US STRATEGIC INTERESTS IN IRAN AND SAUDI ARABIA

by

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Over a decade ago, an Iranian author writing on the Persian Gulf area summarized its future prospects with an expression of irony. He concluded, in essence, that despite its huge wealth, resources, and minerals, the area remained in the grips of poverty, destitution, misfortune, hopelessness, and benign neglect.[1] If he were to write his account today, he would come to a totally different conclusion.

The events since the October 1973 War have dramatically altered the future of the Gulf area. Since then, there has appeared a growing concern and awareness in the Western World regarding this region. Yet, unfortunately, it remains one of the least understood parts of the world, principally due to the complex, emotion-laden issues that involve interactions between the Gulf states and the Western World—issues such as the 1973 oil embargo, the multiple increases in the price of oil, the arms transfer, and the growing financial power of the Gulf states.

This article will focus on the development of US national security policies and broadly defined strategic interests with regard to Iran and Saudi Arabia in the framework of their strategic, economic, and political significance; it will discuss the changing context of US policy toward them as a result of events in 1973; and it will evaluate the principal issues in US relations with Iran and Saudi Arabia during the remainder of the 1970's.

ECONOMIC AND STRATEGIC SIGNIFICANCE

The littoral Persian Gulf states cover an area in excess of 1,759,000 square miles and have a total population of more than 57 million. That area is about half the size of the United States, and the population is over one-fourth that of the US. Iran, with an estimated population of over 35 million, an area of more than 636 thousand square miles, and a centralized and relatively well-developed infrastructure, is clearly the predominant power in this region.[2] According to demographic specialists, Iran's population will double in 23 years. A few years before its oil runs out, the country is expected to have a population approaching 70 million.[3] Saudi

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Arabia covers four-fifths of the Arabian Peninsula, or an area roughly the size of the part of the United States that lies east of the Mississippi River. Its first census, taken in September 1974, revealed a population of between 5 and 6 million. Iranians are Indo-Europeans belonging to the Shia sect of Islam, the relatively more liberal branch, while the Saudis are Semitic Sunni "orthodox" puritanical Wahabi Arabs of the Hanbalite School.[4]

In terms of population, resources, land, and power potential, Iran and Saudi Arabia remain the two principal centers of power in the Persian Gulf area, with Iran clearly being in the leading position.

The principal significance of Iran and Saudi Arabia lies in their huge oil reserves and tremendous oil production. The Gulf area contains approximately 70 percent of the known oil reserves of the Western World and presently produces about 30 percent of the Western World's annual oil supply. The main producers are Iran and Saudi Arabia. In 1975, for example, Abu Dhabi, Iran, Iraq, Kuwait, Qatar, and Saudi Arabia produced a total of 18,620,000 barrels of crude oil per day. Of this total, Saudi Arabia produced 7,080,000 barrels per day, and Iran produced 5,350,000 barrels per day.[5]

Japan and Western Europe are heavily dependent upon the Persian Gulf oil for their economic prosperity and well-being, and US dependence upon Saudi oil is expected to grow, revealing the economic significance of Saudi Arabia and Iran to the United States and its allies.

The Persian Gulf region, and particularly Iran and Saudi Arabia, will very likely continue to attract world attention as long as the West depends upon the region for oil. The drastic increases in the price of oil have transformed the Gulf area into the financial center of the Middle East. Moreover, the use of oil as an economic and political weapon against Israel has focused Arab attention on the Gulf area to such an extent that an American analyst of Middle Eastern politics claims that without doubt "The Arab political center of gravity is shifting from the East Mediterranean area to the Persian Gulf."[6]

Historically, the strategic significance of the Gulf area is directly related to the geopolitical value of the towering Iranian plateau, located on the southern tier of the Soviet Union, blocking direct Soviet access to the Indian Ocean. Due to its location, Iran became the center of Russo-British rivalries and intrigues on numerous occasions. The strategic location of Iran and its use for logistical supply was the principal reason for the Allied occupation of the country during the Second World War.

Iran's contiguity to the USSR, and the historic Russian ambition to gain access to the warm waters of the Persian Gulf in order to project its power directly into the Indian Ocean, are crucial strategic factors that will continue to have relevance in evaluating Iran's significance in the East-West global geostrategic equilibrium long after the oil runs out. In addition, Iran is a recognized regional military, economic, and political power. It is pro-Western, anti-Communist, and has a history of close relations with the United States and suspicions of the aims and ambitions of the USSR. It is clearly the dominant riparian power, pivotal to the regional balance of power in the Gulf and an avowed protector of the Strait of Hormuz, which the Shah considers the "jugular vein" of Iran.[7]

Saudi Arabia possesses more proven oil reserves than any other country on earth. As such, it will continue to have a critical economic significance to the United States and its allies for a long time. Saudi Arabia is the most important oil producer in the world. It is the only oil producer in the world that can increase its production severalfold in the foreseeable future, while in the course of the evolution of its refining capacity, and still have an abundance of reserves. It is a vital power in the Organization of Petroleum Exporting Countries (OPEC) and plays a key role in the politics of the Arab, the Islamic, and the Third Worlds. The Saudis are anti-Communist, hold a moderate outlook toward politics in the Middle East, remain the principal source of support for the United States in the Arab world, and play a vital role in the Persian Gulf and the Red Sea regions

and in the Organization of Arab Petroleum Exporting Countries (OAPEC).[8]

DEVELOPING US STRATEGIC INTERESTS

George Lenczowski describes US policy toward the Middle East prior to 1941 as "one of indifference, good will," and a recognition that this region was a part of the British sphere of influence.[9] To that time, Americans had only a toehold in the oil business in the area, while the British were firmly established. The American economic interest focused principally on the production of oil in Saudi Arabia and to some extent in Iraq and Bahrain. American missionaries were active in Iran and Iraq. They established well-known American colleges in Baghdad and Tehran, and the graduates of those colleges gained high stature in the governments of both countries. The American Presbyterian missions in Iran actively combined medical, charitable, and educational assistance with religion. Despite these efforts, basic US policy toward Iran remained undefined. The participation of the United States in the Iranian theater during World War II and the growing realization of the economic and strategic importance of that country were influential in engendering US national security interests in the Gulf area and in refining American policies in the Gulf states toward the enhancement of those interests.

The establishment of the Persian Gulf Command constituted the most extensive single American military involvement in Iran during the Second World War. It was associated with the United States Army's presence of approximately 30,000 noncombatant troops, who arrived in Iran in 1942-43 with the objective of facilitating wartime Allied aid operations to the Soviet Union via Iran. There was a need to build harbors on Iran's coast on the Persian Gulf, to repair roads, to build airstrips, and to take over and operate the Trans-Iranian Railway.

Major General Donald H. Connolly headed the Persian Gulf Command and established his headquarters at Amirabad, adjacent to Tehran. The work done by the Persian Gulf Command was an outstanding achievement. The command developed the ports of Khorramshahr, Bandar Shahpur, and Bandar Abbas in Iran and established the Abadan airport. The American qualities of speed and efficiency were clearly evident in the works of the Persian Gulf Command and must have left a lasting impression on the Iranian people. The command was responsible for the delivery of over 4 million tons of American-made goods to the Soviet Union. The Americans used the Trans-Iranian Railway to maximum capacity, delivering more than 145,000 vehicles and 3500 airplanes, including 1400 bombers, to the Soviets.[10]

By 1944, some of the prominent officials in the State Department's Division of Near Eastern Affairs advocated that US policy and position in Iran should not be permitted to regress to its prewar status.[11] But most important were President Franklin D. Roosevelt's support for Iran and his pronouncements that reassured its territorial integrity and independence. To many Iranians, the elevation of the US Legation in Tehran and the Iranian Legation in Washington to embassy status was another indication of the growing rapport between Tehran and Washington.

In contrast, Iran's relations with the USSR

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have been scarred by the historic attempts on the part of the imperialist czarist Russians to engulf and absorb Iran's territories. For nearly 300 years, conflicts raged between Russia and Persia, particularly over the areas surrounding the Caspian Sea. The Russian annexation of what is today Azerbaijan, S.S.R., from Persia is an example. The Soviets also continued to create problems by instigating rebellions and insurgencies inside Iran. The Soviet-supported "republics" of Gilan, Azerbaijan, and Mahabad are constant reminders to Iranians of Soviet ambitions and interests in this country.

The Azerbaijan crisis in Iran in 1945-46 was directed, aided, and abetted by Moscow. It was one of the most important post-World War II eruptions, playing a crucial role in opening the eyes of Western leaders to the growing menace of Soviet expansionism. Through the Azerbaijan crisis, Iran played a contributing role toward the embryonic formation of the US policy of containment,[12] expressed by the President in the Truman Doctrine, 12 March 1947.[13]

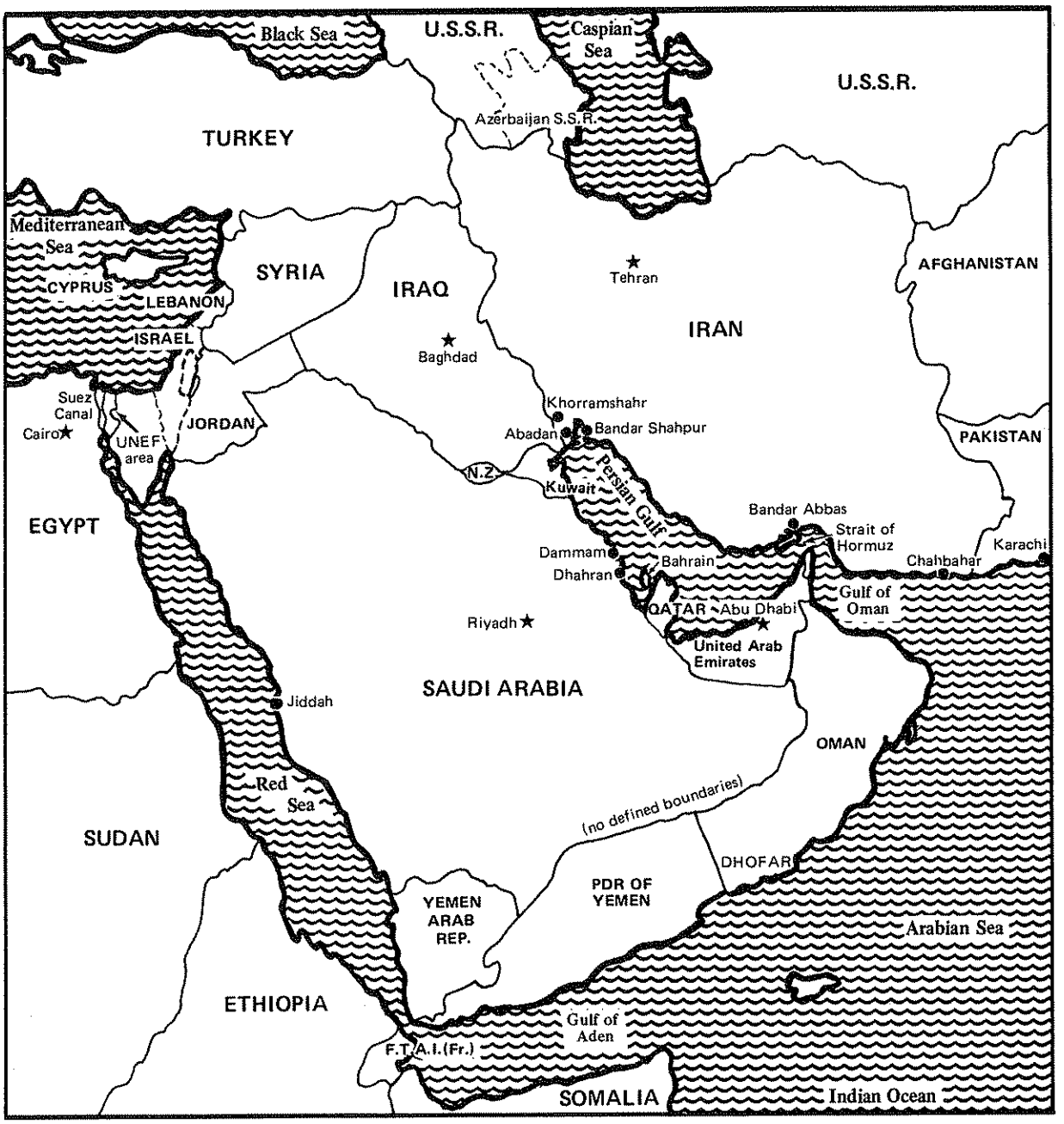
The Truman Doctrine was welcomed by the Iranians as an explicit commitment on the part of the United States to contain Soviet expansionism and to insure Iran's territorial integrity against Soviet encroachments. In the case of Iran, it was followed by the extension of US military assistance and economic aid under the Mutual Defense Assistance Act and subsequently by the extension of the Point Four Program.[14] American advisors arrived at distant villages in all the remote provinces and left a good image of America. In the same period, the Soviets continued their attacks on the Shah, the Iranian Government, and Iran's pro-Western policies, while the United States encouraged Iran to modernize.

The early 1950's witnessed the rise and fall of Iranian Premier Mohammed Mossadegh, during whose administration the nationalization of the Anglo-Iranian Oil Company took place. The Mossadegh era was marked by the creation of an international uproar over the nationalization of oil, and Iran's domestic scene witnessed economic chaos and widespread political unrest. The Tudeh Party was revived, and as a result of domestic disorders many innocent people lost their lives. As usual, the Tudeh carefully disguised their Communist objectives behind slogans of anticorruption, pro-land reform, and antifeudalism in order to gain mass support.

The fall of Mossadegh in 1953 ended a chaotic era in Iran's history. The Shah's welcome return to power heralded a new era in Iran, and thereafter the leadership was more determined than ever to free the country from disruptive internal forces and to introduce needed large-scale reform. The Tudeh Party remains outlawed, and the government displays little, if any, toleration of Communists and disruptive pro-Communist radicals. The establishment of the oil consortium in 1954 expanded American economic interest in Iran's oil, while prior to 1954 the British were dominant in the country's oil industry.

The establishment of NATO and its inclusion of Turkey and Greece provided an impetus for the encouragement of an alliance in the Middle East that would include the Arab world.[15] Principal Arab countries such as Egypt, however, failed to perceive a threat from the USSR, a distant land which had not in the past threatened the Arab world. The Arabs perceived a direct threat from a resurgence of colonialism and from Israel and therefore did not support US initiatives to establish an alliance system in the Middle East. As a result, the United States concentrated its efforts on the area adjacent to the USSR, the so-called northern tier countries of the Middle East. Pivotal in this setting, from a geographical perspective, is Iran. The alliance began with the formation of the Baghdad Pact, which also included Iraq—an Arab country—in addition to Turkey and Iran. Pakistan also joined the alliance; Great Britain was an observer; and the United States became a full participant, but not a formal member.[16]

The 1957 Suez Crisis drastically improved the image of Nasser, the role of Egypt, and the force of "Nasserism" in the Middle East. It was a boost for the radical and revolutionary forces in the Middle East and



threatened the continued survival of the moderate, established regimes of the area. The efforts engineered by Egypt toward Arab unity were viewed with alarm, even in the Arab world, and a "cold war" of a sort was brewing between the traditional Arab regimes and the new "revolutionary" governments in the area. It signaled a new threat from within the region that was aimed toward disruption of the traditional regimes and contributed toward the development and enunciation of the Eisenhower Doctrine, a blanket policy that covered the Middle East against any threat, including those that could emanate from within the region. Iraq welcomed the Eisenhower Doctrine, while Saudi Arabia

voiced no objections. However, Egypt, Syria, and the revolutionary Arabs identified it with US support for status quo regimes in the region, and the US intervention in Lebanon in 1958 furthered this view.[17]

The spread of radicalism was viewed with alarm in the Gulf area. The Gulf states considered radicalism a potent and immediate threat, and the 1958 bloody coup in Iraq enhanced the immediacy of the threat. Iraq withdrew from the Baghdad Pact.

The coup stunned the Gulf states and led to the renaming of the Pact as the Central Treaty Organization (CENTO). Of greater significance to interstate politics in the Gulf area was the introduction of a local revolutionary force—Iraq. Thereafter, the threat from indigenous forces began to have greater immediacy to the Gulf states than the historic threat of Soviet expansionism. On 4 March 1959, the United States and Iran signed a bilateral executive agreement by which the United States agreed to assist in resisting aggression aimed at Iran.[18]

The 1960's marked a drastic inroad by the USSR into Egypt and Iraq. Soviet-Iranian economic relations improved, and the cold war era withered away, at least in the perception of the countries adjacent to the USSR. The result was a reduced emphasis upon the Soviet threat, which eroded CENTO's military significance and led to the increased cultural, economic, and communication importance of CENTO via the Regional Cooperation and Development arrangement.

Under the dynamic leadership of the Shah, Iran developed rapidly. By 1966, the United States no longer considered Iran a "less-developed country." As such, it was no longer eligible to receive US aid and military assistance. Consequently, Iran began to buy American military hardware under Foreign Military Sales.[19]

Several factors contributed to the development of a sense of commitment in Iran to defend its national interests in the Gulf, to expand its armed forces to assure that the oil route via the Strait of Hormuz would not be disrupted, and to maintain stability in the Gulf area. Among these factors were the British proclamation in 1968 to withdraw its forces from the Gulf by 1971, the increased revolutionary activities in the Arabian peninsula, the state of hostilities between Iran and Iraq, and the encouragement of the United States that, in accord with the Nixon Doctrine, regional states should be strengthened. The US policy of "open" Foreign Military Sales to Iran greatly assisted in building Iran's capability to defend its interests in the area,[20] and the early 1970's witnessed close ties between Iran and the United States and between Iraq and the USSR.

Relations between the US and Saudi Arabia date back to 1933, when the Standard Oil Company of California obtained a 60-year concession from the Saudi Government that covered a huge portion of Eastern Arabia. In 1934, a Texas company joined in the enterprise, which later became known as the Arabian American Oil Company or ARAMCO. The US interest in the Arabian peninsula was economic and was promoted by the oil companies, since the US Government did not have a legation in Saudi Arabia before 1943.[21]

In 1943, in order to link Cairo with Karachi, the US Joint Chiefs of Staff (JCS) sought an airbase in Saudi Arabia. A base was needed primarily because the Abadan airbase in Southwestern Iran, then under the control of the Army's Persian Gulf Command, could not handle transit to the USSR and also serve as a link to Karachi. The JCS selected Dhahran, the center of ARAMCO operations. In the same year, the US Legation in Jiddah was established. The Saudis agreed to a 3-year use of Dhahran by the US military, and at the end of that period the airbase was to be returned to the Saudis. The principal event in US-Saudi relations during World War II, however, was the meeting between President Roosevelt and Ibn Saud in February 1945 in Egypt, when the President was returning from the Yalta Conference. In 1949, the US Legation in Jiddah was elevated to an embassy.[22]

The 1950's witnessed an expansion of US-Saudi ties, particularly in the fields of

commerce and technical assistance. The Point Four Program was extended to Saudi Arabia, and Americans built various facilities in Saudi Arabia, including a railroad between Dammam and Riyadh. The Dhahran airbase was continually re-leased to the US military during the 1950's. Saudi civilian planes were allowed to use its facilities, and Americans agreed to train Saudi pilots at Dhahran. Saudi kings were firmly pro-United States and were held in high esteem by the US officials. King Saud visited the United States in 1957, where he was well-received by President Eisenhower.

Saudi-American relations changed significantly in the 1960's. In 1961, as a result of inter-Arab politics, the Saudis declared that the Dhahran agreement would not be renewed upon its expiration on 12 March 1962.[23] Although US technical, economic, and military ties with Saudi Arabia were strengthened and American military assistance to that country was established on a permanent basis through the presence of US military missions, the Arab-Israeli dispute, King Faisal's views regarding the dispute, and US support for Israel drastically reduced US influence in Saudi Arabia and the rest of the Arab world and led to increased ties between Saudi Arabia and the other nations of the Arab world. The Arab defeat in the 1967 Arab-Israeli War increased their will to continue the struggle against Israel, and it added to the resentment in the Arab world toward US support for Israel.

THE 1970'S: REGIONAL CHANGES, ISSUES, AND TRENDS

In a global context, the policy of detente has been a principal factor in the dynamics of US-USSR power politics during the 1970's. It encouraged East-West relaxation of tensions on a global scale. In the Gulf, under the rubric of detente, the USSR expanded its commercial and economic ties with Iran while simultaneously siding with its client, Iraq. In the Indian Ocean, the Soviet Union expanded its naval presence and sought port visitation and base rights in a number of countries. USSR support for India and opposition to the PRC drew the Soviet Union and India closer together, while Pakistan and the PRC viewed it to their mutual interest to support each other's policies and interests, partly to negate the USSR-Indian ties. In opposition to the growing Soviet-Indian-Bangladesh triangle and encirclement, Pakistan and the PRC found grounds for cooperation.

Iran was indirectly involved in this setting. In order to recognize Iran's interests in Gulf stability, the PRC withdrew its support for the Popular Front for the Liberation of the Arabian Gulf (PFLOAG) operating in Dhofar, Oman. Despite its ideological support for the PFLOAG, the Soviet Union—in order to improve its economic ties and keep the Iranian Government content—withdrew its overt support for the PFLOAG and instead decided to use the Arab radicals to covertly support the Dhofaris. Thereafter, PFLOAG was renamed Popular Front for the Liberation of Oman (PFLO).[24]

The Soviet Union and the pro-Soviet forces appeared to be gaining while the Western presence and influence seemed to deteriorate considerably. The US involvement in Vietnam came to an end; the United States was inactive in Cyprus; and the decisionmaking process via the continued executive-legislative equation seemed paralyzed to many decisionmakers in the Middle East, who wondered whether America could continue to defend and protect its long-range security interests in light of domestic political constraints. Overall, there seemed to be a reduced credibility with respect to US willingness to assist its friends abroad.

The Soviet Union has verbally supported the extension of detente to the Middle East, insisting that conflict in this region is not in the interest of world peace. But in the Gulf, the Soviets were somewhat surprised by the degree of accommodation between Iran and Iraq on the resolution of the Shatt al-Arab dispute in 1975.[25] Before the October 1973 War, and despite the rhetoric of supporting the policy of detente, the Soviet Union consistently encouraged the Arabs to use oil as a weapon against what Moscow called the "imperialist powers." The Organization of Petroleum Exporting Countries (OPEC) was hailed as an "anti-imperialist" force in international politics.[26]

The oil embargo at the height of the

October 1973 War, coupled with an announced cutback in production, surprised the Western World, despite ample warning of an impending oil shortage provided by such prominent Americans as the former Ambassador to Saudi Arabia, James E. Akins, and a number of people in Congress and the oil industry. Before the October War, Akins predicted that increases in the price of oil were inevitable,[27] and ample evidence supported his thesis. Nevertheless, 1973 marks a watershed in US relations with the Gulf states. The changes that have resulted in the Gulf area since 1973 are so drastic that they require a thorough reevaluation of US policies toward the region.

Iran has emerged as the principal indigenous protector and defender of the security of the sea lanes of communications within the Gulf area and into the Northwestern portion of the Indian Ocean. This fact, coupled with the growing Saudi economic, financial, military, and political importance and the massive modernization underway in practically all the Gulf states, has substantially altered the processes of interaction among the Gulf littoral states to such an extent that the region's future appears extremely difficult to predict. It is certain, however, that Iran and Saudi Arabia will continue to play crucial roles in developments within the Gulf region. Iran will remain the pivotal center of power in the Gulf, followed by Saudi Arabia. Saudi predominance in the Arabian Peninsula will expand substantially, and the emergence of Saudi Arabia as a key leader in the Arab world bestows upon it a critical role in the Arab-Israeli dispute.

US Military Intervention

One of the issues that affect US national security policy with regard to the Gulf states is the question of a US military intervention to secure access to Arab oil. In an interview with *Business Week* in January 1975, then-Secretary of State Kissinger stated that under "some actual strangulation of the industrialized world" the United States might intervene militarily in the Gulf area to secure Western access to the oil. The statement became an instant sensation around the globe, despite the fact that President Ford considered the military intervention issue as "hypothetical" and then-Secretary of Defense Schlesinger stated the realities of US military capability which made such an intervention "feasible." The issue of US intervention stirred Western Europe. One high-ranking West German Government spokesman pointed out that West Germany is "not interested in confrontation with the oil countries, but rather in cooperation." *Le Monde* was also negative toward the idea of intervention. *Pravda* attacked Kissinger's statement by calling it "a policy of blackmail, threats, and intimidation" and a clear contradiction to detente.[28]

The statement also evoked strong criticism in the Arab world. In the Gulf area, it was viewed as a rhetorical means to pressure OPEC to reduce the price of oil.[29]

Military intervention in today's world appears to have a diminishing value as a means of achieving national security objectives. Its direct use by the superpowers, in particular, needs to be evaluated carefully and considered with the utmost caution in the volatile Middle East, where both the United States and the USSR have explicit, recognized, and at times conflicting interests. In this regard it is worth remembering Dwight Eisenhower's views, as expressed to Anthony Eden on 2 September 1956. Eisenhower stated:

> . . . The use of force would, it seems to me, vastly increase the area of jeopardy. I do not see how the economies of Western Europe can long survive the burden of prolonged military operations as well as the denial of Near East oil. Also the peoples of the Near East and North Africa and, to some extent, of all of Asia and all of Africa, would be consolidated against the West to a degree which, I fear, could not be overcome in a generation and, perhaps, not even in a century particularly having in mind the capacity of the Russians to make mischief. Before such action were taken, all our peoples

> should unitedly understand that there were no other means available to protect our vital rights and interests.[30]

In the future, the United States should consult to a greater extent with its allies on issues affecting their interests as well as those of the United States. As one author points out, "Oil and the Middle East, as was shown in 1956 and again in 1973, are potentially among the disruptive issues in the Western alliance."[31]

Petrodollars, Western Dependence, and the Arab-Israeli Dispute

Oil and petrodollars, coupled with the political clout derived from them, have profoundly altered the inter-Gulf politics and the significance of the Gulf to the regional balance of power in the Middle East. These factors have also impacted upon the relationship between the Gulf states and such external actors as the United States, Western Europe, and Japan. The dimension, extent, and nature of the changes that are taking place in these sets of interactions are drastic and complex indeed.

In a report before the House Special Subcommittee on Investigation of the House International Relations Committee on 10 June 1975, Joseph J. Sisco, then-Under Secretary of State for Political Affairs, stated:

> Developments in the [Persian Gulf/Arabian Peninsula] area affect the relationships among and policies of major world powers. With the shift in world oil market power from consumer nations to the producer countries, the application in 1973 of the oil embargo, and the quadrupling of oil prices, the global strategic equation has been affected by what happens in the gulf.[32]

Sisco added that since the 1973 War, the major Arab states of the Gulf have become the principal financial supporters for the Arab states confronting Israel and "While not directly part of the process of reaching a Middle East settlement, their views are very important, and they are regularly consulted by the Arab parties to the negotiations as well as by the Palestinians."[33]

With regard to financial capability, from 1974 through 1976 the littoral states of the Gulf accumulated an account surplus of nearly $120 billion, and Saudi Arabia's share exceeded 50 percent of each year's surplus.[34] With the exception of Iran, and to a lesser extent Iraq, the other Gulf states lack the domestic absorptive capacity needed for the consumption of the huge sums of petrodollars which they are accumulating. It is ironic that Iran, a country which needs and can absorb almost all the petrodollars it receives, may run a deficit.[35]

The revenue crunch, the need for export earnings, and the massive developmental plans in Iran have made higher crude oil prices attractive to Iran. On the other hand, the inability of Saudi Arabia to domestically absorb its huge accumulated surplus of petrodollars can account, in part, for its decision to seek lower price increases. Iran's oil production has probably reached its peak, but Iran hopes to offset future decline in its oil revenues by expanding its natural gas sales to the European Economic Community, the United States, Japan, and the Soviet Union. In addition, Iran is pushing its industrialization and the manufacture of petrochemicals to cope with the effects of its potentially declining petroleum sales.[36]

Despite widespread rumors, it is a fallacy to think that Saudi Arabia, due to its immense petroleum reserves, could flood the market if it wished to do so. Authoritative sources report that there is a gap between Saudi Arabia's terminal capacity and the need for more drilling which must be done before the Saudis could substantially expand their production; however, the current Saudi production capacity of 9.8 million barrels per day could be expanded to more than 11 million barrels per day in the near future.[37] But such an expansion will not in any way flood the market.

The principal concerns of the United States in the Gulf area are based upon the increasing dependence of the United States, Western Europe, and Japan on Gulf oil,[38] the

possibility of a future oil boycott by the Arab oil producers, and increases in oil prices by OPEC.

In the Arab-Israeli context, Iran has consistently opposed the use of oil as a political weapon. In addition, Iran continued the flow of oil to the United States and the West despite the Arab oil boycott during the 1973 Arab-Israeli War, and the Western World has been assured of the continued flow of Iranian oil as a result of the 1973 agreement between Iran and the oil consortium.[39]

Iran's active encouragement to increase the price of oil could not have succeeded without the support of the Arabs and OPEC. Iranian leadership perceived the increases in the price of oil as necessary, in part, to face the growing inflation exported into Iran from the West and to provide the financial means to carry out the massive development projects that are viewed as crucial to Iran's survival and well-being after the oil runs out and when its population exceeds 70 million. Since 1973, Iran and the other Gulf states have provided aid and loans to the developing and the industrialized countries, particularly to the Middle Eastern states, and actively have called for a dialogue between the industrialized and the developing countries.[40] The Gulf states realize that their economic and political well-being is tied directly to that of the Western industrialized world, and the United States realizes that the West depends upon Gulf oil for its economic well-being. The relationship is mutual and so is the understanding of the relationship.

Saudi Arabia is in a unique position regarding all aspects of Gulf oil. It has some of the capacity and the reserves to double and triple its oil production by the end of the 1970's.[41] Present projections indicate an increasing demand in the West for Gulf oil, and consequently it is highly likely that the United States and Western interactions with Saudi Arabia will increase. In addition, the Saudis, as a result of their sparse population and abundant wealth, have a unique and influential role in the politics of the Arab world. Saudis can afford to provide large-scale aid and assistance to other Arab states.[42]

Any threat to Saudi sovereignty should be viewed with significant concern in the West. A mid-range threat to continued uninterrupted Western access to the Arab oil in the Gulf area emanates from developments in the Eastern Mediterranean. Another Arab-Israeli war or lack of a satisfactory settlement of previous disputes in that area could disrupt the flow of Arab oil from the lower Gulf area to the West.

The Gulf states are undertaking massive development plans which require a substantial increase in the presence of technicians from the industrialized world. For example, the Saudis plan to import about 500,000 foreign skilled and semiskilled workers to implement the huge development plan underway in the country.[43] Iran is ahead of the Saudis in drastically changing its socioeconomic character, and other Gulf states are taking similar measures, but on a smaller scale. The establishment of the US-Saudi Joint Commission in June 1974 to evaluate the economic and security needs of Saudi Arabia, coupled with the existence of a pro-American business climate in Saudi Arabia, presents a unique opportunity and a challenge to American business enterprises to assist in modernizing that country.[44] The presence of Americans in the Gulf states will expand substantially in the late 1970's and will have an impact on US policy toward the area. The Gulf states need to invest some of their petrodollars in the West, and it is highly likely that the United States will expand its initiatives to encourage such investments in this country. In addition, Iran realizes the sensitivity of the lower Gulf states toward her role in the Gulf. As a result, the Iranians are careful with regard to their actions in the area. Iraq's moderation since the resolution of the Shatt al-Arab issue, coupled with the expanded Saudi leadership in the affairs of the Gulf area, will substantially change the politics of the area in the late 1970's. The Gulf states are encouraged by the United States to improve their relations and to cooperate in insuring Gulf stability.

Ideally, both the United States and the USSR must improve their understanding of the rapid and complex changes that are taking place in the Gulf area. They should mutually agree to encourage moderate, pragmatic, and

farsighted leaders in the area, and they should play a more sagacious role in their relations between the Arabs and the Israelis on the one hand, and between the Arabs and the Iranians on the other. However, considering the past history of US-USSR rivalry in the area, it is easy to project dilemmas as a result of differences in the policies pursued by the superpowers which would contribute to instability and polarization of politics there. Today, in addition, events in the Gulf area are inextricably linked with those in the Arab-Israeli setting, and this linkage will provide perplexing problems for Washington in the late 1970's. Moreover, the USSR potentially may capitalize upon the West's failure to come to grips with policies that are geared to protect and defend the West's diverse and often contradictory interests in the Gulf and in the Arab-Israeli theater. President Ford aptly summed the centrality of the Middle East to the Western World by stating:

> The interests of America as well as our allies are vitally affected by what happens in the Middle East. So long as the state of tension continues, it threatens military crisis, the weakening of our alliances, the stability of the world economy, and confrontation with the nuclear superpowers. These are intolerable risks.[45]

Arms Transfer and Regional Stability

Another issue which has attracted world attention to the Gulf involves the sale of arms, particularly to Iran. It relates to US support for regional collective security efforts in the area, as implemented by the decision to evaluate and meet the military requirements of the Gulf states in order to stabilize the region.

The arms buildup in the Gulf area began in 1972, when Iran ordered nearly 2 billion dollars' worth of advanced fighter-bombers. The Iranian arms purchases became a sensational press issue in the United States and gained further publicity as a result of the 1973-74 oil price increases. Since 1973, Iran has purchased over 10 billion dollars' worth of arms from the United States. The arms buildup by Iran in the Gulf area is generally characterized in the Western press within the setting of tensions, rivalries, and possible sources of conflict.[46]

As Rouhallah Ramazani points out, Iran's arms buildup in the Gulf area can only be understood in "historic perspective,"[47] in relation to Iran's perception of the growing threat emanating from the radical forces in the area in the 1960's and in response to the British decision to withdraw its forces from the Gulf by 1971. Also, Iran relies principally on the Gulf to export its oil to the West. Consequently, the safety of the oil route via the Gulf is of vital strategic significance to Tehran, and that factor has contributed significantly to Iran's arms buildup.

It is common knowledge that a nation's military requirements vary in time and circumstances. Iran's defense needs today, for example, are quite different from those required to defend a land frontier, as Tehran has discovered by the southward focus in its diplomatic and maritime interest, which has resulted in a determination to develop a modern naval capability. What is involved, as a result, is more than the creation of a modern navy but also "enhancing the capabilities of the land and air forces to carry out hovercraft and helicopter operations as well as developing maritime surveillance and antisubmarine capabilities."[48] Therefore, Iran plans to establish a major naval base at Bandar Abbas, on the Northern portion of the strategic Strait of Hormuz, and a larger multiservice installation at Chahbahar, on the Gulf of Oman, adjacent to Pakistan.

Iran has relied heavily on the United States to meet its defense needs. The sale of arms to Iran commits the United States to provide the whole spectrum of military logistics and support to that country for the next decade or so, in areas such as "procurement, finance, logistics, maintenance, and training."[49]

There is a tendency in some Western press reports to present and analyze Iran's purchase of sophisticated weapon systems, such as the F-14, the F-16, and the

Spruance class destroyer, as somewhat unnecessary and acts of "prestige," in light of Iran's already "dominant" military position in the Gulf area. A few reporters even claim that Iran's growing military might is a manifestation of its imperial ambitions—the glory of the ancient Persian Empire and the Shah's desire to reestablish its primacy. Other reports, such as one issued by Senator Hubert H. Humphrey, Chairman of the Subcommittee on Foreign Assistance of the Senate Foreign Relations Committee, warn that the "United States arms sales to Iran, totalling $10 billion since 1972, have been out of control," reflecting a growing concern in the US Congress regarding this issue.[50]

At a conference held in Washington, D.C., in 1976, Youssef Akbar, a high-ranking Iranian diplomat, posed the US arms sales to Iran in the context of a dilemma. According to the Nixon Doctrine, on the one hand, the US Government expects regional powers allied or friendly to the West to assume a greater burden for their defense and for the security of their region. On the other hand, when a nation such as Iran attempts to pursue a policy that is aimed toward insuring its national security interests and the security of vital adjacent areas, it is criticized for doing so. Perhaps the reason for this contradiction lies in part in the fact that the sale of arms has become a political issue in the United States. The sale of arms to Iran remains a principal public attraction, as has been indicated by ample documentation in congressional hearings and the extensive coverage provided by the press. However, while few deny that the growing Foreign Military Sales are a recognized corollary to the Nixon Doctrine, many reports tend to view the arms sales to Iran as destabilizing, without providing a substantive rationale for such a conclusion and without considering the possibility that by strengthening Iran and Saudi Arabia—the two principal pro-Western states in the Middle East—the stability within the region could expand.

Reports indicate that the world arms trade in 1976 reached $20 billion, with the United States ranking first in sales with nearly 50 percent of the total, and the Soviet Union, France, and the United Kingdom desperately pursuing for their share of the market. The world arms trade remains a competitive situation. It is true that the US security assistance to Iran, Kuwait, and Saudi Arabia has been rather extensive, but most of this assistance has been provided on a cash-and-carry basis. Those countries have the financial capability to purchase their defense requirements, and they are intent on meeting their perceived defense needs. The United Kingdom has also been a major arms supplier to Iran, Bahrain, Qatar, Saudi Arabia, and Oman. The British Government concluded friendship treaties with all of the small states of the Gulf in August 1971, and British troops have been assisting the Sultanate of Oman in its province of Dhofar.[51] France has also supplied arms to Abu Dhabi, Iraq, Kuwait, and Saudi Arabia, and the French role in providing arms to the Arab states could expand substantially.

The Arab Military Industrial Organization (AMIO) is composed of the Arab Republic of Egypt, Saudi Arabia, Qatar, and the United Arab Emirates—to the voluntary exclusion of Kuwait, Libya, and Iraq—and hopes to produce jet aircraft by mid-1980. Published French reports indicate that by then, provided this program develops during its first phase, "200 Mirage F-1 interceptor jets and 4,000 to 5,000 Matra air-to-air missiles should roll off assembly lines in Egypt."[52] The largest share of AMIO's financing is to be divided between Saudi Arabia, Qatar, the United Arab Emirates, and Egypt, which provides another indication of the financial influence of the Persian Gulf states in the Middle East.

The Soviet Union has been the principal supplier of arms to Iraq and the People's Democratic Republic of Yemen, with the latter also receiving arms from the PRC.[53]

Despite such competition for the sale of arms, the United States continues to hold the position of primacy in the Gulf states. The Foreign Military Sales aspect of the US Security Assistance Program continues to play a major role in implementing US policies, retaining American influence, and assisting the pro-Western states in this critical area.

IN SUM

In terms of such measurable indicators as gross national product, land, natural resources, population, and power potential, Iran and Saudi Arabia remain the two most important centers of power in the Persian Gulf, with Iran clearly being in the leading position. Iran will remain the pivotal center of power in this area, followed by Saudi Arabia. As such, Tehran and Riyadh, assisted by the West, will play decisive roles in maintaining a promonarchial balance of power in the Gulf region. As long as these two major regional powers remain moderate, pro-Western, and anti-Communist, the balance of power in the Gulf area will also remain favorable to the West. In addition, on a broader scale, these two countries are pivotal to the maintenance of pro-Western influence in the Middle East, particularly as long as Egypt joins them in a similar policy posture. Despite that, the majority of the Persian Gulf littoral states are expected to remain moderate, relatively conservative, and pro-Western in the coming decade. Their substantially expanded economic, financial, political, and military power is bound to have a positive moderating impact on the Middle East, further reducing the influence of the Soviet Union and its radical protégés. The positions of Tehran, Riyadh, and Cairo are crucial to the continuation and expansion of this trend. At the same time, the impact of this trend on the balance of power in the Persian Gulf and the Middle East is bound to remain crucial.

The continuation of US support for its friends in the Middle East, coupled with the genuine interest expressed by the Carter Administration in reducing tension in the Arab-Israeli theater, promises to bring the Middle East closer to the West and is a national strategy worth pursuing as vigorously as possible.

NOTES

1. Ahmad Eghtedari, *Khalije Fars* (Tehran: Entesharate Elme Sina, 1344 [1965]), p. 253.
2. These figures were derived from Arthur S. Banks, ed., *Political Handbook of the World, 1976* (New York: McGraw-Hill, 1976), pp. 15-316, *passim*.
3. Population Reference Bureau, Inc., *World Population Growth and Response, 1965-1975* (Washington: PRB Inc., 1976), p. 269.
4. US Department of State, *Background Notes*, Department of State Publication 7835 (October 1975), pp. 1-2.
5. Central Intelligence Agency, *Handbook of Economic Statistics, 1976* (Washington: US Government Printing Office, 1976), p. 78.
6. Enver M. Koury, *Oil and Geopolitics in the Persian Gulf: A Center of Power* (Beirut: The Catholic Press for the Institute for Middle Eastern and North African Affairs, 1973), p. 55.
7. *Kayhan International* (Tehran), 24 March 1975, p. 3.
8. For an informative account see Emile Nakhleh, *The United States and Saudi Arabia: A Policy Analysis* (Washington: American Enterprise Institute, 1975).
9. George Lenczowski, *The Middle East in World Affairs* (New York: Cornell University Press, 1962), p. 671.
10. Robert Ghobad Irani, "American Foreign Policy in Iran, 1941-1944: An Analysis of the Background Leading to the Development of a Long Range Committed American Policy Toward Iran," *International Relations* [Center for International Studies, University of Tehran], No. 2 (Winter 1974-75), 35-64. For a classic study on the Persian Gulf Command, see US Army, Office of the Chief of Military History, *United States Army in World War II, the Middle East Theater: The Persian Corridor and Aid to Russia*, by T. H. Vail Motter (Washington: US Government Printing Office, 1952).
11. John D. Jernegan of the Division of Near Eastern Affairs, for example, strongly recommended the policy advocacy that Iran must be strengthened if it is to survive as an independent, sovereign state. See US Department of State, *Foreign Relations of the United States, Diplomatic Papers, 1943, Vol. IV, The Near East and Africa* (Washington: US Government Printing Office, 1964), p. 333.
12. Robert Ghobad Irani, *American Foreign Policy: An Options Analysis of the Resolution of the Azerbaijan Crisis, 1945-46* (Hyattsville, Md.: The Institute for Middle Eastern & North African Affairs, [forthcoming publication]).
13. For an account of the developments in this period, see US Congress, Senate, *A Decade of American Foreign Policy: Basic Documents, 1941-49*, Sen. Doc. 123, 81st Congress, 2d sess., 1950, pp. 1253-57.
14. Lenczowski, p. 201.
15. *Ibid.*, p. 675.
16. *Ibid.* The Baghdad Pact was signed in February 1955 between Iraq and Turkey. Iran and Pakistan joined the Pact later in 1955, and the United Kingdom joined as an observer in 1955. The United States associated itself with the Pact's activities in 1956. See Robert C. Kingsbury, *An Atlas of Middle Eastern Affairs* (New York: Praeger, 1963), p. 110.
17. Lenczowski, p. 675.
18. *Ibid.*
19. Farid Abolfathi, "Arms Transfers in the Persian Gulf (1965-1985)" (paper presented at the 1976 International Studies Association Convention, Toronto, Canada), CACI Inc., Arlington, Va., p. 10.
20. For an Iranian account, see Shahram Chubin and Sepehr Zabih, *The Foreign Relations of Iran: A Developing Country in a Zone of Great Power Conflict* (Berkeley: University of California Press, 1974).
21. Lenczowski, pp. 550-51.
22. *Ibid.*, p. 552.
23. *Ibid.*, pp. 552, 567.
24. Aryeh Y. Yodfat, "The USSR and the Rebellion in

the Dhofar Province of Oman," *South African International*, 6 (July 1975), 21-27.

25. O. M. Smolansky, "Soviet Policy in the Middle East," *Current History*, 69 (October 1975), 118.

26. *USSR and Third World* (London), 4 (9 September-24 November 1974), 466-67.

27. Speech by James E. Akins, American Ambassador to Saudi Arabia, titled "United States Energy Policy, the World Energy Scene and Saudi Arabia's Unique Role," before the Refiners Association of America, Colorado Springs, Colorado, 28 September 1974.

28. Leslie H. Gelb, "Why Did Mr. Kissinger Say That?" *The New York Times*, 19 January 1975, p. E5; "Kissinger's Talk of Force Over Oil Stirs the Germans," *The New York Times*, 6 January 1975, p. 3. Moscow's reactions are quoted by Vladimir Petrov, *US-Soviet Detente: Past and Future* (Washington: American Enterprise Institute for Public Policy Research, 1975), p. 40.

29. *Kayhan International* (Tehran), 20 January 1975, p. 5. For an evaluation of Western military intervention in the Gulf, see Farid Abolfathi, "Western Military Intervention in the Persian Gulf: Benefits and Costs," CACI Inc., Arlington, Va. 1975. See also Congressional Research Service of the Library of Congress, *Oil Fields as Military Objectives: A Feasibility Study* (Washington: US Government Printing Office, 21 August 1975).

30. Dwight D. Eisenhower, *Waging Peace, 1956-1961* (New York: Doubleday, 1965), p. 667.

31. Peter Mangold, "Force and Middle East Oil," *The Round Table* (January 1976), 100.

32. Statement by Joseph J. Sisco, published under the title "US Policy in the Area of the Persian Gulf and Arabian Peninsula," *Department of State Bulletin*, 73 (14 July 1975), 74.

33. *Ibid.*

34. Leonard Silk, "The IMF and Debts of Poor Nations," *The New York Times*, 28 March 1977, p. 43. The 1976 figures used were estimates based upon information from the US Department of the Treasury.

35. Ray Vicker, "Unready Reserves: Algeria Pins Its Hopes on Oil Price Increases as Plans for Gas Lag," *The Wall Street Journal*, 27 January 1977, p. 1. Vicker states that Iran is already running a deficit.

36. John K. Cooley, "Petrochemicals, Natural Gas–Iran's Buffers," *The Christian Science Monitor*, 26 January 1977, p. 11.

37. "World Crude Buyers Home in on Saudis," *The Oil and Gas Journal*, 10 January 1977, p. 43. See also John K. Cooley, "Saudi Oil Outlook: Warning for US," *The Christian Science Monitor*, 17 March 1977, p. 10.

38. William D. Smith, "Arab Part of Oil Import by US More Than in '73," *The New York Times*, 29 March 1976, p. 45. The author mentions that the US dependence upon what he calls Arab oil increased from 8 percent in 1973 to 11 percent in 1976. It is not clear whether he mistakenly includes Iranian oil in the category of Arab oil.

39. The Middle East Institute, *The United States and the Middle East: Changing Relationships*, The 29th Annual Conference of the Middle East Institute, October 3-4, 1975 (Washington: [n.p.], 1975), pp. 26-27.

40. Maurice J. Williams, "The Aid Programs of the OPEC Countries," *Foreign Affairs*, 54 (January 1976), 308-24.

41. Akins speech.

42. Some tend to confuse OPEC and OAPEC. OAPEC, which is made up of the Arab oil producers, has been the source of oil embargoes in the past–not OPEC. OPEC includes the Arab oil producers, as well as non-Arab states such as Iran and Venezuela. OAPEC includes all the Arab members of OPEC, plus Bahrain, Syria, and Egypt.

43. See the text of Farouk Akhdar of Saudi Arabia in *The United States and the Middle East: Changing Relationships*, p. 49.

44. For an appreciation of the massive Saudi development project, which includes defense as well as the nonoil sectors of its economy, see US Department of the Treasury, US-Saudi Arabian Joint Commission on Economic Cooperation, *Summary of Saudi Arabian Five-Year Development Plan (1975-1980)* (Washington: US Government Printing Office, 1975).

45. Gerald R. Ford, "United States Foreign Policy," address delivered before a joint session of the Congress, 10 April 1975, published in *Weekly Compilation of Presidential Documents*, 14 April 1975, p. 366.

46. Abolfathi, "Arms Transfers in the Persian Gulf (1965-1985)." See also "US Arms to the Persian Gulf: $10 Billion Since 1973," *The Defense Monitor*, 4 (May 1975); and US Congress, House, Committee on International Relations, *The Persian Gulf, 1975: The Continuing Debate on Arms Sales*, 94th Congress, 1st sess., hearings before the Subcommittee on Investigations, 10 June-29 July 1975.

47. See *The United States and the Middle East: Changing Relationships*, p. 26.

48. R. M. Burrell, "Iranian Foreign Policy: Strategic Location, Economic Ambition, and Dynastic Determination," *Journal of International Affairs*, 29 (Fall 1975), 132.

49. Leslie H. Gelb, "Study Finds Iran Dependent on US in Using Weapons," *The New York Times*, 1 August 1976, pp. 1, 5.

50. *Ibid.*

51. John Carmody, "CBS' 'The Selling of the F-14,'" *The Washington Post*, 27 August 1976, pp. B1, B6.

52. John K. Cooley, "Arab Arms Industry Gets Helping Hand From French," *The Christian Science Monitor*, 11 January 1977, p. 4.

53. *The Military Balance, 1975-1976* (London: International Institute for Strategic Studies, 1975), p. 31.