more notable after the Iraqi regime began to exile its *Shi'ite* leaders into Iran in 1968.

The 1973 oil embargo altered this situation as Saudi Arabia's international status rapidly increased. Saudi Arabia not only gained wealth and confidence, but also joined Iran as one of the twin pillars of American regional policy. Its role within OPEC gave it new status and leverage, and offered a non-military arena in which it could challenge Iran's own regional dominance. The two states remained linked, however, by their monarchical regime interests, their alliance with the US, and their resistance to Communist infiltration of the region. Oil thus brought a change in the balance of power which favoured Saudi, although not sufficiently to allow it to challenge Iran, and which allowed it to give voice to grievances over regional disputes and differing regional interests. This caused concern in Riyadh that the shift of the *Shi'ite* centre from Iraq into Iran would enhance Iran's importance in the Muslim world.

Prior to 1977 this religious factor did not significantly affect their relations in tangible terms, but signs were certainly there of the inevitable confrontations that were to come,

soon after the Iranian Revolution. The revolution brought a new regime to power which challenged Saudi Arabia in terms of ideology, aspirations to religious leadership of the Muslim world and its rejection of alignment with the United States. The revolution altered the superpower balance of power in the region, representing a net loss for the United States and a gain for the USSR. The latter proved short-lived as Iran rejected the Soviet Union's ideological and political interference and declared itself in favour of 'neither east nor west'.

The Iran-Iraq War enabled Saudi Arabia to capitalise on new opportunities to increase its oil wealth and develop the relationship with America, despite its reservations regarding the credibility of American support for the regime itself given the failure to defend the Shah. Iran, in contrast, found itself under a military threat which was supported by America and the Gulf Arab states. Having rejected alliance with the Soviet Union, it was increasingly isolated and unable to counter the rising star of Saudi Arabia. The two states came into continual conflict over oil policies, religious issues which affected domestic regime legitimacy as much as external power projection, and the superpowers' military presence in the region.

The end of the Iran-Iraq War was closely followed by the end of the Cold War and the retreat of the Soviet Union from regional power play against the United States. Although this left Saudi's ally and Iran's nemesis, the United States, as the regional hegemon, it also allowed Saudi Arabia and Iran to pursue bilateral relations without the constraint of superpower rivalry. This era has seen a tentative rapprochement between the two states, with Saudi Arabia making concessions to Iran on oil policy, the repairing of relations over the *Hajj*, and some reduction in tensions over regional disputes. Iraq's invasion of Kuwait served to illustrate Saudi military weakness and reliance on

American security structures (and also Iran's isolation from these structures) but it also removed a potential threat from the horizon of both Iran and Saudi Arabia in the short-to medium term.

This chronological summary illustrates the importance of the factors identified in Chapter Two for Saudi-Iranian relations. Chapter Three showed how oil has been a foreign policy tool. The Saudi strategy throughout the period studied has been to maximise oil revenues by maintaining production at a high level. At the same time it has been unwilling to press for any dramatic rises in the price of oil. In contrast, Iran's oil policy reflected its situation at different stages. During the last period of the Shah, Iran still attempted to maximise its oil income in order to support its transformation from being an oil based economy into an industrial based one. The Iranian Revolution changed the regime's policy towards conserving the oil resource for its long-term economic goal. However, the outbreak of the eight-year Iran-Iraq War forced Iran into taking the short-term view on utilising its oil resources. This intensified its competition with Saudi Arabia over oil policy.

However, since the 1970s oil embargo, Saudi Arabia has seized the chance to become the unassailable player within OPEC. In the main analysis, the thesis concludes that although oil played an important role in shaping their relations, political consideration also affected the two countries' oil policy towards each other. The thesis showed that the oil factor has changed the balance of power between Saudi Arabia and Iran since the 1970s, and the competition intensified in the 1980s due to the Iran-Iraq War. This period witnessed open confrontation between the two countries over the issue of oil quotas within OPEC and beyond. Because of the war, Iran lost its political, economic and military superiority in the region and Saudi Arabia seized the chance to suppress

Iran's influence within OPEC, and dared to use oil to force Iran to accept specific terms and conditions.

However, one can see that politics played a very important role in dictating their relations. Only after the Iraqi invasion of Kuwait in 1990 did Riyadh change its foreign policy towards Iran because it needed Iran's co-operation in regional affairs, to counterbalance the threat from Iraq. In this period, although both countries fought for domination within OPEC, they still attempted to keep good working relations. In the 1990s the oil factor faded into the background again, and only served as a political tool. Although oil still played an important role in forming relations between Saudi Arabia and Iran, as neo-realist theory indicates, political considerations carried more weight than economic ones.

From analysing the oil policy, one could argue that the oil issue will always be a source of disagreement between Saudi Arabia and Iran, which cannot be separated from the political situation in the region and the world. The oil issue will affect their relationship in the future but the political environment will also play the most important role when the two countries deal with oil resources.

Chapter Four assessed the religious factor by identifying Islam as an effective force in providing or reinforcing national identity and political legitimacy to both Saudi Arabia and Iran. Religion has been manipulated by both governments to serve as a source of mass mobilisation, and to gain their legitimacy. Islam was founded in the seventh century in the Arabian Peninsula as the legitimate religion, and the sectarian division between *Sunni* and *Shi'a* forms of Islam also derived from that time onwards. Nonetheless, the division of Islam did not really cause any problem prior to the Iranian

Islamic Revolution.

Soon after the Iranian Revolution, Iran promoted itself as the model of a true Islamic state with its *Shi'ite* doctrine that emphasised the link between religion and politics. The Iranian clerical regime wanted to export their vision of Islam into the entire Muslim world, but especially the Arab Gulf states, and this caused panic reactions from those regimes. Furthermore, the Iranian regime began to challenge the House of Saud and inevitably a strong confrontation followed. The clash between Saudi Arabia and Iran was played out on two interlinked fronts, the annual *Hajj* and the competition within the Islamic organisations.

Tehran utilised the annual *Hajj* as a platform for protesting against the injustice of the West, and also against the Arab states for supporting the Iraqi war effort which had caused religious friction between Saudi Arabia and Iran. This acted as main cause for Riyadh to sever its diplomatic relations with Iran which sent their relations into a nadir.

Although both Saudi Arabia and Iran were the founding states for the Islamic organisations of the Muslim League and the OIC, from the discussion of this topic in chapter four it was clearly shown that Riyadh had utilised the Islamic organisations to be its voice. In contrast, Iran under the Shah had not paid any attention to the role these Islamic organisations held. The Shah only used the organisations as a tool to show his influence in regional affairs.

Saudi Arabia seized the chance to become the most dominant player in the Islamic organisations in the 1980s. However, as mentioned earlier, in the 1990s because Riyadh realised its need to accommodate Tehran in the regional affairs in order to

counterbalance the threat from Iraq, Saudi Arabia began its rapprochement with Iran, and Tehran at the same time seized the chance to mend its relations with Riyadh. It regained the pilgrim quota and participated in the OIC conferences. The main triumph for Tehran was that it was the host for the OIC summit in 1997. From the discussion in Chapter Four, one could see that religion played an important role in shaping the two countries relations, although, political considerations still dominated their relations.

Chapter Five investigated how the factor of Iraq had affected the relations between Saudi Arabia and Iran. Although the importance of Iraq emerged only after the Iranian Revolution, the impact on the relations between Saudi Arabia and Iran was immense. The Iran-Iraq War was the most important factor which changed the relations between Saudi Arabia and Iran. Riyadh supported Iraq in the war against Iran, for fear that an Iranian victory would change the balance of power in the region. Consequently their relations deteriorated sharply and for the reason of Saudi having supported Iraq during the war Iranians protested this injustice during the annual *Hajj*. The religious and Iraqi factors intertwined with each other and greatly affected the relations of Saudi Arabia and Iran. However, in the 1990s the opposite occurred, as Iraq was the main reason *behind* the rapprochement between Saudi Arabia and Iran. Saudi Arabia initiated friendlier relations with Tehran and soon after the Iraqi invasion of Kuwait, the two countries re-established the diplomatic relations. However, because of Iraq's geopolitical and economic importance in the region, it will always act as a vital factor that will affect the balance of power in the region in general, and the Saudi-Iranian relations in particular, in the future.

Chapter Six discussed Bahrain and the UAE, and assessed how these two regional factors affected the Saudi-Iranian relations. It showed that their affects on the relations

between Saudi Arabia and Iran was different. Riyadh reacted strongly over the Bahraini issue because of the *Shi'ite* connection. In contrast, their reaction to the Abu Musa, and the Greater and Lesser Tunbs issue was lukewarm when the UAE requested support. Although Riyadh showed its support for the UAE, they were reluctant to damage their own relations with Tehran, which is strong evidence of the neo-realist thinking in how a state conducts its foreign policy.

Chapter Seven discussed the superpowers involvement in the region and their effects on the relations between Saudi Arabia and Iran. From the discussion in the chapter, one can notice that the influence of both superpowers on relations between Saudi Arabia and Iran often changed, depending on their own perceptions and needs. Also, both Saudi Arabia and Iran reacted to the situations imposed by the superpowers, and were seen to act as pawns in the Cold War game. However, the Iranian Revolution had a devastating impact on Iranian-American relations which, in turn, affected Saudi-Iranian relations. The superpowers acted in regional affairs purely according to their own political and economic needs, and by doing this, their policy greatly affected the relations between Saudi Arabia and Iran, especially during the eight-year Iran-Iraq War.

One can notice that the switch from a US policy of supporting Iran altered in 1979 had the effect of enhancing Saudi's influence in the region. For the first time in the history of Saudi-Iranian relations, this support allowed Saudi to overtly confront Iran on all fronts.

For the Soviet Union, its influence over Saudi Arabia and Iran deteriorated sharply because of its own economic problem. The US supplied weapons to Saudi Arabia, which reduced the importance of the Soviet Union in Saudi Arabia. In the case of Iran,

the Soviet Union attempted to keep its relations linked with Iraq, and therefore, did not help Iran during the Iran-Iraq War. At the same time, the Iranian clerical regime changed its foreign policy as choosing 'neither East nor West' and distancing itself from both superpowers.

The Iraqi invasion of Kuwait had a very important impact on the Saudi-Iranian relations. Also, during the gradual disintegration of the Soviet Union in 1991, Russia lost its influence over Saudi Arabia and Iran, and the US became the unipower in the region.

Although Saudi Arabia and the US formed interdependent relations immediately after and since the Iran-Iraq War, Riyadh still needed to accommodate Iran in regional affairs. From the events in the 1990s one can conclude that Riyadh utilised the support of the US to deal with Tehran. As the American administration regarded Iran as being a pariah state, and also being the main obstacle for any US domination in the region, the US utilised its political influence in the region to confine Iran's influence in regional affairs. This can be seen in action during the Iran-Iraq War, when the US sided with Iraq. Soon after the Iraqi invasion of Kuwait, the US still attempted to exclude Iran from joining the regional security pact. Saudi Arabia prudently used American support to also exclude Iran from regional affairs.

Soon after the Iraqi invasion of Kuwait Riyadh realised that Iran could act as a counterbalance to the threat from Iraq. Therefore, although in the 1990s Saudi Arabia was under huge pressure from Washington to accuse Tehran of the bombings within the country, interestingly, Riyadh refrained from doing so. This indicates that Riyadh began to conduct its foreign policy considering its own interests in the region. However, since the US has been the hegemon in the region since the 1990s,

Saudi-Iranian relations are likely to be directly affected to some extent by US policies in the future.

4.0 The limits of neo-realist theory applied to Saudi-Iranian relations

The researcher chose the neo-realist theory as a framework for examining Saudi-Iranian relations because it best explains the formulation of Saudi and Iranian foreign policy and hence their relations in the time scale (1977-97) under study. Neo-realism attributes a state's foreign policy to external rather than internal factors and this suits and explains the two countries' foreign policy behaviour. As shown in this research, the two countries' foreign policy has been largely determined by external factors, rather than internal ones. The state has been the principal actor in determining the course of Saudi-Iranian relations. Furthermore, Saudi Arabia and Iran conducted their foreign policy based on rational criteria. Although economic, military and religious capabilities are important factors, political considerations, notably regime survival and balance of power, are the final determinants of their foreign policy behaviour.

From the case study of the relations between Saudi Arabia and Iran one can, however, notice the limitations to the usefulness of this theory of international relations. This comprehensive study of the empirical aspects of the relations between Saudi Arabia and Iran shows that the theoretical framework can be used as a guideline to understand how states conduct their foreign policy towards each other. However, at the same time, it still exposes the limits of the explanatory power of the theory for every aspect of their inter-state relations.

For example, in the oil chapter, the nature of rentierism and its role in determining the

foreign-policy of states, cannot be properly explained by the neo-realist school of thought. Also, the neo-realist school of thought, could not explained why since the Iranian Revolution, ideology/religion temporarily superceded regime survival as a contributor to Iranian policy towards Saudi Arabia, and the role played by *ulema* and officials which showed the neo-realists school entirely ignore the domestic composition of political elites which lead to question and challenge the definition of state by the neo-realism. In additions, the neo-realist school could not explain that during the Tanker War, the Iranian regime acted as an irrational actor in the action against both superpowers and opened another battlefield which Iran itself could never win. Furthermore, non-state actors such as OPEC, OAPEC and *ulema*, have played a significant role in determining the relations between Saudi Arabia and Iran, the evidence of the internal/domestic factors can also influence the outcome of state foreign policy. However, the researcher believes that due to the nature of Saudi Arabia and Iran, the actions of these non-state actors have been of minor importance. This has been shown throughout this thesis by highlighting the factors that have shaped the relationship. In other words, neo-realism provides, in this case, a framework for interpreting the relationship, and not a complete explanatory theory.

Relations between Iran and Saudi Arabia are likely to remain competitive; however, both countries are also interested in maintaining some level of co-operation to protect their own national interests. Competition mainly emanates from rivalry, when over expanding their influence in the Muslim world, and extending their control in oil production and pricing. Any regional conflict will affect the equilibrium in the region, and therefore, both Saudi Arabia and Iran need to maintain good relations in order to secure the stability of the region, and keep the balance of power in the region.

In the future, the oil factor will still play an important role to affect the relations between Saudi Arabia and Iran due to their rentier economy basis. This will only occur until the end of the oil era or the emergence of a new energy, such as natural gas or wind power, which will shift the importance of the region in the world economy, and may well diminish the importance of oil and change the fortune of both countries. Should a new source of energy be used, this will witness the importance of the Middle East region in general, and Saudi Arabia and Iran in particular, to dramatically decline.

Due to the foundation of both countries, the religious factor is in the heart of both regimes, and acts as the legitimacy for both Saudi and Iran's regimes. Only a dramatic change of both regimes (of which, in the foreseeable future, the chance of this to happen is still extremely slim) and for both or either to become secular state, then the religious factor will always affect the relations between Saudi Arabia and Iran on the issue of the leadership in the Muslim world.

Both Saudi Arabia and Iran attempt to evolve themselves as being an important player in world politics, and therefore, they will still play an active role in the regional affairs. Also, the regional factors such as Iraq, Bahrain, and the islands issues will still play an important role in shaping the relations between Saudi Arabia and Iran, because any change will affect the balance of power in the region which will have a potential domino effect on their relations. In the foreseeable future, all these regional security factors will still play a very important role, and will affect their relations.

For the superpowers, as long as oil still remains as the main energy source to generate the world economy growth, they will still keep very close attention on the relations between Saudi Arabia and Iran, and at the same time, they will still actively attempt to

influence/control both countries relations in order to suit their own political and economic needs. Both Saudi Arabia and Iran, as the regional players, cannot avoid - or escape - the will of a superpower, and this, in the long run, will always effect their relations. In short, in the foreseeable future, both Saudi Arabia and Iran will continue to act towards each other within the established framework of the neo-realism theory.

BIBLIOGRAPHY

Primary Sources

Kingdom of Saudi Arabia Statistical Yearbook, Ministry of Finance and National Economy, Damman, varies issues.

The Military Balance, The International Institute for Strategic Studies, London, varies issues.

OPEC Annual Statistical Bulletin, The Secretariat of OPEC, Vienna, varies issues.

Statistical Yearbook of Iran, Plan and Budget Organization, Tehran, varies issues.

Books

Abdulghani, J. M. (1984), Iraq and Iran: The Years of Crisis. Baltimore: The John Hopkins University Press.

Abir, M. (1988), Saudi Arabia in the Oil Era: Regime and Elites, Conflict and Collaboration, London: Croom Helm.

Abir, M. (1994), Saudi Arabia: Government, Society and the Gulf Crises, London: Routledge.

Acharya, A. (1989) U.S. Military Strategy in the Gulf. London: Routledge.

Afrachteh, K. (1991) Iran. In Ayoob, M. ed. The Politics of Islamic Reassertion. London: Croom Helm, pp.90-119.

Ahrari, M. E. (1989) Saudi Arabia, Iran and OPEC: The Dynamics of a Balance Act. In Ahrari, M. E. ed. The Gulf and International Security. New York: St. Martin's Press, pp. 69-88.

Ahrari, M. E. (1992), Iran, GCC and the Security Dimensions in the Persian Gulf, in Amirahmadi, H. and Entessar, N. eds., Reconstruction and Regional Diplomacy in the Persian Gulf, London: Routledge, pp. 193-212.

Ahrari, M. E. (1993), Iran in the Post-Cold War Persian Gulf Order, in Ahrari, M.E. and Noyes, James H., eds., The Persian Gulf after the Cold War, Westport: Praeger.

Ahrari, M. E. (1996), The Peace Process and its Critics: Post-Cold War Perspectives, Ahrari, M.E., ed., Change and Continuity in the Middle East: Conflict Resolution and Prospects for Peace, London: Macmillan.

Ahrari, M. E. ed. (1989) The Gulf and International Security: the 1980s and Beyond.

New York: St. Martin's Press.

Akbari, M. H. and **Tabatabaie, M. G.** (1994), Central Asia, Persian Gulf and regional Development Organizations, in Ehteshami, A. ed., From the Gulf to Central Asia: Players in the New Great Game, Exeter: University of Exeter Press.

Al Rasheed, M. (2002) A History of Saudi Arabia. Cambridge: Cambridge University Press.

Al-Alkim, H. H. (1989) The Foreign Policy of the United Arab Emirates. London: Saqi Books.

Alaolmolki, N. (1991) Struggle for Dominance in the Persian Gulf: Past, Present and Future Prospects. New York: P. Lang.

Alaolmolki, N. (1996) The Persian Gulf Region in the Twenty First Century: Stability and Change. New York: University Press of America.

Aliboni, R. (1997) Change and Continuity in western Policies towards the Middle East. In Guazzone, L. ed. The Middle East in Global Change. Houndmills: Macmillan Press, pp. 216-236.

Allcock, J. B. et al. (1992) Border and Territorial Disputes. 3rd ed. Essex: Longman Current affairs.

Al-Mani', S (1996) The Ideological Dimension in Saudi-Iranian Relations. In al-Suwaidi, J. ed. Iran and the Gulf: A Search for Stability. Abu Dhabi: The Emirates Center for Strategic Studies and Research, pp. 158-174.

Al-Suwaidi, J. (1996) The Gulf security Dilemma: The Arab Gulf States, the United States, and Iran. In al-Suwaidi, J. ed. Iran and the Gulf: A Search for Stability. Abu Dhabi: The Emirates Center for Strategic Studies and Research, pp. 327-352.

Al-Yassini, A. (1985) Religion and State in the Kingdom of Saudi Arabia. Boulder: Westview Press.

Ameri, N. S. (1996), Iran: Elements of Foreign Policy, in Pant, G., et al., eds., Contemporary Iran and Emerging Indo-Iranian Relations, New Deli: Neelkanth.

Amirahmadi, H. (1990), Revolution and Economic Transition: The Iranian Experience, New York: SUNY.

Amirahmadi, H. (1992) Economic Destruction and imbalances in Post-revolutionary Iran. In Amirahmadi, H. and Entessar, N. eds. Reconstruction and Regional Diplomacy in the Persian Gulf. London: Routledge, pp. 65-108.

Amirahmadi, H. (1993a), Iran and the Persian Gulf Crisis, in Amirahmadi, H. and Entessar, N., eds., Iran and the Arab World, London: Macmillan.

Amirahmadi, H. (1993b), Iran-Saudi Arabian Relations since the Revolution, in Amirahmadi, H. and Entessar, N., eds., Iran and the Arab World, London: Macmillan.

Amirahmadi, H. (1995), The Political Economic of Iran's Oil Policy, in Gillespie, K. and Henry, C. M. eds., Oil in the New World Order, Gainesville: University Press of

Florida.

Amirahmadi, H. (1996b), The Colonial-Political Dimension of the Iran-UAE Dispute, in Amirahmadi, H., ed., Small Islands, Big Politics: The Tonbs and Abu Musa in the Gulf, London: Macmillan.

Amirahmadi, H. and **Entessar, N.** Eds. (1992) Reconstruction and Regional Diplomacy in the Persian Gulf. London: Routledge.

Amirahmadi, H. and **Entessar, N.** Eds. (1993) Iran and the Arab World. Basingstoke: Macmillan.

Amirahmadi, H. and **Hooglund, E.** ed. (1994) US-Iran Relations: Areas of Tension and Mutual Interest. Washington, D.C.: Middle East Institute.

Amirahmadi, H., ed. (1998), The United States and the Middle East: A Search for New Perspectives, Albany: State University of New York Press.

Amuzegar, J. (1993a), Iran Economy under the Islamic Republic, London: I. B. Tauris.

Amuzegar, J. and **Fekrat, M. A.** (1971), Iran: Economic Development under Dualistic Conditions, Chicago: The University of Chicago Press.

Ansari, A. M. (2003) Modern Iran since 1921: The Pahlavis and After. London: Longman.

Anthony, J. D. (1981), The Persian Gulf in Regional and International Politics: The Arab Side of the Gulf, in Amirsadeghi, H. ed., The Security of the Persian Gulf, London: Croom Helm, pp. 170-196.

Ardekani, A. S. (1998), Geo-Economics of OPEC Members in the Middle East, in El-Din Haseeb, Khair, ed., Arab-Iranian Relations, Beirut: Centre for Arab Unity Studies.

Arjomand, S. A. (1998), The Turban for the Crown: The Islamic Revolution in Iran, New York: Oxford University Press.

Attar, A. S. (1996), The Islamic Republic of Iran: Basic Concepts of the Foreign Policy, in Pant, G. et al. eds., Contemporary Iran and Emerging Indo-Iranian Relations, New Delhi: Neelkanth.

Ayubi, N. N. (1994), Political Islam: Religion and Politics in the Arab World, London: Routledge.

Ayubi, N. N. (1995), Over-standing the Arab State: Politics and Society in the Middle East, London: I. B. Tauris.

Azarshab, M. A. (1998), The Place of Arab-Iranian Relations in the Islamic World Frame, in El-Din Haseeb, Khair, ed., Arab-Iranian Relation, Beirut: Centre for Arab Unity Studies.

Badeeb, S. M. (1993), Saudi-Iranian Relations 1932-1982, London: Centre for Arab and Iranian Studies and Echoes.

Bakhash, S. (2001) Iran's foreign Policy under the Islamic Republic, 1979-2000. In Brown, L C. ed. Diplomacy in the Middle East. London: I. B. Tauris.

Baktiari, B. (1993), Revolutionary Iran's Persian Gulf Policy: The Quest for Regional Supremacy, in Amirahmadi, H. and Entessar, N., eds., Iran and the Arab World, London: Macmillan.

Baktiari, B. (1996), Parliamentary Politics in Revolutionary Iran: The Institutionalization of Factional Politics, Gainesville: University Press of Florida.

Barnett, M. N. (1998), Dialogues in Arab Politics: Negotiations in Regional Order, New York: Columbia University Press.

Barylski, R. V. (1997) The Collapse of the Soviet Union and Gulf Security. In Long, D. E. and Koch, C. eds. Gulf Security in the Twenty-First Century. Abu Dhabi: The Emirates Center for Strategic Studies and Research, pp. 90-118.

Bavand, D. H. (1996), The Legal Basis of Iran's Sovereignty over Abu Musa Island, in Amirahmadi, H., ed., Small Islands, Big Politics: The Tonbs and Abu Musa in the Gulf, London: Macmillan.

Baylis, J., (1997) International Security in the Post-Cold War Era, in Baylis, J. and Smith, S. The Globalization of World Politics, Oxford: Oxford University Press, pp.193-211.

Beblawi, H. and **Luciani, G.**, eds. (1987), The Rentier State. London: Croom Helm.

Behrooz, M. (1990), Trends in the Foreign Policy of the Islamic Republic of Iran, 1979-1988, in Keddie, Nikki R. and Gasiorwski, M. J., eds., Neither East nor West: Iran, the Soviet Union, and the United states, New Haven: Yale University Press.

Bill, J. A. (1996a) The Geometry of instability in the Gulf: the Rectangle of Tension. In al-Suwaidi, J. ed. Iran and the Gulf: A Search for Stability. Abu Dhabi: The Emirates Center for Strategic Studies and Research, pp. 83-117.

Bill, J. A. (1998) The Eagle and The Lion: The Tragedy of American-Iranian Relations. New Haven: Yale University Press.

Bill, J. A. and **Springborg, R.** (2000) Politics in the Middle East. 5th ed. New York: Addison Wesley Longman.

Bosworth, C. E. et. al. ed (1997) The Encyclopaedia of Islam. Vol.IX. Leiden: Brill.

Bremmer, I. and **Taras, R.** eds. (1984), Nation and Politics in the Soviet Successor States, New York: Cambridge University Press.

Bresheeth, H. and **Yuval-Davis, N.** eds. (1991), The Gulf War and the New World Order, London: Zed Books.

Brooks, R. (1998), Political-Military Relations and the Stability of Arab Regimes, Oxford: Oxford University Press.

Brown, C., (1997), Understanding International Relations, Hampshire: Palgrave.

Brown, G. S. (1997) Coalition, Coercion and Compromise: Diplomacy of Gulf Crisis, 1990-1991, Washington, DC: Institute for the Study of Diplomacy.

Brown, L. C. (1984) International Politics and the Middle East: Old Rules, Dangerous Game. Princeton: Princeton University Press.

Brown, L. C. ed. (2001) Diplomacy in the Middle East: The International Relations of Regional and Outside Powers. London: I. B. Tauris.

Brzezinski, Z. (1989) The Grand Failure: The Birth and Death of Communism in the Twentieth Century. New York: Charles Scribner's Sons.

Brzezinski, Z. (1997a) The Grand Chessboard: American Primacy and its Geostrategic Imperatives. New York: Basic Books.

Bundy, R. R. (1994), Maritime Delimitation in the Gulf, in Schofield, R., ed., Territorial Foundations of the Gulf States, London: UCL Press.

Burchill, S. (2001) Realism and Neo-realism. In: Burchill, S. et.al. Theories of International Relations. 2nd ed. New York: Palgrave.

Calabrese, J. (1994) Revolutionary Horizons: Regional Foreign Policy in Post-Khomeini Iran. Basingstoke: Macmillan.

Chehabi, H. E. (1990), Iranian Politics and Religious Modernism: The Liberation Movement of Iran under the Shah and Khomeini, Ithaca: Cornell University Press.

Chubin, S. (1982) Security in the Persian Gulf: The Role of Outside Powers. Hants: Gower.

Chubin, S. and **Tripp, C** (1996), Iran-Saudi Arabia Relations and Regional Order, Oxford: Oxford University Press.

Chubin, S. and **Zabin, S.** (1974), The Foreign Relations of Iran: A Developing State in a Zone of Great-Power Conflict, Berkeley: University of California Press.

Clawson, P. L. (1993), Iran's Challenge to the West: How, When, and Why. Washington: Washington Institute for Near East Policy.

Clawson, P. L. et al. (1998b) Iran under Khatami: a Political, Economic, and Military Assessment. Washington, D.C.: Washington Institute for Near East Policy.

Cottam, R. W. (1979), Nationalism in Iran, Pittsburgh: University of Pittsburgh Press.

Crystal, J. (1995), Oil and Politics in the Gulf: Rulers and Merchants in Kuwait and Qatar, Cambridge: Cambridge University Press.

Dannreuther, R. (1992) The Gulf Conflict: A Political and Strategic Analysis. Oxford: Oxford University Press.

Danspeckgruber, W. F. and **Tripp, C. R. H.**, eds. (1996), The Iraqi Aggression Against Kuwait: Strategic Lessons and Implications for Europe, Boulder: Westview Press.

Davies, P. A. and **Stevens, P. J.** (1992) Oil in the Gulf – Internal and External Integration: Past, Present and Future. In Davies, C. ed. Global Interests in the Arab Gulf. New York: St. Martin's Press, pp. 67-86.

Dawisha, A. (1979-80) Saudi Arabia's Search for Security. London: The International Institute for Strategic Studies.

Dawisha, A. (1998) Saudi Arabia's Search for Security. London: Brassey's.

Dawisha, A. and **Dawisha, K.** eds. (1982) The Soviet Union in the Middle East : Policies and Perspectives. London: The Royal Institute of International Affairs.

Doran, C. F. (1997) Economics and Security in the Gulf. In Long, D. E. and Koch, C. eds. Gulf security in the Twenty-First Century. Abu Dhabi: The Emirates Center for Strategic Studies and Research, pp. 189-207.

Dorraj, M. (1990) From Zarathustra to Khomeini : Populism and Dissent in Iran. Boulder: Lynne Reinner.

Dowdy, W. L. (1985) The Strait of Hormuz as a Secure International Waterway. In Pridham, B. R. ed. The Arab Gulf and the West. New York: St. Martin's Press, pp. 162-171.

Dunne, T., (1997), Realism, in Baylis, J. and Smith, S. The Globalization of World Politics, Oxford: Oxford University Press, pp.109-124.

Economist Intelligence Unit, (1991), Iran and the Arabian Peninsula: Economic Structure and Analysis, London: The Economist Intelligence Unit.

Ehteshami, A. (1992) Wheels within Wheels: Iran's Foreign Policy towards the Arab World. In Amirahmadi, H. and Entessar, N. eds. Reconstruction and Regional Diplomacy in the Persian Gulf. London: Routledge, pp. 155-192.

Ehteshami, A. (1994), New Frontiers: Iran, the GCC and the CCARs, in Ehteshami, A., ed., From the Gulf to Central Asia: Players in the New Great Game, Exeter: University of Exeter Press.

Ehteshami, A. (1995), After Khomeini: The Iranian Second Republic, London: Routledge.

Ehteshami, A. (2002) The Foreign Policy of Iran. In Hinnebusch, R. and Ehteshami, A. eds. The Foreign Policies of Middle East States. London: Lynne Rienner publishers.

Ehteshami, A. and **Hinnebusch, R.** (1997), Syria and Iran, London: Routledge.

Ehteshami, A. et al. (1991) War And Peace in the Gulf: Domestic Politics and Regional Relations into the 1990s. Reading: Ithaca.

Eilts, H. F. (2001) Saudi Arabia's Foreign Policy. In Brown, L C. ed. Diplomacy in the Middle East. London: I. B. Tauris.

EIU Regional Reference Series. (1992) Country Studies: Iran. London: The Economist Intelligence Unit.

El-Issa, S. (1998), The Dispute Between the United Arab Emirates and Iran over Three Islands, in El-Din Haseeb, Khair, ed., Arab-Iranian Relations, Beirut: Centre for Arab Unity Studies.

El-Sayed S. M. (1998), Arab and Iranian Policies Towards Middle Easternism and Gulf Security, in El-Din Haseeb, Khair, ed., Arab-Iranian Relations, Beirut: Centre for Arab Unity Studies.

El-Sayyed, R. (1998), Arabs and Iran: State, Islam and Civil Society, in El-Din Haseeb, Khair, ed., Arab-Iranian Relations, Beirut: Centre for Arab Unity Studies.

Entessar, N. (1992) Non-provocative Defence in the Persian Gulf. In Amirahmadi, H. and Entessar, N. eds. Reconstruction and Regional Diplomacy in the Persian Gulf.

London: Routledge, pp. 213-236.

Esposito, J. L. ed. (1997) Political Islam: Revolution, Radicalism, or Reform? Boulder: Lynne Rienner.

Evans, G. and **Newnham, J.** (1990) The Dictionary of World Politics: A Reference Guide to Concepts, Ideas and Institutions. New York: Harvester Wheatsheaf.

Evans, G. and **Newnham, J.** (1998) The Penguin Dictionary of International Relations. London: Penguin.

Fatemi, F. S. (1980) The U.S.S.R. in Iran: the Background History of Russian and Anglo-American Conflict in Iran, its Effect on Iranian Nationalism, and the Fall of the Shah. London : Yoseloff.

Freedman, L. and **Karsh, E.** (1993), The Gulf Conflict 1990-1991: Diplomacy and War in the New World Order, Princeton: Princeton University Press.

Freedman, R. O. (1991) Moscow and the Middle East: Soviet Policy since the Invasion of Afghanistan. Cambridge: Cambridge University. Press.

Freedman, R. O. (1993) The Middle East after Iraq's invasion of Kuwait. Gainesville: University Press of Florida.

Freedman, R. O. and **Gorbachev, M. S.** (1991), Continuity and change in Soviet policy toward the Middle East under Gorbachev. In Freedman, R. O. ed. The Middle East from the Iran-Contra affair to the Intifada. Syracuse: Syracuse University Press, pp.11-73.

Fuller, G. E. (1991), The "Center of the Universe": The Geopolitics of Iran, Boulder: Westview Press.

Fuller, G. E. and **Francke, R.R.** (1999) The Arab Shi'a: The Forgotten Muslims. Basingstoke : Macmillan.

Furtig, H. (2001) Iran's Rivalry with Saudi Arabia between the Gulf Wars. Reading: Ithaca Press.

Gardner, J. A. (1988), The Iraq-Iran War: A Bibliography, London: Mansell.

Gargash, A. (1996) Iran, the GCC States, and the UAE: Prospects and Challenges in the Coming Decade. In al-Suwaidi, J. ed. Iran and the Gulf: A Search for Stability. Abu Dhabi: The Emirates Center for Strategic Studies and Research, pp. 136-157.

Gause, F. G. III (1993), Saudi Arabia: Desert Storm and After, in Freedman, Robert O., ed., The Middle East after Iraq's Invasion of Kuwait, Gainesville: University Press of Florida.

Gause, F. G. III (1994) Oil Monarchies: Domestic and Security Challenges in the Arab Gulf States. New York: Council on Foreign Relations Press.

Gause, F. G. III (2002) The Foreign Policy of Saudi Arabia. In Hinnebusch, R. and Ehteshami, A. eds. The Foreign Policies of Middle East States. London: Lynne Rienner publishers.

Gibb, H. A. R. and **Kramers, J. H.** (1953) Shorter Encyclopaedia of Islam. Leiden: E.J.

Brill.

Girardet, E. (1985) Afghanistan: the Soviet War. London: Croom Helm.

Glasse, C. (1989) The Concise Encyclopaedia of Islam. London: Stacey International.

Golan, G. (1990) Soviet Policies in the Middle East from World War Two to Gorbachev. Cambridge: Cambridge University Press.

Goldschmidt, A. Jr. (1999) A Concise History of the Middle East. Boulder: Westview.

Golub, D. B. (1985), When Oil and Politics Mix: Saudi Oil Policy, 1973-1985, Cambridge, MA: Center for Middle Eastern Studies.

Goodwin, B. (1992) Using Political Ideas, 3rd ed, Chichester: John Wiley &Sons.

Green, J. D. (1997) Iran and Gulf Security. In Long, D. E. and Koch, C. eds. Gulf security in the Twenty-First Century. Abu Dhabi: The Emirates Center for Strategic Studies and Research, pp. 15-25.

Griffiths, M. (1999) Fifty Key Thinkers in International Relations. London: Routledge.

Griffiths, M. and **O'Callaghan, T.** (2002) International Relations, the Key Concepts. London: Routledge.

Haass, R. (1981) 'Saudi Arabia and Iran: the Twin Pillars in Revolutionary', in Amirsadeghi, H. ed., The Security of the Persian Gulf. London: Croom Helm, pp. 151-169.

Hadar, L. T. (1992), Quagmire: America in the Middle East, Washington D.C.: Cato Institute.

Hague, R. et. al. (1998) Comparative Government and Politics an Introduction. 4th ed. Hampshire: Macmillan.

Halliday, F. (1996), Islam and the Myth of Confrontation: Religion and Politics in the Middle East, London: I. B. Tauris.

Hameed, M. A. (1986) Saudi Arabia, the West and the security of the Gulf. London: Croom Helm.

Hardy, R. (1992) Arabia After the Storm: Internal Stability of the Gulf Arab States. London: Royal Institute of International Affairs.

Hart, P. T. (1998) Saudi Arabia and the United States, Birth of a Security Partnership, Bloomington: Indiana University Press.

Hashim, A. (1995) The Crisis of the Iranian State. Oxford: Oxford University Press.

Heller, M. (1993) Iraq's Army: Military Weakness, Political Utility, in Baram, A. and Rubin, B. ed. Iraq's Road to War. New York: St. Martin's Press.

Hiro, D. (1985) Iran under the Ayatollahs. London: Routledge.

Hiro, D. (1987), Iran under the Ayatollahs, London: Routledge & Kegan Paul.

Hiro, D. (1991), The Longest War: The Iran-Iraq Military Conflict, New York: Routledge.

Hiro, D. (1996), Dictionary of the Middle East, London, Macmillan Press.

Holden, D. and **Johns**, R. (1981) The House of Saud. London: Sidgwick & Jackson.

Hooglund, E. (1991) The United States and Iran, 1981-9. in Ehteshami, A. and Varasteh, M. eds., Iran and the International Community, Routledge: London.

Hughes, T. P. (1895) Hughes' Dictionary of Islam. London: W. H. Allen and Co.

Hume, C. R. (1994), The United Nation, Iran, and Iraq: How Peacemaking Changed, Bloomington: Indiana University Press.

Hunter, S. T. (1990a) Iran and the World: Continuity in a Revolutionary Decade. Bloomington: Indiana University Press.

Hunter, S. T. (1990b) Iran after Khomeini, New York: The Center for Strategic and International Studies.

Hunter, S. T. (1992) Iran after Khomeini. New York: Praeger.

Hunter, S. T. (1993), Iran from the August 1988 Cease-fire to the April 1992 Majlis Elections, in Freedman, R. O., ed., The Middle East after Iraq's Invasion of Kuwait, Gainesville: University Press of Florida.

Jackson, R. H. (1995) The Political Theory of International Society. In: Booth, K. and Smith, S. ed. International Relations Theory Today. Oxford: Polity Press.

Jaidah, A. M. (1983), An Appraisal of OPEC Oil Policies, London: Longman.

Joffe, G. (1994) Concepts of sovereignty in the Gulf Region. In Schofield R. ed. Territorial Foundations of the Gulf States. London: UCL Press.

Joffe, G. H. (1997), Dispute Over State Boundaries in the Middle East and North Africa, in Guazzone, L. ed., The Middle East in Global Change: The Politics and Economics of Interdependence versus Fragmentation, London: Macmillan, pp. 58-94.

Joshua, W. (1970), Soviet Penetration into the Middle East, New York: National Strategy Information Center.

Kanovsky, E. (1998) Iran's Sick Economy: Prospects for Change under Khatami. In Clawson, P. et al. Iran under Khatami: A political, Economic, and Military Assessment, Washington D.C.: The Washington Institute for Near East Policy.

Karsh, E. (1987) The Iran-Iraq War: A Military Analysis. Oxford: Oxford University Press.

Karsh, E. (1989), From Ideological Zeal to Geopolitical Realism: The Islamic Republic and the Gulf, in Karsh, E. eds., The Iran-Iraq War: Impact and Implications, London: Macmillan

Katzman, K. (1996) The Politico-military Threat from Iran. In al-Suwaidi, J. ed. Iran and the Gulf: A Search for Stability. Abu Dhabi: The Emirates Center for Strategic Studies and Research, pp. 195-211.

Kechichian, J. A. (1993) The Impact of American policies on Iranian-Arab Relations. In Amirahmadi, H. and Entessar, N. eds. Iran and the Arab World. London: Macmillan, pp. 126-138.

Kechichian, J. A. ed. (2001) Iran, Iraq and the Arab Gulf States. New York: Palgrave.

Keddie, N. R. (1992) Why has Iran been Revolution? In Amirahmadi, H. and Entessar, N. eds. Reconstruction and Regional Diplomacy in the Persian Gulf. London: Routledge, pp. 19-32.

Keddie, N. R. (1993) Religion and Politics in Iran: Shi'ism from Quietism to Revolution. New Haven: Yale University Press.

Keddie, N. R. (1995) Iran and the Muslim World: Resistance and Revolution. New York: New York University Press.

Keddie, N. R. and **Gasiorowski, M. J.** ed. (1990) Neither East Nor West: Iran, the Soviet Union, and the United States. New Haven: Yale University Press.

Keddie, N. R. and **Hooglund, E.** ed. (1986) The Iranian Revolution and the Islamic Republic. Syracuse: Syracuse University Press.

Kegley, C. W. and **Wittkopf, E. R.**, (1995), World Politics Trend and Transformation, New York: St. Martin's Press.

Kemp, G. (1996) The impact of Iranian Foreign Policy on Regional Security: An External Perspective. In al-Suwaidi, J. ed. Iran and the Gulf: A Search for Stability. Abu Dhabi: The Emirates Center for Strategic Studies and Research, pp. 118-135.

Keohane, R. (1993) Theory of World Politics: Structural Realism and Beyond. In: Viotti, P. and Kauppi, M. eds. International Relations Theory, Realism, Pluralism, Globalism. 2nd ed. Boston: Macmillan.

Keohane, R. ed (1986) Neorealism and its Critics. New York: Columbia University Press.

Khaled Bin Sultan, Prince. (1995) Desert Warrior: a Personal View of the Gulf War. London: HarperCollins.

Khalidi, W. (1991) The Middle East Postwar Environment. Washington, D.C: Institute for Palestine Studies.

King, R. (1987) The Iran-Iraq War: The Political Implications. Oxford: Oxford University Press.

Knutsen, T. (1997) A History of International Relations Theory. 2nd ed. Manchester: Manchester University Press.

Kolkowicz, R. (1973) The Soviet Policy in the Middle East. In Confino, M. and Shamir, Sh. eds. The U. S. S. R. and the Middle East. New York: Halsted Press, pp.77-87.

Konarovshy, M. (1998) Russian-Iranian Relations. In Amirahmadi, H. ed. US-Iran Relations in Clinton's Second Term: International Perspectives. Princeton: American-Iranian Council, pp. 40-42.

Korany, B. (1997), The Old/New Middle East, in Guazzone, Laura, ed., The Middle East in Global Change: The Politics and Economics of Interdependence versus Fragmentation, London: Macmillan, pp. 135-152.

Korany, B. et al. ed. (1993) The Many Faces Of National Security In The Arab World. Basingstoke: Macmillan.

Kort, M. (1998) The Cold War. New York: Columbia University Press.

Krasner, S. D. (1997) The Middle East and the End of the Cold War. In Guazzone, L. ed. The Middle East in Global Change. Houndmills: Macmillan Press, pp. 201-215.

Kuniholm, B. R. (1980) The Origins of the Cold War in the Near East: Great Power Conflict and Diplomacy in Iran, Turkey, and Greece. Princeton: Princeton University Press.

Kupchan, C. A. (1987), The Persian Gulf and the West: The Dilemmas of Security, Boston: Allen & Unwin.

Landis, L. (1973), Moscow in the Middle East, New York: Dunellen.

Lewis, B. (1993) The Arab History. 6th ed. Oxford: Oxford University Press.

Lichtblau, J. (1998) Oil Industry and US-Iran Relations. In Amirahmadi, H. ed. US-Iran Relations in Clinton's Second Term: International Perspectives. Princeton: American-Iranian Council, pp. 19-24.

Linabury, G. (1992) Ayatollah Khomeini's Islamic Legacy. In Amirahmadi, H. and Entessar, N. eds. Reconstruction and Regional Diplomacy in the Persian Gulf. London: Routledge, pp. 33-44.

Linklater, A. (1995) Neo-realism in Theory and Practice. In: Booth, K. and Smith, S. eds. International Relations Theory Today. Oxford: Polity Press.

Long, D. E. (1985) The United States and Saudi Arabia: Ambivalent Allies. Boulder : Westview Press.

Long, D. E. (1997a) Revolutionary Islamism and Gulf Security in the Twenty-First Century. In Long, D. E. and Koch, C. eds. Gulf security in the Twenty-First Century. Abu Dhabi: The Emirates Center for Strategic Studies and Research, pp. 121-132.

Long, D. E. (1997b) The Kingdom of Saudi Arabia. Gainesville: University Press of Florida.

Long, D. E. and **Reich, B.** (1995) The Government and Politics of the Middle East and North Africa. 3rd ed. Boulder: Westview Press.

Louis, W. R. (2001) Britain and the Middle East after 1945. In Brown, L C. ed. Diplomacy in the Middle East. London: I. B. Tauris.

Luciani, G. and **Belawi, H.** ed. (1987) The Rentier State. London: Croom Helm.

Luciani, G. ed. (1990) The Arab State. Berkeley: University of California Press.

MacIntyre, R. R. (1981) The Politics of Islamic Reassertion. In Ayoob, M. ed. Saudi Arabia. London: Croom Helm, pp. 9-29.

Mahdavy, H. (1970) The Pattern and Problems of Economic Development in Rentier States: The Case of Iran. In Cook, M. Studies in the Economic History of the Middle East. London: Oxford University Press.

Ma'oz, M. and **Pappé, I.** Ed. (1997) Middle Eastern Politics and Ideas: A History from Within, London: Tauris Academic Studies.

Marr, P (2001) Iraq: Balancing Foreign and Domestic Realities. In Brown, L C. ed.

Diplomacy in the Middle East. London: I. B. Tauris.

Marr, P. (1997) Iraq Faces the Twenty-First Century: Potential Challenges for the Gulf States. In Long, D. E. and Koch, C. eds. Gulf security in the Twenty-First Century. Abu Dhabi: The Emirates Center for Strategic Studies and Research, pp. 26-54.

Matthews, K. (1993) The Gulf Conflict and International Relations. London: Routledge.

Mazarr, M J. et al. (1993) Desert Storm: the Gulf War and What We Learned. Oxford: Westview Press.

McCausland, J. (1993) The Gulf Conflict: A Military Analysis. Oxford: Oxford University Press.

McLachlan, K. (1994) Territoriality and the Iran-Iraq War. In McLachlan, K. ed. The Boundaries of Modern Iran. London: UCL Press.

McLaurin, R. D. (1977) Foreign Policy Making in the Middle East: Domestic Influences on Policy in Egypt, Iraq, Israel, and Syria. New York: Praeger.

McLaurin, R. D. et al. (1982) Middle East Foreign Policy: Issues and Processes. New York: Praeger.

Melhem, H. (1998) Arab-Iranian relations. In Amirahmadi, H. ed. US-Iran Relations in Clinton's Second Term: International Perspectives. Princeton: American-Iranian Council, pp. 107-113.

Menashri, D. (1990) Iran: A Decade of War and Revolution. New York: Holmes & Meier.

Menashri, D. (1998) Whiter Iranian politics? The Khatami Factor. In Clawson, P. et al. Iran Under Khatami: A political, Economic, and Military Assessment, Washington D.C.: The Washington Institute for Near East Policy.

Mendelson, M. and Hulton, S. (1994) Iraq's claim to Sovereignty over Kuwait. In Schofield R. ed. Territorial Foundations of the Gulf States. London: UCL Press.

Mesbahi, M. (1992) Gorbachev's 'New Thinking' and Islamic Iran: from Containment to Reconciliation. In Amirahmadi, H. and Entessar, N. eds. Reconstruction and Regional Diplomacy in the Persian Gulf. London: Routledge, pp. 260-296.

Milani, M. (1992) US Foreign Policy and the Islamic Revolution. In Amirahmadi, H. and Entessar, N. eds. Reconstruction and Regional Diplomacy in the Persian Gulf. London: Routledge, pp. 237-259.

Milani, M. M. (1988) The Making of Iran's Islamic Revolution: from Monarchy to Islamic Republic. Boulder: Westview Press.

Milani, M. M. (1996) Iran's Gulf Policy: from Idealism and Confrontation to Pragmatism and Moderation. In al-Suwaidi, J. ed. Iran and the Gulf: A Search for Stability. Abu Dhabi: The Emirates Center for Strategic Studies and Research, pp. 83-98.

Miller, J. and **Mylroie, L.** (1990) Saddam Hussein and the Crisis in the Gulf. New York: Times Books.

Mirfendereski, G. (1996) The Ownership of The Tonb Islands: A Legal Analysis. In Amirahmadi, H. ed. Small Islands, Big Politics: The Tonbs And Abu Musa in The Gulf. Basingstoke: Macmillan, pp.117-160.

Moini, F. ed. (1998), Who's Who in Iran, 2nd ed., Bonn: Media & Books.

Mojtahed-Zadeh, P. (1994b), Iran's Maritime Boundaries in the Persian Gulf: The Case of Abu Musa Island, in McLachlan, Keith, ed., The Boundaries of Modern Iran, London: UCL Press.

Mojtahed-Zadeh, P. (1996a), Perspectives on the Territorial History of the Tonb and Abu Musa Islands, in Amirahmadi, H. ed., Small Islands, Big Politics: The Tonbs and Abu Musa in the Gulf, London: Macmillan.

Mojtahed-Zadeh, P. (1999) Security and Territoriality in the Persian Gulf: A Maritime Political Geography. Surrey: Cruzon.

Mordechai, A. (1988) Saudi Arabia in the Oil Era: Regime and Elites; Conflict and Collaboration. London: Croom Helm.

Mordechai, A. (1993) Saudi Arabia: Government, Society and the Gulf Crisis. London: Routledge.

Morgenthau, H. (1967) Politics among Nations: The Struggle for Power and Peace. New York: Alfred A Knopf.

Mossavar-Rahmani, B. (1998) Oil in US-Iran relations. In Amirahmadi, H. ed. US-Iran Relations in Clinton's Second Term: International Perspectives. Princeton: American-Iranian Council, pp. 69-75.

Mostyn, T (1991) Major Political Events in Iran, Iraq and the Arabian Peninsula. New York: Facts and File Limited.

Muhtadi, M. A. (1998), Arabs and Iranians and the Concept of a 'Middle East Order', in El-Din Haseeb, Khair, ed., Arab-Iranian Relations, Beirut: Centre for Arab Unity Studies.

Munro, A. (1996) An Arabian Affair: Politics and Diplomacy Behind the Gulf War. London: Brassey's.

Murden, S. (1995), Emergent Regional Power and International Relations in the Gulf, 1988-1991, Reading: Ithaca Press.

Murphy, R. W. (1992) US Interests in the Gulf: Implications for America's Regional Policy. In Davies, C. E. ed. Global Interests in the Arab Gulf. Exeter: University of Exeter, pp. 333-344.

Nakhleh, E. A. (1986), The Gulf Cooperation Council: Policies, Problems and Prospects, New York: Praeger.

Naumkin, V. (1992) The USSR and the Arab Gulf: A Current Balance Sheet and Future Assessment. In Davies, C. E. ed. Global Interests in the Arab Gulf. Exeter: University of Exeter, pp. 202-217.

Naumkin, V. (1994), The Political and Security Linkages between the Gulf and the

Muslim States of CATR", in Ehteshami, A. ed., From the Gulf to Central Asia: Players in the New Great Game, Exeter: University of Exeter Press, pp. 206-221.

Nawfal, M. (1998), The Place of Arab-Iranian Relations in the Islamic World, in El-Din Haseem Khair, ed., Arab-Iranian Relations, Beirut: Centre for Arab Unity Studies.

Nazih, A. (1991) Political Islam: Religion and Politics in the Arab World. London: Routledge.

Nye, J. S. Jr. and **Smith, R. K.** eds. (1992a), After the Storm. Maryland: the Aspen Institute.

Olson, W. C. and **Groom, A. J. R.** (1991) International Relations Then and Now, Origins and Trends in Interpretation. London: Routledge.

Omid, H. (1994) Islam and the Post-Revolutionary State in Iran, London: St. Martin's Press.

Owen, R. (1993) State, Power and Politics in the Making of the Modern Middle East, London: Routledge.

Pasha, A. K. (1996), Iran and the Arab World in the Nineties: Conflict and Cooperation, in Pant, G. et al. eds. Contemporary Iran and Emerging Indo-Iranian Relations, New Delhi: Neelkanth.

Piacentini, V. F. (1994), Islam: Iranian and Saudi Arabian Religious and Geopolitical Competitiion in Central Asia, in Ehteshami, A. ed., From the Gulf to Central Asia: Players in the New Great Game, Exeter: University of Exeter Press.

Pimlott, J. (1992) The Gulf Crisis and World Politics. In Pimlott, J and Badsey, S. The Gulf War Assessed .London: Arms and Armour, pp.35-56.

Pinchuk, B. (1973) Soviet Penetration into The Middle East in Historical Perspective. In Confino, M. and Shamir, Sh. eds. The U. S. S. R. and the Middle East. New York: Halsted Press, 1973 pp.61-69.

Pipes, D. ed. (1993) Sandstorm: Middle East Conflicts and America. Lanham: University Press of America.

Piscatori, J. P. ed. (1983) Islam in the Political Process. London: Royal Institute of International Affairs.

Piscatori, J. P. ed. (1991) Islamic Fundamentalisms and the Gulf Crisis. Chicago: American Academy of Arts and Sciences.

Piscatori, J.P. (1986) Islam in a World of Nation-States. Cambridge: Cambridge University Press.

Polk, W. R. (1991) The Arab World Today. 5th ed. Cambridge: Harvard University Press.

Quandt, W. (1981) Saudi Arabia in the 1980s: Foreign Policy, Security, and Oil. Washington, D.C.: Brookings Institution.

Quandt, W. B. (2001) America and the Middle East: a Fifty-Year Overview. In Brown, L C. ed. Diplomacy in the Middle East. London: I. B. Tauris.

Quilliam, N. (1999) Syria and the New World Order. Reading: Ithaca.

Rabinovich, I. (1989), The Impact on the Arab World, in Karsh, E., ed., The Iran-Iraq War: Impact and Implications, London: Macmillan.

Rahnema, A. and **Nomani, F.** (1990), The Secular Miracle: Religion, Politics and Economic Policy in Iran, London: Zed Books.

Ramazani, R. K. (1972) The Persian Gulf: Iran's role. Charlottesville: University Press of Virginia.

Ramazani, R. K. (1982) The United States and Iran: the Patterns of Influence. New York: Praeger.

Ramazani, R. K. (1988a) The Gulf Cooperation Council: Record and Analysis. Charlottesville: University Press of Virginia.

Ramazani, R. K. (1988b), Revolutionary Iran: Challenge and Response in the Middle East, Baltimore: The Johns Hopkins University Press.

Rezun, M. (1990), The Parish Syndrome: The Complexities of the Iranian Predicament, in Rezun, M. ed., Iran at the Crossroads: Global Relations in a Turbulent Decade, Boulder: Westview Press.

Richards, A. and **Waterbury, J.** (1990), A Political Economy of the Middle East: State, Class and Economic Development, Boulder: Westview Press

Ricks, T. M. (1992) Power Politics and Political Culture. In Farsoun, S. K. and Mashayekhi, M. eds. Iran: Political culture in the Islamic Republic. London: Routledge, pp. 234-261.

Rizvi, H. A. (1998) Regional Implications of US-Iran relations. In Amirahmadi, H. ed. US-Iran Relations in Clinton's Second Term: International Perspectives. Princeton: American-Iranian Council, pp. 114-118.

Robins, P. (1990), The Future of the Gulf: Politics and Oil in the 1990s, Newcastle-upon-Tyne: Athenaeum Press.

Rubin, B. (1989), The Gulf States and the Iran-Iraq War, in Karsh, E. ed., The Iran-Iraq War: Impact and Implications. London: Macmillan.

Rubinstein, A. Z. (2001) The Middle East in Russia's Strategic Prism. In Brown, L C. ed. Diplomacy in the Middle East. London: I. B. Tauris.

Rumer, B. Z. (1994), The Potential for Political Instability and Regional Conflicts, in Banuazizi, A. and Weiner, M. eds., The New Geopolitics of Central Asia and Its Borderlands. Bloomington: Indiana University Press.

Safran, N. (1988) Saudi Arabia: The Ceaseless Quest for Security. London: Cornell University Press.

Saikal, A. (1991), Iranian Foreign Policy, 1921-1979, in Avert, P. et al. eds., From Nadir Shah to the Islamic Republic, Cambridge: Cambridge University Press.

Sajjadpour, S. K. (1994), Iran, the Caucasus and Central Asia, in Banuazizi, A. and Weiner, M. eds., The New Geopolitics of Central Asia and Its Borderlands,

Bloomington: Indiana University Press.

Salame, G. (1988) Inter-Arab Politics: the Return of Geography, in Quandt, W. ed. The Middle East: Ten Years after Camp David. Washington, D.C.: Brookings Institution.

Salame, G. ed. (1987), The Foundations of the Arab State, London: Croom Helm.

Samii, K. A. (1987), Involvement by Invitation: American Strategies of Containment in Iran, University Park: The Pennsylvania State University Press.

Sariolghalam, M. (1998), Arab-Iranian Rapprochement: The Regional and International Impediments, in El-Din Haseeb, Khair, ed., Arab-Iranian Relations, Beirut: Centre for Arab Unity Studies.

Savory, R. M. (1990) The Export of Ithna Ashari Shi'ism: Historical and Ideological Background. In Menashri, D. ed. The Iranian Revolution and the Muslim World. Boulder: Westview Press, pp.13-39.

Sayigh, Y. (1990) Confronting the 1990s: Security in the Developing Countries. Oxford: Oxford University Press.

Sayigh, Y. and **Shlaim, A.** ed. (1997) The Cold War and the Middle East Oxford: Clarendon.

Schofield, R. (1994) Interpreting a Vague River Boundary Delimitation: The 1847 Erzerum Treaty and the Shatt al-Arab before 1913. in McLachlan, K. ed. The boundaries of Modern Iran. London: UCL Press.

Schofield, R. (1997) Boundaries, Territorial Dispute and the GCC states. In Long, D. E. and Koch, C. eds. Gulf security in the Twenty-First Century. Abu Dhabi: The Emirates Center for Strategic Studies and Research, pp. 133-168.

Sharabi, H. ed. (1990), Theory, Politics and the Arab World: Critical Responses, London: Routledge.

Shihata, I. F. (1982), The Other Face of OPEC: Financial Assistance to the Third World, London: Longman.

Sick, G. (1985), All Fall Down: America's Tragic Encounter with Iran, New York: Random House.

Sick, G. (1998) Changing Iran and Wrong Policies. In Amirahmadi, H. ed. US-Iran Relations in Clinton's Second Term: International Perspectives. Princeton: American-Iranian Council, pp.13-18.

Sick, G. G. (1991) October Surprise: America's Hostages in Iran and the Election of Ronald Reagan. London: I. B. Tauris.

Sick, G. G. and **Potter, L. G.** ed. (1997) The Persian Gulf at the Millennium: Essays in Politics, Economy, Security, and Religion. New York: St. Martin's Press.

Simons, G. (1998), Saudi Arabia: The Shape of a Client Feudalism, London: Macmillan.

Smolansky, O. M. and **Smolansky, B.M.** (1991) The USSR and Iraq, the Soviet Quest for Influence, Durham: Duke University Press.

Starkey, B. (1996), Post-Cold War Security in the GCC Region: Continuity and Change

in the 1990s, in Ahari, M. E., ed., Change and Continuity in the Middle East: Conflict Resolution and Prospects for Peace, London: Macmillan.

Stookey, R. W. ed. (1984) The Arabian Peninsula: Zone of Ferment. Stanford: Hoover Institution Press.

Tahtinen, D. R. (1974) Arms in the Persian Gulf, Washington D.C.: American Enterprise Institute for Public Policy Research.

Terzian, P. (1985), OPEC: The Inside Story, Pallis, M. trans. London: Zed Books.

Tickner, J. A. (1995) Re-visioning Security. In: Booth, K. and Smith, S. International Relations Theory Today. Oxford: Polity Press.

Turki al Sa'ud, A. F. (1985) The Future for the Gulf/ Europe/ America Relation: A Gulf View. In Pridham, B. R. ed. The Arab Gulf and the West. New York: St. Martin's Press, pp. 221-227.

Twinam, J. W. (1993), The Saudi Role in the New Middle East Order, in Ahrari, M. E. and Noyes, J. H., eds., The Persian Gulf after the Cold War, Westport: Praeger.

Varasteh, M. (1991), The Soviet Union and Iran, in Ehteshami, A. and Varasteh, M. eds., Iran and the International Community, Routledge: London.

Vassiliev, A. (1993) Russian Policy In The Middle East: From Messianism To Pragmatism. Reading: Ithaca Press.

Vassiliev, A. (2000) The History of Saudi Arabia. London: Saqi books.

Viotti, P. and **Kauppi, M.** (1993) International Relations Theory, Realism, Pluralism, Globalism. 2nd ed. Boston: Macmillan.

Walsh, L. (1997), Firewall: The Iran-Contra Conspiracy and Cover-Up, New York, W. W. Norton.

Wilber, D. N. (1981), Iran: Past and Present, from Monarchy to Islamic Republic, 9th ed., Princeton: Princeton University Press.

Wilson, P. W. and **Graham, D. F.** (1994) Saudi Arabia: the Coming Storm. New York: M. E. Sharpe.

Winterford, D. and **Looney, R. E.** (1993), Gulf Oil: Geo-Economic and Geo-Strategic Realities in the Post-Cold War and Post- Gulf War Era, in Ahrari, M. E. and Noyes, J. H., eds., The Persian Gulf after the Cold War, Westport: Praeger.

Wood, D. (1965), The Middle East and the Arab World: the Military Context, London, Institute for Strategic Studies.

Yamani, M. (1994), Saudi Arabia and Central Asia: The Islamic Connection, in Ehteshami, A. ed. From the Gulf to Central Asia: Players in the New Great Game, Exeter: University of Exeter Press.

Yapp, M. E. (1992), The Near East since the First World War, London: Longman.

Yetiv, S. A. (1997) The Persian Gulf Crisis. Westport: Greenwood Press.

Yizraeli, S. (1997), The Remaking of Saudi Arabia: The Struggle between King Sa'ud and Crown Prince Faysal, 1953-1962, Tel Aviv: Tel Aviv University.

Yorke, V. (1980) The Gulf in the 1980s. London: Royal Institute of International Affairs.

Zabih, S.(1982), Iran since the Revolution, London: Croom Helm.

Zahlan, R. S. ed. (1998) The Making of the Modern Gulf States: Kuwait, Bahrain, Qatar, the United Arab Emirates and Oman. Reading: Ithaca Press.

Journals

Aarts, P. (1994) The New Oil Order: Built on Sand? Arab Studies Quarterly. 16(2), pp. 1-12.

Abal-Khail, M. A. (1982-3), Economic Development in Saudi Arabia and Western Technology, American-Arab Affairs, No.3, pp. 1-4.

Abdulla, A. (1994), Gulf War: The Socio-Political Background, Arab Studies Quarterly, 16(3), pp. 1-13.

Abed, G. T. (1982-3), Arab Oil-Exporting Countries in the World Economy, American-Arab Affairs, No.3, pp. 26-40.

Abidi, A. H. H. (1995) Iran in the Post-Persian Gulf War Crisis scenario. The Iranian Journal of International Affairs. VII(3), pp. 616-644.

Aburdene, O. (1983), Impact of Falling Oil Prices on the World Economy, American-Arab Affair, No. 4, pp. 46-52.

Aburdene, O. (1983-4), US Economic and Financial Relations with Saudi Arabia, Kuwait and the United Arab Emirates, American-Arab Affairs, No. 7 pp. 76-84.

Ad-Duri, A. (1998), Arab-Iranian Relations: Historical Background, in El-Din Haseeb, Khair, ed., Arab-Iranian Relations, Beirut: Centre for Arab Unity Studies.

Ahrari, M. E. (1983-4), OPEC's Widening Window of Vulnerability, American-Arab Affairs, No. 7 pp. 106-119.

Akacem, M. (1992) The New World Order for Oil. Middle East Policy, I(3), pp. 23-32.

Al Shayeji, A. K. (1996) Stability in the [Persian] Gulf Region: Clash of Visions. The Iranian Journal of International Affairs. VIII(2), pp. 320-354.

Alaolmolik, N. (1987), The New Iranian Left, The Middle East Journal, 41(2), pp. 218-233.

Al-Awaji, I. M. (1983-4), US-Saudi Economic and Political Relations, American-Arab Affairs, No. 7 pp. 55-59.

Al-Dukheil, A. (1990) A Saudi View of the Crisis. American-Arab Affairs, No. 34, pp. 12-16.

Al-Farsy, F. A. (1986-7), Saudi-American Relations in a Changing World, American-Arab Affairs, No. 19, pp. 23-27.

Al-Farsy, F. A. (1989-90), Cultural Stereotyping and Foreign Policy, American-Arab

Affairs, No .31, pp. 1-10.

Ali, M. (1990) The Saudi-Iranian Relations: The Struggle for Religious or political Leadership. JIME Review, No 9, pp. 72-82.

Al-Jamil, S. (1998), Iraqi-Iranian Boundary and Territorial Disputes, in El-Din Haseeb, Khair, ed., Arab-Iranian Relations, Beirut: Centre for Arab Unity Studies.

Al-Mazrui, G. G. (1983), US-Gulf Economic Relations, American-Arab Affairs, No. 4, pp. 77-80.

Alnasrawi, A. (1983-4), The Oil Dimension in Arab-American Economic Relations, American-Arab Affairs, No.7, pp. 120-129.

Alnasrawi, A. (1989) Economic Integration: A Missing Dimension of Arab Nationalism. Arab Studies Quarterly, 11(2&3), pp. 287-302.

Al-Rumaihi, M. (1987-8), Arabian Gulf Security, American-Arab Affairs, No .23, pp. 47-56.

Amirahmadi, H. (1996a), Iran's Development: Evaluation and Challenges, Third World Quarterly, 17(1), pp. 123-147.

Amuzegar, J. (1993b), Iran's Economy and the US sanctions, The Middle East Journal, 51(2), pp. 185-199.

Amuzegar, J. (1997) OPEC's Seventh Life. Middle East Policy, V(3), pp. 25-39.

Amuzegar, J. (2001) Iran's Post-Revolution Planning: The Second Try. Middle East Policy, VIII(1), pp. 25-42.

Anthony H. Cordesman, A. H. (2001) The One True U.S. Strategic Interest in the Middle East: Energy. Middle East Policy, VIII(1), pp. 117-127.

Anthony, J. D. (1993) Iran in GCC Dynamics. Middle East Policy, II(3), pp. 107-120.

Anthony, J. D. (1995) The GCC, Iran, and Iraq: Gulf States Deal with Twin Threats to Security. Middle East Insight, pp. 34-36.

Anthony, J. D. (1997) The GCC: A Glass Half Full or Half Empty? Middle East Policy, V(2), pp. 22-41.

Aruri, N. H. and **Carroll, J. J.** (1985), US Policy and Terrorism, American-Arab Affairs, No. 14, pp. 59-70.

Asali, Z. (2002) Arab-American Perceptions of U.S. Policy toward the Middle East. Middle East Policy, IX(2), pp. 33-39.

Bahgat, G. (1995), Military Security and Political Stability in the Gulf, Arab Studies Quarterly, 17(4), pp. 55-70.

Bahry, L. (1997) The Opposition in Bahrain: A Bellwether for the Gulf? Middle East Policy, V(2), pp. 42-57.

Bashir, A. and **Wright, S.** (1992) Saudi Arabia: Foreign Policy after the Gulf War. Middle East Policy, I(1), pp. 107- 116.

Behrooz, M. (1991), Factionalism in Iran under Khomeini, Middle Eastern Studies, 27(4), pp. 597-614.

Ben-Meir, A. (1996) The Dual Containment Strategy Is No Longer Viable. Middle East Policy, IV(3), pp. 58-71.

Bill, J. A. (1993) The United States and Iran: Mutual Mythologies. Middle East Policy, II(3), pp. 98-106.

Bill, J. A. (1996b), The Study of Middle East Politics, 1946-1996: A Stocktaking, The Middle East Journal, 50(4), pp. 501-502.

Bill, J. A. (2001) The Politics of Hegemony: The United States and Iran. Middle East Policy, VIII(3), pp. 89-100.

Bina, C. (1993) The Rhetoric of Oil and the Dilemma of War and American Hegemony. Arab Studies Quarterly. 15(3), pp. 1-20.

Bishara, A. Y. (1983-4), The Gulf Cooperation Council: Achievements and Challenges, American-Arab Affairs, No. 7, pp. 40-44.

Bishara, A. Y. (1996), Interview on the GCC, American-Arab Affairs, No. 17, pp. 26-29.

Bishku, M. B. (1991) Iraq's claim to Kuwait: A historical Overview. American-Arab Affairs, No. 37, pp. 77-88.

Brynen, R. and **Noble, P.** (1991), The Gulf Conflict and the Arab State System: A New Regional Order? Arab Studies Quarterly, Vol. 13,no. 1-2, pp. 117-140.

Brzezinski, Z. (1992), The Cold War and its Aftermath, Foreign Affairs, 71(4), pp. 31-49.

Brzezinski, Z. et al. (1997b) Differentiated Containment. Foreign Affairs.76(3), pp.20-30.

Burrell, R. M. (1984) Iran: Revolution, Illusion and Reality? Middle Eastern Studies, 20(2), pp. 232-237.

Caldwell, D. (1996) Flashpoints in the Gulf: Abu Musa and the Tunb Islands. Middle East Policy, IV(3), pp. 50-57.

Campbell, J. C. (1983), The Security Factor in US Middle East Policy, American-Arab Affairs, No. 5, pp. 1-9.

Campbell, J. C. (1984), Soviet Strategy in the Middle East, American-Arab Affairs, No. 8, pp. 74-82.

Caradon, Lord (1984), Looking Back, and Ahead, on Resolution 242, American-Arab Affairs, No. 10, pp. 28-32.

Carlucci, F. C. (1998), The Outlook for Peace in the Middle East. American-Arab Affairs, No. 26, pp. 78-81.

Chipman, J. (1991) The New World Order and the Persian Gulf Region. The Iranian Journal of International Affairs. III(3), pp. 461-468.

Christie, J. (1986), History and Development of the Gulf Cooperation Council: A Brief Overview, American-Arab Affairs, No. 18, pp. 1-13.

Chubin, S. (1992) Iraq: Domestic Politics, Foreign Policy. Middle East Monitor, 1(4), pp. 4-23.

Chubin, S. (1993) The United States and the Middle East in the New International Setting. Middle East Monitor. 2(1) pp. 43-59.

Clawson, P. and **Volpin, A.** (1993) The Economics of Soviets Arms Transfers to Middle East Governments. The Iranian Journal of International Affairs. V(1), pp. 70-91.

Clawson, P. L. (1998a), Islamic Iran's Economic Politics and Prospects, The Middle East Journal, 42(3), pp. 371-388.

Conant, M. A. (1987), Recognizing US-Arab Interdependence: The US Stake in Gulf Oil, American-Arab Affairs, No. 20, pp. 57-61.

Consultants, Middle East (1990), The Economic Prospect for the New Iranian Government, JIME Review, No. 8, pp. 71-84.

Consultants, Middle East (1994) The Political and Economic Outlook of Iran. JIME Review, No. 25 pp. 45-57.

Copaken, R. R. et al. (1999) Policy Implications of the Price of Oil. Middle East Policy, VI(4), pp. 34-58.

Cordesman, A. H. (1984), The Gulf Crisis and Strategic Interests: A Military Analysis, American-Arab Affairs, No. 9, pp. 8-15.

Cordesman, A. H. (1987), Arms Sales to Iran: The Strategic Implications for the United States and the West, American-Arab Affairs, No. 20, pp. 13-29.

Cordesman, A. H. (1998) The Changing Military Balance in the Gulf. Middle East Policy, VI(1), pp. 25-44.

Cordesman, A. H. (2002) Arab-U.S. Strategic Cooperation: A Net Assessment. Middle East Policy, IX(4), pp. 43-51.

Curtiss, R. H. (1996), Iran's 5,000 Years of Recorded History, The Washington Report on Middle East Affairs, 16(8), pp. 83-85.

Dabbagh, A. (1992) GCC-US Relations: A Decade of Redefinition. Middle East Policy, I(1), pp. 85-88.

Dabiri, M. R. (1993-94) Abu Musa Island: A Binding understanding or A Misunderstanding. The Iranian Journal of International Affairs. V(3, 4), pp. 575-583.

Dickman, F. (1983-4), Economic Realities in the Gulf, American-Arab Affairs, No.7, pp. 50-54.

Dorraj, M. (1993) Will OPEC Survive? Arab Studies Quarterly, 15(4), pp. 19-32.

Dunn, M. C. (1984), Soviet Interests in the Arabian Peninsula: The Aden Pact and Other Paper Tigers, American-Arab Affairs, No. 8, pp. 92-98.

Dunn, M. C. (1995) Is the Sky Falling? Saudi Arabia's Economic Problem and Politicsal Stability. Middle East Policy, III(4), pp. 29-39.

Dunn, M. C. (1996) Five Years after Desert Storm: Security, Stability and the US Presence. Middle East Policy, IV(3), pp. 30-38.

Ebert, B. G. (1992) The War and its Aftermath: an assessment of Evolving Arab

Responses. Middle East Policy, I(4), pp. 77-95.

Eiland, M. III (1998) Mixed Messages and Carpet Diplomacy: Opportunities for Détente with Iran. Middle East Policy, VI(2), pp. 130-139.

Eilts, H. F. (1991), The Persian Gulf Crisis: Perspectives and Prospects, The Middle East Journal, 45(1), pp. 7-29.

El-Kuwaiz, A. I. (1986-7), Economic Integration of the GCC: Challenges, Achievements and Future Outlook, American-Arab Affairs, No.19, pp. 28-37.

El-Kuwaize, A. (1983-4), The Gulf Cooperation Council and the Concept of Economic Integration, American-Arab Affairs, No.7, pp.45-49.

Emadi, H. (1995), Exporting Iran's Revolution: The Radicalization of the Shiite Movement in Afghanistan, Middle East Studies, 31(1), pp. 1-12.

Emami, M. A. (1993-94) Perspectives on the Security of the Persian Gulf. The Iranian Journal of International Affairs. V(3, 4), pp. 672-697.

Enayati, A. (1992) World Oil Dependency and the Future of the Persian Gulf. The Iranian Journal of International Affairs. IV(3, 4), pp. 558-567.

Entessar, N. (1989), Dilemmas of Political Participation in Revolutionary Iran, Journal of South Asia and Middle Eastern Studies, XII(4), pp. 75-90.

Entessar, N. (1996) The Post-Cold War US Military Doctrine: Implications for Iran. The Iranian Journal of International Affairs. VIII(2), pp. 393-419.

Esposito, J. (1993) The Persian Gulf War, Islamic Movements and the New World Order. The Iranian Journal of International Affairs. V(2), pp. 340-365.

Fakhro, M. A. (1997) Gender, Politics and the State in the Gulf region. Middle East Policy, 5(3), pp.166-170; 187-189.

Faksh, M. A. (1987-8), US Policy in the Middle East: Incongruity in Political Strategy and Action, American-Arab Affairs, No. 23, pp. 38-46.

Faquih, O. (1985), Similarities in Economic Outlook between the United States and Saudi Arabia, American-Arab Affairs, No. 12, pp. 9-14.

Farsoun, S. K. (1988) Oil, State, and Social Structure in the Middle East. Arab Studies Quarterly. 10(2), pp. 155-175.

Fisk, R. (1998) So No One Can Say "We Didn't Know". Middle East Report, No. 208, p.2

Foote, P. (1996), Iran: 'Neither East nor West', The Washington Report on Middle East Affairs, 16(8), pp. 82, 87-89.

Freedman, R. O. (1982), Moscow, Washington and the Gulf after Sinai, American-Arab Affairs, No. 1, pp. 127-139.

Fuller, G. E. (1998) Repairing U.S.-Iranian Relations. Middle East Policy, VI(2), pp. 140-144.

Gamlen, E. (1990) US Strategic Policy toward the Persian Gulf. The Iranian Journal of International Affairs. II(1), pp. 59-84.

Gause, F. G. (1991) Regional Security Arrangements in the Persian Gulf. The Iranian Journal of International Affairs. III(1), pp. 7-28.

Gaward, A. (1987), How the Gulf Was Won: Oil and Islam in Soviet Foreign Policy, American-Arab Affairs, No. 22, pp. 56-62.

Ghareeb, E. (1983), The Iranian Economy after the Revolution: An Economic Appraisal of the Five-Year Plan, International Journal of Middle East Studies, Vol. 24, pp. 599-641.

Ghasimi, M. R. (1992) The Iranian Economy after the Revolution: An Economic Appraisal of the Five-year Plan. International Journal of Middle East Studies. No. 24, pp.599-614.

Ghazanfar, S. M. (1991), Iran's 1979 Revolution: An Economic Retrospect, Journal of South Asian and Middle Eastern Studies, XIV(4), pp. 37-54.

Green, J. D. (1993-94) Conflict, Consenus, and [Persian] Gulf Security. The Iranian Journal of International Affairs. V(3, 4), pp.698-711.

Green, S. (1986), Sliding Toward War, American-Arab Affairs, No. 18, pp. 63-76.

Hader, L. T. (1993) President Clinton and the Middle East: Continuity or Change in American Policy? JIME Review. No. 20, pp. 41-60.

Haider, N. (1992) Iraq in the Aftermath of the Gulf War, Background of the Crisis and its Implications. Middle East Monitor, 1(4), pp.24-45.

Hallaba, S. (1984), The Euro-Arab Dialogue: An Assessment, American-Arab Affairs, No. 10, pp. 44-59.

Halliday, F. (1987-8), Gorbachev and the 'Arab Syndrome': Soviet Policy in the Middle East, Arab Affairs, 1(5), pp. 37-64.

Halliday, F. (1992) The Persian Gulf War and Its Consequences. The Iranian Journal of International Affairs. IV(3, 4), pp. 548-557.

Halliday, F. (1997), Iran and the Gulf, Middle East International, No.77, pp. 10-11.

Hatfield, M. O. (1983-4), US Policy in the Middle East: A Program for Failure, American-Arab Affairs, No. 7, pp. 17-23.

Helms, C. M. (1983), The Iraq Dilemma: Political Objectives versus Military Strategy, American-Arab Affairs, No. 5, pp. 7-85.

Henderson, B. F. (1986-7), A Historical Perspective of US-GCC Economic and Financial Interdependence, American-Arab Affairs, No. 19, pp. 38-57.

Hooglund, E. (1993-94) US Perspectives on Persian Gulf Security. The Iranian Journal of International Affairs. V(3, 4), pp. 659-671.

Hooglund, E. (1995) Rethinking Persian Gulf Security? Middle East Insight, pp. 31-33.

Houdoson, M. C. (1986), The Conflicts of the Middle East: Their Importance for Americans. American-Arab Affairs, No. 18, pp. 57-62.

Howeidy, F. (1993) The Arab-Iranian Crisis Over the Three Gulf Islands. JIME Review. No. 19, pp. 29-35.

Hubel, H. (1990) The Soviet Union and the Persian Gulf in the 1980s and Beyond. The Iranian Journal of International Affairs. II(1), pp. 21-36.

Hudson, M. C. (1996) To Play the Hegemony: Fifty Years Of US Policy toward the Middle East. Middle East Journal. 50(3), pp.329-343.

Hussein, M. (1990) The End of the Cold War and the Third World. The Iranian Journal of International Affairs. II(2, 3), pp. 289-298.

Islam, S. (1998), The European Community and the Arab World, Arab Affairs, 1(6), pp. 61-70.

Ismael, T. Y. and **Jacqueline S.** (1993), Arab Politics and the Gulf War: Political Opinion and Political Culture, Arab Studies Quarterly, 15(1), pp. 1-11.

Jacobs, R. H. (1991), A Chronology of the Gulf War, Arab Studies Quarterly, 13(1-2), pp. 143-165.

Jawdat, N. A. (1983),Reflections on the Gulf War, American-Arab Affairs, No. 5, pp. 86-98.

Kalicki, J. H. (1997) A Vision for the US-Saudi and US-Gulf Commercial Relationship. Middle East Policy, V(2), pp. 73-78.

Karsh E. (1997), Cold War, post-Cold War: Does it Make a Difference for the Middle East, Review of International Studies, No. 23, pp. 271-291.

Karshenas, M. and **Pesaran, H.** (1995) Economic Reform and the Reconstruction of the Iranian Economy. The Middle East Journal, 49(1), pp. 89-111.

Karshenas, M. and **Pesaran, M. H.** (1995), Economic Reform and the Reconstruction of the Iranian Economy, The Middle East Journal, 49(1), pp. 89-111.

Katz, M. N. (1992) America's Post-Cold War Third World Military Policy. The Iranian Journal of International Affairs. IV(1), pp. 55-70.

Katzman, K. et al. (2001) The End of Dual Containment: Iraq, Iran and Smart Sanctions. Middle East Policy, VIII(3), pp. 71-88.

Kechichian, J. A., (1989), The GCC and the West, American-Arab Affairs, No. 29, pp. 20-31.

Kechichian, J. A. (2000) Saudi Arabia's Will to Power. Middle East Policy, VII(2), pp. 47-60.

Kern, C. H. (1987), The Organization of the Islamic Conference (OIC), American-Arab Affairs, No. 20, pp. 96-106.

Khouri, F. J. (1983), The Challenge to US Security and Middle East Policy, American-Arab Affairs, No. 5, pp. 10-20.

Kono, T. (1990) Road to the Invasion. American-Arab Affairs, No. 34, pp. 29-45.

Krasin, Y. (1992) USSR and the Third World: an Historical Perspective. The Iranian Journal of International Affairs. IV(1), pp. 3-18.

Kubursi, A. A. and **Mansur, S.** (1993) Oil and the Gulf War: An "American Century" or A "New World Order" Arab Studies Quarterly. 15(4), pp. 1-17.

Kuniholm, B. R. (1987) Retrospect and Prospects: Forty Years of US Middle East Policy. Middle East Journal, No.41, pp. 7-25.

Kurzman, C. (1998) Soft on Satan: Challenges for Iranian-US Relations. Middle East Policy, VI(1), pp.63-72.

Lenczowski, G. (1994) Iran: The Big Debate. Middle East Policy, III(2), pp. 52-62.

Lawson, F. H. (1989), The Iranian Crisis of 1945-1946 and the Spiral Model of International Conflict, International Journal of Middle East Studies, Vol. 21, pp. 307-326.

Long, D. E. (1993) Prospects of Armed Conflict in the Gulf in the 1990s: The Impact of the Gulf War. Middle East Policy, II(1), pp. 113-126.

Maghadam, V. (1988) Oil , the State, and Limits to Autonomy: The Iranian Case. Arab Studies Quarterly. 10(2), pp. 225-238.

Mainuddin, R. G. et al. (1996) From Alliance to Collective security: Rethinking the GCC. Middle East Policy, IV(3), pp. 39-49.

Maksoud, C. (1997) From June 1967 to June 1997: Learning from Our Mistakes. Arab Studies Quarterly, 19(3), pp.99-112.

Maleki, A. (1991) The Content and Necessity of the New International Order. The Iranian Journal of International Affairs. III(3), pp. 483-490.

Mansur, S. (1991) The [Persian] Gulf War: The US and the Middle East. The Iranian Journal of International Affairs. III(3), pp. 469-482.

Martin, L. (1991) Iran and the Changing Balance of power in the Persian Gulf. The Iranian Journal of International Affairs. III(1), pp. 57-64.

Marty, J. et al (1998) U.S. Gulf Policy: How Can it be Fixed? Middle East Policy, VI(1), pp. 1-24.

McDonald, P. (1989) Saudi Oil Policy in the 1990s. JIME Review. Special Issue, pp. 79-88.

McGovern, G. (1992) The Future role of the US in the Middle East. Middle East Policy, I(3), pp. 1-6.

McLachilan, K. (1989) Iran's Foreign Policy. JIME Review. No. 7, pp. 11-26.

McLachlan, K. (1991) Security and Instability in the Persian Gulf Region. The Iranian Journal of International Affairs. III(1), pp. 29-40.

McLachlan, K. (1993-94) The Iran-Iraq Boundary Question. The Iranian Journal of International Affairs. V(3, 4), pp. 584-603.

Moghtader, H. (1993) Iran's International Boundaries. The Iranian Journal of International Affairs. V(1), pp. 202-207.

Mojtahed-Zadeh, P. (1993) The changing World Order and Iran's Geopolitical Regions. The Iranian Journal of International Affairs. V(2), pp. 318-339.

Mojtahed-Zadeh, P. (1994a) A Geopolitical Triangle in the Persian Gulf: Actions and Reactions among Iran, Bahrain and Saudi Arabia. The Iranian Journal of

International Affairs. VI(1, 2), pp. 47-59.

Mojtahed-Zadeh, P. (1996b), The Issue of the UAE Claims to Tunbs and Abu Musa vis-à-vis Arab-Iranian Relationships in the Persian Gulf, The Iranian Journal of International Affairs, VIII(3), pp. 601-626.

Monshipouri, M. (2002) The Paradoxes of U.S. Policy In the Middle East. Middle East Policy, IX(3), pp. 65-84.

Moussavi, A. K. (1992), A New Interpretation of the Theory of Vilayat-I Faqih, Middle Eastern Studies, 28(1), pp. 101-107.

Mozaffari, M. (1993), Changes in the Iranian Political System after Khomeini's Death, Political Studies, XLI(4), pp. 611-617.

Mylroie, L. (1987), The Superpowers and the Iran-Iraq War, American-Arab Affairs, No. 21, pp. 15-26.

Najmabadi, A. (1987), Iran's Turn to Islam: From Modernism to a Moral Order, The Middle East Journal, 41(2), pp. 202-217.

Nariya, H. (1991) The Saudi Economy after the Gulf War. JIME Review. No. 14, pp. 27-37.

Neumann, R. G. (1986), Disarray in the Middle East: Is There Any Light at the End of Tunnel? American-Arab Affairs, No. 18, pp. 36-47.

Neumann, R. G. (1988), The Middle East in the Next Decade, American-Arab Affairs, No. 25, pp.1-15.

Neumann, R. G. (1990) The Iraq Crisis and What Then? American-Arab Affairs, No. 34, pp. 1-7.

Neumann, R. G. and **Hunter, S. T.** (1984), Crisis in the Gulf: Reasons for Concern but not Panic, American-Arab Affairs, No. 9, pp. 16-21.

Noorbakhsh, M. (1991) The Old and the New World Order: The Middle Eastern Perspective. The Iranian Journal of International Affairs. III(3), pp.453-460.

Noyes, J. H. (1989), Through the Gulf Labyrinth: Naval Escort and US Policy, American-Arab Affairs, No. 29, pp. 1-19.

Nufal, A. S. (1991), The Gulf States and the Crisis over Kuwait, Arab Studies Quarterly, 13(1-2), pp. 37-51.

Nye, J. S., Jr. (1992b), What New World Order? Foreign Affairs, 71(2), pp. 83-96.

Olsen, G. R. (1994) Africa and the Middle East in the New International System: Democracy, Aid And Security. Journal of Developing Societies, 10(2), pp125-147.

Page, J. (1999) The Impact of Lower Oil Prices on the Economies of Gulf States. Middle East Policy, VI(4), pp. 59-67.

Page, S. (1984), Moscow and the Arabian Peninsula, American-Arab Affairs, No. 8, pp. 83-91.

Page, S. (1987), The Soviet Union and the GCC States: A Search for Openings, American-Arab Affairs, No.20, pp. 38-56.

Percy, C. H. (1985), The Middle East at a Critical Juncture, American-Arab Affairs, No. 14, pp. 71-74.

Perrin, F. (1997) International and American Sanctions: Effectiveness and Limitations. JIME Review. No. 38, pp. 53-73.

Peterson, J. E. (1984), American Policy in the Gulf and the Sultanate of Oman, American-Arab Affairs, No. 8, pp. 117-130.

Peterson, J. E. (1987), The GCC and Regional Security, American-Arab Affairs, No. 20, pp. 62-90.

Peterson, J. E. (1988), The GCC States after the Iran-Iraq War, American-Arab Affairs, No. 26, pp. 96-106.

Pounds, B. (1983-4), The US-Saudi Joint Commission: A Model for Bilateral Economic Cooperation, American-Arab Affairs, No. 7, pp. 60-68.

Quandt, W. (1984), The Gulf War: Policy Options and Regional Implications, American-Arab Affairs, No. 9, pp. 1-7.

Quandt, W. (1990-91) After the Gulf Crisis: Challenges for American Policy. American-Arab Affairs. No.35, pp.11-19.

Quandt, W. (1996), The Middle East on the Brink: Prospects for Change in the 21st Century, The Middle East Journal, 50(1), pp. 9-17.

Rabie, A. (1992) The Politics and economics of Oil. Middle East Policy, I(1), pp. 97-106.

Rabie, M. (1982-3), The Role of Saudi Arabia in the 1980s Oil Market, American-Arab Affairs, No. 3, pp. 94-102.

Rahall, N. J., II, et al. (1986), Congressional Opinion on US Middle East Policy, American-Arab Affairs, No. 16, pp. 1-8.

Rajaee, F. (1996) The Paradox of Arab state building in the Post-Bipolar World. The Iranian Journal of International Affairs. VIII(2), pp. 301-319.

Ram, H. (1992), Crushing the Opposition: Adversaries of the Islamic Republic of Iran, The Middle East Journal, 46(3), pp. 426-439.

Ramazani, R. K. (1989), Iran's Foreign Policy: Contending Orientations, The Middle East Journal, 43(2), pp.203-217.

Ramazani, R. K. (1992), Iran's Foreign Policy: Both North and South, The Middle East Journal, Vol. 46, no.3, pp.393-412.

Ramazani, R.K. (1998) The Emerging Arab-Iranian Rapprochement: Towards and Integrated U.S. Policy in the Middle East? Middle East Policy, VI(1), pp.45-62.

Rawls, L. W. (1986), Saudi Arabia, Aramco and the American Political Process: Cause for Concern? American-Arab Affairs, No. 18, pp. 92-105.

Reich, B. (1991) United States Middle East Policy-Making in the Bush Administration. JIME Review. No. 13, pp. 71-91.

Richards, A. (1999) The Global Financial Crisis and Economic Reform in the Middle East. Middle East Policy, VI(3), pp. 62-71.

Richardson, J. P. (1982), Western Europe and the Middle East Peace Process, American-Arab Affairs, No. 1, pp. 140-146.

Rodman, P. (1991) Middle East Diplomacy after the Gulf War. Foreign Affairs, 70(2), pp. 1-18.

Rogers, P. (1993-94) Oil and security in the Persian Gulf. The Iranian Journal of International Affairs. V(3, 4), pp. 722-737.

Roth, R. A. et al. (2001) U.S. Policy toward Iran: Time for a Change? Middle East Policy, VIII(1), pp. 1-24.

Rubenberg, C. A. (1984), The Conduct of US Foreign Policy in the Middle East in the 1983-84 Election Season, American-Arab Affairs, No. 9, pp. 22-45.

Rubinstein, A. (1992) The Dynamics of US-Russian Interaction in the Third World. The Iranian Journal of International Affairs. IV(1), pp. 29-54.

Rugh, W. (1996) The Foreign Policy of the United Arab Emirates. Middle East Journal, 50(1), pp. 57-70.

Saikal, A. (1993-94) The US Approach to the Security of the Persian Gulf. The Iranian Journal of International Affairs. V(3, 4), pp. 640-658.

Sajedi, A. (1993) Iran's Relations with Saudi Arabia. India Quarterly. 49, pp.75-96.

Sajjadpour, S. M. K. (1995) The policy of Dual Containment in Theory and Practice. The Iranian Journal of International Affairs. VII(1), pp. 104-118.

Salar-Behzadi, A. (1994) The World Orders: Old and New. The Iranian Journal of International Affairs. VI(1, 2), pp. 219-240.

Sarabi, F. (1994), The Post-Khomeini Era in Iran: The Elections of the Fourth Islamic Majlis, The Middle East Journal, 48(1), pp. 89-107.

Saunders, H. H. (1986), US Policy and Middle East Peace: A Critical View, American-Arab Affairs, No. 18, pp. 48-56.

Schofield, R. (1993-94) Disputed Territory, the [Persian] Gulf Cooperation Council and Iran. The Iranian Journal of International Affairs. V(3, 4), pp. 614-639.

Seymour, I. (1985), OPEC and the World Oil Market: Present Problems and Future Prospects, American-Arab Affairs, No. 13, pp. 82-94.

Shahabi, S. and **Farhi, F.** (1995) Security Considerations and Iranian Foreign Policy. The Iranian Journal of International Affairs. VII(1), pp. 89-103.

Sick, G. (1997) United States Sanctions Against Iran: Are They Permanent? JIME Review. No. 38, pp. 29-52.

Sid-Ahmed, M. (1988) Soviet Policy towards the Arab World. JIME Review. No. 3, pp. 22-33.

Sid-Ahmed, M. (1991) The Soviet Union and the Gulf Crisis. JIME Review. No. 13, pp. 17-24.

Sirriyeh, H. (1984), Conflict over the Gulf Islands of Abu Musa and the Tunbs, 1968-1971, Journal of South Asian and Middle Eastern Studies, VIII(2), pp. 73-86.

Story, J. C. (1982-3), OPEC, Arab Oil and the United States, American Arab Affairs, No. 3, pp. 103-109.

Taecker, K. (1998) Saudi Arabia and the GCC: Exploring for Growth in a Troubled Global Economy. Middle East Policy, VI(2), pp. 29-35.

Taher, A. H. (1985), The World Oil Market in Transition: Problems and Prospects for US-Arab Relations, American-Arab Affairs, No. 13, pp. 56-69.

Taheri, A. (1997) Iran-US Relations: A Reassessment. JIME Review. No. 37, pp. 37-51.

Tarock, A. (1996) US-Iran Relations: Heading for Confrontation? Third World Quarterly. 17(1), pp. 149-167.

Tillman, S. P. (1983), US Middle East Policy: Theory and Practice, American-Arab Affairs, No. 4, pp. 1-11.

Twinam, J. W. (1987), US Interest in the Arabian Gulf, American-Arab Affairs, No. 21, pp. 1-14.

Twinam, J. W. (1989), Controversial Arms Sales to Saudi Arabia: An American Tragedy in Possibly Four Acts, American-Arab Affairs, No. 29, pp. 47-55.

Twinam, J. W. (1992) The Gulf Cooperation Council since the Gulf War: The State of the States. Middle East Policy, I(4), pp. 96-116.

Vakili-Zad, C. (1996), Collision of Consciousness: Modernization and Development in Iran, Middle East Studies, No. 3, pp. 139-160.

Vassiliev, Y. (1995) Islamic Iran: Changing Priorities in the Name of Survival. JIME Review. No. 30, pp. 5-15.

Vazir, H. (1995) The Islamic Republic's Policy in the Persian Gulf. Middle East Insight, pp. 76-79.

Viorst, M. (1986), Sell the Saudis the Missiles, American-Arab Affairs, No. 16, pp. 27-28.

Wahby, M. (1989), The Arab Cooperation Council and the Arab Political Order, American-Arab Affairs, No. 28, pp. 60-67.

Weinrauch, J. (1989-90), Iranian Response to Resolution 598: The Role of Factionalism in the Negotiation Process, American-Arab Affairs, No. 31, pp. 15-28.

Wilkinson, J. W. (1985), The World Oil Market: Stability or Continued Cycle? American-Arab Affairs, No. 13, pp. 95-103.

Wingerter, R. B. (1986), The Gulf Cooperation Council and American Interests in the Gulf, American-Arab Affairs, No. 16, pp. 15-26.

Wrampelmerier, B. (1999) Badeeb, S. M. Saudi-Iranian Relations, 1932-1982. (book review) Middle East Policy, VI (3), pp. 202-204.

Yetiv, S. (1995) The Middle East in World Politics: The Rise of Saudi Arabia. The Journal of Conflict Studies. 15(1), pp. 60-73.

Zahedi, D. (1997-8) What to do about Iran? Harvard Middle Eastern and Islamic Review, 4(1-2), pp. 108-121.

Zangeneh, H. (1998) The Post-Revolutionary Iranian Economy: A Policy Appraisal. Middle East Policy, VI(2), pp. 113-129.

Zunes, S. (1993) The US-GCC Relationship: Its Rise and Potential Fall. Middle East Policy, II(1), pp. 103-112.

Zunes, S. (1998) Confrontation with Iraq: The Bankruptcy of U.S. Policy. Middle East Policy, VI(1), pp. 87-108.

Thesis and Dissertations

Bin Huwaidin, M. M. (2001) China's Foreign Policy towards the Gulf and Arabian Peninsula region, 1949-1999. Ph.D. Thesis. University of Durham.

Knowles, W. M. (2001) Changing Patterns of Rent: State, Private Sector and Donors in Jordan, 1989-2000. Ph.D. Thesis. University of Durham.

Prokop, M. (1999) Political Economy of Fiscal Crisis in a Rentier State: Case Study of Saudi Arabia. Ph.D. Thesis. University of Durham.

Salman, F. (1998) International Disengagement and Regional Politics: Iran and the Persian Gulf. D. Phil Thesis. Oxford University.

Periodical Sources

Economist.

Financial Times.

Foreign Broadcast Information System, FBIS daily report on S. Asia 13/10/81 vol.viii, no.197

Guardian.

Middle East Economic Digest, (MEED).

Middle East Economic Survey, (MEES).

Middle East Insight.

Middle East International.

Mideast Mirror.

New York Times.

OPEC Bulletin.

Summary of World Broadcasts Weekly Economic Report, (SWB Weekly Economic Report).

Summary of World Broadcasts, (SWB).

Sunday Times.

The Middle East and North Africa.

The Middle East.

Time Magazine.

Times.

Washington Post.

Electronic Sources

Alexander's Gas and Oil Connections, http://www.gasandoil.com/

American Iranian Council, http://www.american-iranian.org/

Arab.net, http://www.arab.net/

Arabia.com, http://arabia.com/english/

Arabicnews.com, http://www.arabicnews.com/

Atlantic Council of the United States, http://www.acus.org/

BBC Middle East News, http://news.bbc.co.uk/1/hi/world/middle_east/

BBC Monitoring Online, http://www.bbcmonitoring.co.uk/

Carnegie Commission on Preventing Deadly Conflict,

http://www.wilsoncenter.org/subsites/ccpdc/index.htm

Carter Centre, http://www.cartercenter.org/

CNN, http://www.cnn.com/WORLD/

Economist Intelligence Unit, http://db.eiu.com/

Economist, http://www.economist.com/

Embassy of the Islamic Republic of Iran, In Ottawa, http://www.salamiran.org/

Emirates Centre for Strategic Studies and Research,

http://www.ecssr.ac.ae/01uae.homepage.html

Energy Information Administration, http://www.eia.doe.gov/

Estimate, http://www.theestimate.com/html/freearchive.html

Federation of American Scientists, http://www.fas.org

Financial Times, http://news.ft.com/home/uk

Foreign Affairs, http://www.foreignaffairs.org/

Guardian, http://www.guardian.co.uk/

Iran Chamber Society, http://www.iranchamber.com/

Iran Daily, http://www.iran-daily.com/

Iran Mania, http://www.iranmania.com/

Iran News Watch, http://www.irannewswatch.com/

Iran Weekly Press Digest, http://www.neda.net/index.shtml

Islamic Republic News Agency, http://www.irna.ir/en/index.shtml

Le Monde Diplomatique, http://mondediplo.com/

Middle East Economic Digest, http://www.meed.com/nav?page=meed

Middle East Economic Survey, http://www.mees.com/

Middle East Institute, http://www.themiddleeastinstitute.org/

Middle East Policy Council, http://www.mepc.org/public_asp/main/main.asp

Muslim World League, http://www.arab.net/mwl/organization.htm/

New York Times, http://www.nytimes.com/

Official Website for the UAE Ministry of Information and Culture,

http://www.uaeinteract.com/maps/et_33.asp

Organisation of Arab Petroleum Exporting Countries, http://www.oapecorg.org/

Organisation of Islamic Conference, http://www.oic-oci.org/

Organisation of Petroleum Exporting Countries, http://www.OPEC.org/

Saudi Arabian Information Resource, http://www.saudinf.com/

Stanley Foundation, http://www.stanleyfoundation.org/

Times, http://www.timesonline.co.uk/

Washington Post, http://www.washingtonpost.com/

Washington Report on the Middle East Affairs, http://www.washington-report.org/