Part 2

Themes in International Relations and International Political Economy

5

Oil and Political Economy in the International Relations of the Middle East

GIACOMO LUCIANI

Overview

Oil and oil-related interests have had, and continue to have, a profound influence on the political economy of the Middle East—domestically, as well as from the point of view of international relations. Indeed, it is often difficult to resist the temptation to conclude that practically everything is related, conditioned, and justified by oil; hence the widespread, yet simplistic and essentially erroneous, 'conspiracy theory', according to which the 'black gold' is the only value that matters. The aim of this chapter is to offer a synthetic, yet balanced, view of the impact of oil—presenting the multiple ways in which oil has shaped the recent history of the Middle East, but also making it clear that oil is not the only relevant explanatory variable.

Introduction

Oil is commonly considered a political commodity. Because of its pivotal importance as a primary source of energy, governments are concerned with its continued availability and seek to minimize import dependence.

In fact, whether oil deserves to be considered a political commodity is debatable. For the past century or longer, oil has been in abundant supply, and the leading industrial players—the major international oil companies in the past; the Organization of the Petroleum Exporting Countries (OPEC) producers today—have been primarily concerned with avoiding excess supply and a consequent collapse in prices. Tightness in global oil supplies became the dominant narrative around the turn of the century, but the exponential increase in US shale oil production eventually reversed global perceptions in this respect, leading to a collapse of oil prices in the second half of 2014.

Indeed, estimates of global proved oil reserves have systematically increased over the past two decades, passing from 1.04 to 1.69 trillion barrels between 1993 and 2013. The definition of proved reserves requires that oil should be commercially recoverable from such reserves, meaning that they are also a function of oil prices: evidently the increase also reflects the fact that reserves which were not deemed to be commercially viable in 1993 became viable due to the increase in oil prices. The geographical distribution of proved reserves has also changed: the share of the Middle East has declined from 64 to 48 per cent of the total, while the share of Latin America has increased from 8 to 20 per cent, that of North America from 12 to 19 per cent, and that of Africa from 6 to 8 per cent. Today the country claiming the largest proved reserves is Venezuela. Saudi Arabia, which used to be in first position, is now second and it is followed by Canada. Iran, Iraq, Kuwait, and the UAE, which used to immediately follow Saudi Arabia, have correspondingly fallen back in the list.

For about three decades, from the 1930s to the 1960s, control of large oil reserves—notably in the Middle East—allowed a small group of international oil companies to reap extraordinary profits. Governments at the time may have been justified in making sure that such profits were preserved or bypassed, depending on whether the international oil companies were national or foreign. Since 1973, it has been the governments of the OPEC countries—and of those non-OPEC producers that benefit from the fact that OPEC keeps prices high—that have reaped extraordinary rents from oil. Prices, however, have not been steadily high, but followed three long cycles: a high-price period from 1973 to 1985; a lower price phase between 1985 and 2003 (with a short-lived price rally in 1990, due to Iraq's invasion of Kuwait); and a second high-price episode between 2004 and 2014.

Apart from rents generated because Middle East oil is generally cheap to produce, control of oil reserves or logistics has not entailed special political or military benefits, and conversely the lack of such control has not exposed individual countries to special costs. Oil is essentially allocated through the market, not through power and appropriation; and the logistics of international oil flows have repeatedly proven to be flexible and highly reliable.

Nevertheless, the Middle East plays a special role in the international oil industry (see **Table 5.1**). Five Gulf producers possess 46 per cent of the world's proven oil reserves. Their oil is by far the cheapest to produce, and if oil were a competitive industry, they would probably be the almost-exclusive source of world oil. However, because oil is not a competitive industry, the Middle Eastern producers' share of global production has been kept low—well below their share in global reserves. Over the years, this has been especially true of Iraq, this being both a cause and a consequence of Iraq's difficult relations with the rest of the world.

Figure 5.1 illustrates the evolution of production from the major Gulf countries. Iran was the first country in the Gulf to become an oil exporter and retained pride of place until 1950. That year, the controversy between the company controlling all Iranian production—the

Table 5.1 Proven oil reserves, Middle East and North Africa, end 2014

Country	Barrels (1,000 m)	Share of world total (%)
Middle East		
Iran	157.0	9.3
Iraq	150.0	8.9
Kuwait	101.5	6.0
Oman	5.5	0.3
Qatar	25.1	1.5
Saudi Arabia	265.9	15.8
Syria	2.5	0.1
United Arab Emirates	97.8	5.8
Yemen	3.0	0.2
Other Middle East	0.3	-
Total	*808.5*	*47.9*
North Africa		
Algeria	12.2	0.7
Egypt	3.9	0.2
Libya	48.5	2.9
Tunisia	0.4	-
Total	*65.0*	*3.8*

Source: BP (2015)

Anglo-Iranian Oil Company—and the nationalist government of Iranian Prime Minister Muhammad Mussadiq erupted. Following the nationalization of Anglo-Iranian, all international oil companies boycotted Iranian oil; production collapsed to almost nothing in 1952 and 1953, and recovered only after the coup that overthrew Mussadiq and the formation of the Iranian Consortium, in which Anglo-Iranian's share was reduced to 40 per cent.

Production in Iraq started in 1928, but remained low because of a long-lasting controversy between the Iraq Petroleum Company (IPC) and the Iraqi government. Saudi Arabia began producing in 1938, but its production was constrained during the war and took off only after 1945. Kuwaiti production began only in 1946, but grew very rapidly; by 1953, it had already overtaken Saudi production. The production of all three countries—Iraq, Saudi Arabia, and Kuwait—increased rapidly to compensate for the collapse of Iranian production in 1951–54, but while Saudi and Kuwaiti productions remained high, Iraq's declined.

- Kuwaiti production reached a maximum of 3 million barrels per day in 1973 and then declined. It was reduced to almost zero by the Iraqi invasion in 1991, but has since recovered.
- Iranian production peaked in 1974 and declined precipitously after the revolution in 1979. It continued to decline after the onset of the Iran–Iraq War in 1980, but recovered after the war ended in 1988. More recently, it has been affected by sanctions due to Iran's nuclear fuel enrichment policy.

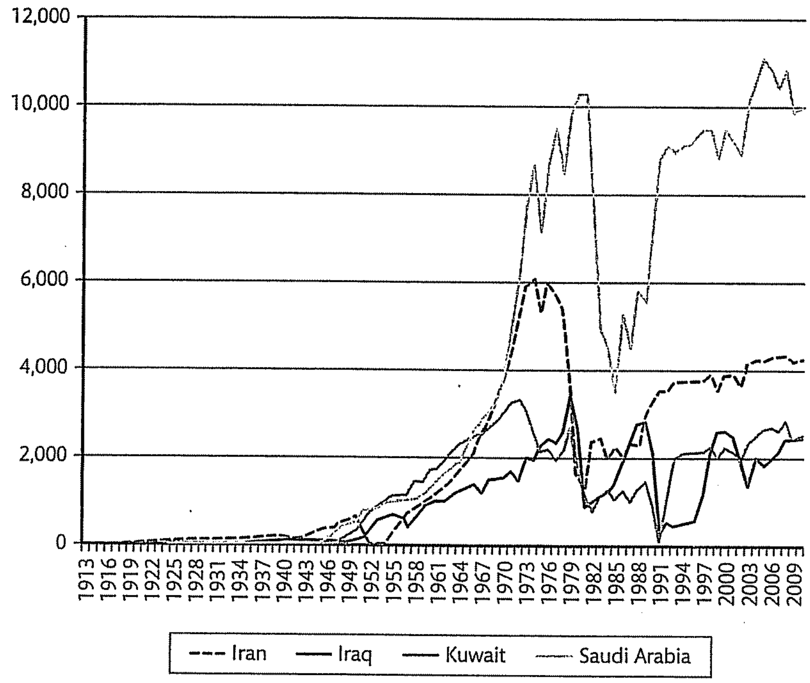

Figure 5.1 Historical production of four main Gulf producers, 1913–2010

Source: 1913–64: OPEC Annual Statistical Bulletin 2005; 1965–2010: BP Statistical Review of World Energy 2011

- Iraqi production peaked in 1979, before the war with Iran. It recovered in the final stages of the war, but collapsed again when Kuwait was invaded in 1990. It recovered once more under the United Nations Oil-for-Food Programme, only to collapse again in 2003, when the Coalition invaded and occupied the country. Since then, it has recovered slowly.
- Saudi Arabia's production peaked in 1980, when it had to compensate for the loss of Iranian and Iraqi oil. It then declined precipitously until 1985, when the kingdom was playing the role of the world's swing producer. Having abandoned that posture, production recovered gradually and averaged around 9 million barrels per day throughout the 1990s. In the last decade, it increased further as Riyadh attempted to resist the excessive increase in prices and compensate for shortfalls from other regional producers due to political upheaval.

In discussing the Middle East, oil is inescapable. It has influenced the region's relations with the rest of the world—notably, the great powers. It has influenced relations within the region, because it is not uniformly distributed; on the contrary, it is highly concentrated, creating a very distinctive polarization between 'oil haves' and 'oil have-nots'. It has also influenced the domestic politics of the Arab countries, allowing the consolidation of regimes that, in the absence of the oil rent, would probably not have survived to the twenty-first century.

Oil and the consolidation of the Middle Eastern state system

The presence of oil in the Middle East has had a crucial influence on the consolidation of the regional state system. Interest in Middle Eastern oil focused initially on Kirkuk—then part of the Ottoman vilayet of Mosul—and southern Persia, and was already active at the turn of the twentieth century. Oil was discovered in Persia in 1908 (Stocking 1970: 8–14; Yergin 1991: 135–49), and the involvement of the UK imperial government was clear from the start (Stocking 1970: 14–22; Yergin 1991: 150–64). Winston Churchill, then First Lord of the Admiralty, decided that the imperial fleet should be converted from coal to oil, and argued for direct government involvement by acquiring a controlling interest in Anglo-Persian—as Anglo-Iranian was then named—as a way in which to guarantee cheaper supplies to the fleet. The strategic interest in oil, at a time when none of today's Gulf states (other than Persia) could be said to exist, was already quite obvious.

Oil, the collapse of the Ottoman Empire, and British imperial interests

Oil interests fundamentally shaped British policy in the Gulf, first emphasizing freedom of navigation and later guaranteeing the independent existence of the 'trucial states', as they were called at the time, against the momentum of Saudi expansionism.

Oil was also a major factor in the shaping of states that emerged from the collapse of the Ottoman Empire. However, interest in the political control of oil reserves was not uniformly shared: it continued to be a quintessentially British objective to which other powers did not give the same importance. After the First World War, the San Remo Conference attributed to the United Kingdom the mandate of a newly formed country called 'Iraq', composed of the three Ottoman vilayets of Mosul, Baghdad, and Basra. Previously, the Sykes–Picot Agreement had attributed Mosul to France, but the latter surrendered that choice morsel and was content with a minority participation in the IPC, the producing consortium that acquired a concession to Kirkuk oil.

The political rationale behind the composition of the IPC shareholding group is obvious, especially when we take into account the evolution from its early version—the Turkish Petroleum Company, which Calouste Gulbenkian sponsored before the war, and which included German and Italian interests—to its final shape (47.5 per cent to British companies; another 47.5 per cent equally divided between American and French companies; the remaining 5 per cent to Gulbenkian) (Stocking 1970: 41–6; Yergin 1991: 184–206).

Not all UK policies in the Middle East were a function of its oil interests. The Balfour Declaration, which was to have such a momentous impact on the future of the region, was certainly not conceived in connection with oil; nor was British support to the Hashemite revolt, later contradicted by the Sykes–Picot Agreement; nor was its acquiescence to the expansionary policies of Abdul Aziz ibn Saud, which led to the disappearance of the Hashemite Kingdom of Hijaz and the formation of contemporary Saudi Arabia. Contemporary British oil interests simply completely overlooked the possibility that Saudi Arabia might have significant oil deposits and were not interested in seeking a concession there, thus opening the door to a total parvenu on the scene, Standard Oil of California. The United States quickly filled in any space that the UK had left unoccupied and thus contributed to the consolidation of some of the region's states, Saudi Arabia first and foremost (Stocking 1970: 66–107; Yergin 1991: 280–92).

Oil production in the Gulf before 1972 was controlled by producing companies, or consortia within which the major international oil companies cooperated in a web of interlocking interests (see **Table 5.2**). Producing consortia held huge concessions and frequently were the only producers in the country, thus commanding enormous bargaining power vis-à-vis the national government. The company with the largest reserves in the Gulf by far was Anglo-Iranian. It changed its name to 'British Petroleum' following Mussadiq's nationalization and is today's BP. The cornerstone of the system, however, was IPC. Five of the eight major international companies were present in IPC, equity in which was carefully divided between British interests (represented equally by Anglo-Iranian and Royal Dutch-Shell), American interests (represented equally by Standard Oil New Jersey—one of the companies issued from the break-up of John D. Rockefeller's Standard Oil in 1911, later known as Esso Oil Company, and today as ExxonMobil, after its merger with the latter—and Mobil—previously known as Standard Oil Company of New York, or SOCONY, another offspring of Standard Oil), and French interests (represented by the *Compagnie Française des Pétroles*; today's Total). The internal rules of IPC were designed to discourage competition between the IPC partners in the downstream markets as well as upstream elsewhere in the region. The partners were bound by the Red Line Agreement not to enter into any other producing venture in the former Ottoman Empire except in the same combination as in IPC. Hence many other producing consortia—notably Abu Dhabi onshore—exactly mimic the composition of IPC. Kuwait, however, which was not considered to have been part of the Ottoman Empire, allowed Anglo-Iranian to take 50 per cent of the concession, sharing it with Gulf Oil (an American company later taken over by Chevron). Saudi Arabia, on the other hand, *was* part of the Ottoman Empire, and the IPC partners showed no interest in acquiring a concession there; consequently, it went to Standard Oil of California (or SoCal, another Standard Oil offshoot; today, Chevron), which discovered oil alone, but was taken aback by

Table 5.2 Composition of major producing consortia in the Middle East before 1972 (%)

Consortium	Kuwait Oil Company (KOC)	Iraq Oil Company (IPC)	Arabian American Oil Company (ARAMCO)	Abu Dhabi Marine Areas (ADMA)	Iranian Consortium
British Petroleum	50	23.750		66.6	40
Royal Dutch Shell		23.750			14
Standard Oil New Jersey		11.875	30		7
Standard Oil California			30		7
Texaco			30		7
Mobil		11.875	10		7
Gulf	50				7
CFP		23.750		33.3	6
Others		5.000			5

Source: Adapted from Penrose (1967)

the magnitude of its discovery and started looking for partners, with the active participation of the US State Department—which at some point even considered taking a direct interest (Anderson 1981), much as the British government had a direct interest in Anglo-Iranian. SoCal brought in first its regional partner Texaco, in a joint venture called Caltex (today, Chevron and Texaco are merged in a single company); later, it also brought in Standard Oil New Jersey and Mobil.

The Iranian Consortium was formed after the 1953 coup that overthrew the Mussadiq government and paved the way for the return of the Shah (the US Central Intelligence Agency had been instrumental in orchestrating the coup). Anglo-Iranian, the original sole concession holder, maintained a 40 per cent interest, but had to surrender the rest to Royal Dutch Shell (14 per cent, so that British interests still controlled a majority) and various American companies. (It is at this point that Anglo-Iranian changed its name to British Petroleum.) The system collapsed after 1972, when most producing companies were nationalized.

Although the Truman administration finally decided against acquiring an equity stake in SoCal's Saudi concession, the keen interest of the US in Middle Eastern oil affairs is demonstrated by its insistence in obtaining an American participation in IPC and in the Iranian consortium. But the predominant US interest has always been towards Saudi Arabia, ever since the almost mythical meeting between President Roosevelt and King Abdulaziz on 14 February 1945, on board a US ship anchored in the Bitter Lakes, along the Suez Canal (Bronson 2006).

The US–Saudi alliance is, at the same time, an immutable pillar of regional international relations, second only to the relationship between the US and Israel, and a source of recurrent frustrations for both sides. Ever since the 1970s, successive US administrations have proclaimed the objective of making the US independent of Middle East oil—just as US oil import dependence has been increasing. Most notably, US oil imports from Saudi Arabia have been decreasing over the years (see **Figure 5.2**), and the boom in non-conventional oil

Figure 5.2 US imports from Saudi Arabia as a percentage of the total

Source: US Energy Information Administration (2011) production in Canada and the US since the mid-2000s has led to the suggestion that North America might be independent of net oil imports by 2035 (IEA 2011; BP 2012). This leaves Israeli security the only compelling motivation for continuing active US involvement in Middle East affairs.

Oil and Middle Eastern boundaries

As we look at today's political map of the region, we find that oil has had little influence in determining boundaries and state structures within the former French mandate (that is, Syria and Lebanon) or in the Mediterranean portion of the British mandate (that is, Jordan and the Palestinian–Israeli conundrum). It has, however, had a fundamental influence in shaping the boundaries and independent existence of all other states in the Middle East.

The British action that stopped Saudi expansionism to the north (towards Iraq) and to the east (towards the trucial states) was clearly dictated by the wish to see the region subdivided into several, competing states, avoiding excessive concentration of powers and resources in the hands of a single state (the old Roman strategy, divide and rule). This can be understood only in the light of oil interests, and the need to maintain control of oil resources through diversity and competition. We can speculate what the political map of the Gulf might have looked like in the absence of oil, but most historians would agree that the United Arab Emirates (UAE), Qatar, Bahrain, and possibly even Kuwait would not have survived as independent entities without their oil.

It is possible that even Saudi Arabia would not have survived. The third Saudi state, established by King Abdul Aziz, would have had a hard time consolidating itself purely on the basis of revenue from the pilgrimage (hajj) and domestic taxation of an extremely poor population. It is oil that allowed the consolidation of the Saudi state, providing sufficient financial resources to pay for a modern state bureaucracy and eliminating the urge to conquer in order to replenish empty coffers. Similarly, it is oil money that has allowed the Gulf emirates to develop modern state structures, of which they otherwise could not possibly have dreamed, and to establish themselves on the map. Outside the Gulf, the same is certainly also true for Libya.

In short, oil has led to the consolidation and, in some cases, the very emergence of independent states—that otherwise might easily have disappeared—alongside those states that have deeper roots in history, such as Egypt—first and foremost—and the states in the French sphere of influence (Morocco, Algeria, Tunisia, to a lesser extent Lebanon, and Syria).[1] This dichotomy between the older and the newer states, which largely coincides with the 'oil haves' and the 'oil have-nots', has come to be one of the fundamental dimensions of regional and international relations of the Middle East.

Oil was also instrumental in the consolidation of Middle Eastern states in the sense that it predominantly favoured aggregation rather than disaggregation, centripetal rather than centrifugal forces. The same has not been the case elsewhere in the world: witness the case of Biafra[2] and, more recently, South Sudan. But in the Middle East, although oil is, in some cases, the prerogative of one region only—in countries in which national allegiance is weak and regional allegiance is strong—demands for regional decentralization have emerged, but no truly separatist temptations. Although one cannot exclude that unsatisfied demands for greater regional autonomy may eventually lead to separatism, not even Kurdistan in Iraq is currently interested in secession.

Finally, oil has been instrumental in encouraging the definition of boundaries and accepting international arbitration in contested cases. The definition of boundaries has frequently been a successive stage to mutual acceptance and recognition. The potential for finding oil has been an incentive to adopt a tougher negotiating stance, but at the same time also to seek a speedy resolution. This has been the case in the Gulf (between Bahrain and Qatar; Qatar, the UAE, and Saudi Arabia; Saudi Arabia and Yemen; and so on), as well as elsewhere (for example, between Libya and Tunisia). The problem of oil fields straddling across boundaries (for example, between Qatar and Iran, Iraq and Kuwait, and Libya and Algeria) was not eliminated and, in most cases, such trans-boundary fields continue to be independently exploited on the two sides of the frontier, because the solution based on unitization and condominiums has not taken root. The original 'neutral zones' between Kuwait and Saudi Arabia, and between Iraq and Saudi Arabia, have been divided up, further demonstrating a preference for clear division over joint exploitation. Although Iraq mentioned Kuwait's pumping of oil, which Iraqis claimed to be theirs, as a reason for invading Kuwait, it would be difficult to argue that this was an important, even less a determinant, reason. So far, potential conflict over the sharing of common resources has not erupted, leading at most to competition in developing each country's side of the field more rapidly. In contrast, several non-oil-related boundary conflicts have not been resolved, one suspects primarily because neither side has a strong interest in resolving them. In this sense, and possibly counter-intuitively, oil has contributed to the peaceful solution of boundary conflicts rather than to their exacerbation.

This conclusion runs contrary to the main thrust of a large body of literature that has argued that an abundance of oil (or other valuable resources) is frequently associated with conflicts (Collier and Hoeffler 2004; Solingen 2007; Ross 2012). Certainly, the Middle East has witnessed, and continues to witness, multiple conflicts, both inter- and intra-state, and large-scale bloodshed. However, the connection with oil has rarely been proven: oil-related interests may, at best, be a supporting cause to the onset of violence. Oil, however, certainly plays a role in the duration of conflict, because it gives one or both belligerents the means for extending the fight in time and it discourages compromise.

Oil and the international relations of the Middle East

Oil is a very important factor in the international relations of the Middle Eastern states, both with respect to regional, or inter-Arab, relations and with respect to international relations at large—that is, relations with industrial and other developing countries.

The West and Arab oil

It is quite evident, and amply documented in the historical literature, that preoccupation with oil has been paramount in shaping the attitude of the UK, and later the US, towards the region. We have noted this already in relation to the formation of the state system in the region, but almost all policies of the key outside players towards the region were evaluated mainly in terms of their implications for oil. Consider, for example, the key episode of Iraq's independence, the final granting of which was subordinated to the interests of the IPC—or the overthrow of the Mussadiq government in Iran, which was tied primarily, although not exclusively, to the nationalization of Anglo-Iranian Oil Company. Similarly, the US, as already noted, entered into very close alliances with Saudi Arabia and Iran, the latter having developed following the inclusion of American companies in the Iranian consortium that became possible after Mussadiq's demise and the return of Muhammad Reza Shah.

The diplomacy of other countries was also shaped by oil, albeit at a lower level of intensity, simply because they had far fewer assets and were rather more interested in a reshuffling of the cards than in the continuation of the existing order. Thus France attempted to hold on to Algeria and did what was necessary to protect the interests of CFP (today's Total) in the UAE, but otherwise tried to distinguish itself from 'the Anglo-Saxons' by taking a line emphasizing 'cooperation' with the oil-producing countries. Other examples of this are France's immediate acceptance of the Iraqi nationalization in 1972, its refusal to become a member of the International Energy Agency when it was established in Paris in 1974, its promotion of diplomatic initiatives for a 'new international economic order' and later for the International Energy Forum, and finally its active undermining of US sanctions against Iran until the end of the Chirac presidency and its flirting with Saddam Hussein's regime for oil concessions in the 1990s—a love story that was never consummated because of UN sanctions.

Italy too supported the creation of a national oil company, ENI, which became the prime mover of Italian diplomacy towards the Arab countries, leading to active support of the Algerian war of liberation (raising the suspicion that the bomb that downed Enrico Mattei's plane in 1962 might have been planted by the French secret services), as well as support for Muhammad Reza Shah when he fled Iran in conflict with Mussadiq, and finally to the close relationship with Libya.[3] In actual fact, however, none of these attempts were ever terribly successful: ENI got its best results from purchasing oil from the Soviet Union (a move that made the US furious) and finding oil in the Sinai, in Egypt.

Oil has influenced diplomacy towards the region, but in most cases diplomacy has failed to yield the results that were expected of it, at least as far as oil is concerned. In more recent years, oil has more frequently been used as a tool, rather than as an objective: witness the American sanctions against Iran, which continue to this day, then Libya (1982–2004), and the UN-imposed sanctions against Iraq (1990–2003). In all cases, the major industrial powers have made their own access to oil more difficult in order to pursue a political priority. Or is it the case that oil needs not only to be abundant and cheap, but also politically correct, in the sense of coming from a country with a 'friendly' government? Many seem to believe that this is indeed a priority, or even a requirement, and rank suppliers in accordance with political proximity, although there is no empirical support for the belief that oil produced from a friend is either cheaper or more reliable than oil produced elsewhere.

Middle Eastern oil exporters and their international relations

The oil-producing countries have naturally taken notice of the importance attributed to oil by the major powers and have attempted to take advantage of it, acquiring guarantees for their security against external and internal challenges, as well as access to sophisticated weapons systems. The guarantee against internal challenges was 'lifted' from Iran by US President Jimmy Carter, who wanted to uphold basic human rights and democracy, and thus allowed the Pahlavi regime to collapse—with consequences that most observers would, to this date, consider disastrous. Following the 11 September 2001 terrorist attacks ('9/11'), a current of thought in the US depicted Saudi Arabia as part of the problem, rather than the solution,[4] and argued in favour of regime change in the kingdom as well as in Iraq. But the meeting between President Bush and then Crown Prince Abdullah in Crawford, Texas, in April 2005 reiterated the close alliance between the two countries (Bronson 2006). With the onset of the Arab Spring, the US has followed a course very close to that advocated by the countries of the Gulf Cooperation Council (GCC),[5] except for being critical of the repression in Bahrain. The GCC has been unhappy with the US refusal to intervene in Syria, and of continuing negotiations with Iran aimed at reaching an accommodation on the nuclear fuel enrichment issue. Nevertheless the US has consistently reiterated the security guarantee against external challenges—notably the threat of a nuclear Iran—and has approved massive weapons sales. Finally, the turnaround in US oil production, substantially decreased reliance on imports and, in perspective, even a potential return to a net exporting position for North America, has not led to the feared disengagement of the US from the Middle East, confirming that oil is not the only nor possibly the most important American interest in the region.

The less obvious point is that, in fact, oil does not appear to be a prominent preoccupation in shaping the foreign policy of the oil-producing countries. International oil policy is entrusted with a minister of petroleum or energy, who is generally regarded as a technician; it is discussed in OPEC or other similar forums, which have a narrow, technical mandate. The only case in which there was an attempt to use oil as a weapon—in 1973—was a short-lived affair and oil never truly became physically scarce (see **Figure 5.3**).

At the outbreak of war between Israel and its Arab neighbours in October 1973, the Organization of Arab Oil Exporting Countries (OAPEC) declared an embargo against the US and the Netherlands (Yergin 1991: 588–612). Prices increased rapidly on oil markets, precipitating the first 'energy crisis'. **Figure 5.3** shows that the embargo was fictional: Middle

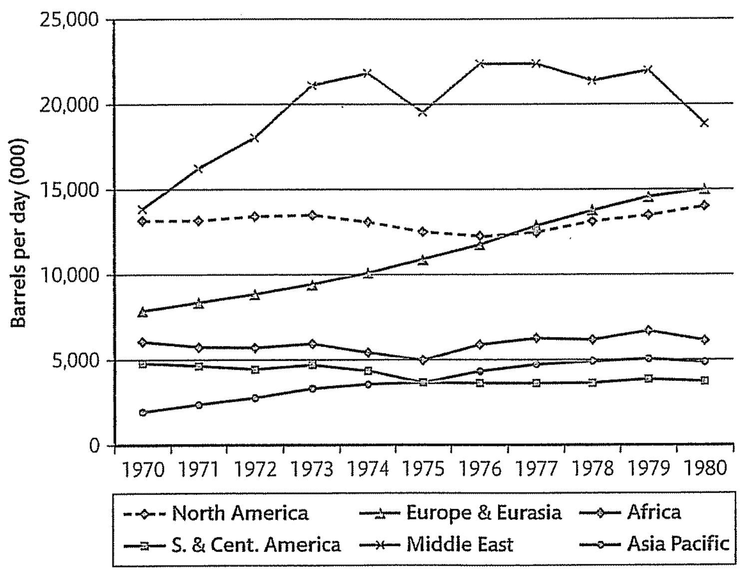

Figure 5.3 World oil production by region, 1970–80

Source: BP (2007)

Eastern oil production increased steadily and rapidly until 1974; it declined the following year because of the recession and decrease in oil demand triggered by the increase in prices. In fact, oil was never used as a weapon. Nevertheless, commentators still refer to OAPEC's decision as a dangerous precedent and proof of the unreliability of Gulf oil supplies.

That episode was a success, since it provoked an increase in prices, but politically it was a disastrous failure, which the Gulf oil producers still regret today. In fact, the perception that Gulf oil supplies are insecure and unreliable is still based essentially on only that one decision, and persists notwithstanding the fact that, since that time, Gulf producers have demonstrated more than once that they are able to deliver all of the oil that is required even when there is conflict in the region.

More recently, OPEC's decision, prompted by Saudi Arabia with the support of Kuwait and the UAE, not to lower production quotas in November 2014 has been interpreted in some capitals as being politically motivated, and possibly suggested or endorsed by the United States, in order to punish or weaken other oil exports such as notably Russia, Iran, or even Venezuela. However, such conspiracy theories do not hold water in the face of the intractable excess of supply and unwillingness of some OPEC producers (Iran, Iraq) and all non-OPEC producers to consider reducing their respective exports.

Mostly, the diplomacy of the oil-producing countries has been busy pursuing objectives that are either irrelevant or dysfunctional to their position as major exporters of oil—be it the promotion of Islam or the fight against Israel, pan-Arabism, or some milder form of pan-Africanism, or sheer military expansionism. Indeed, many oil-producing countries should blame their ill-advised foreign policy initiatives for most of the problems in which they find themselves mired. Even the Gulf countries, which have a record of less pernicious adventurism than Iraq, Libya (culminating in the Lockerbie bombing), or even Algeria (still mired in conflict with Morocco on southern Sahara, a late heritage of its 'Third World-ism'), still bear the consequences of their support for Arafat, the Afghan mujahedin, and Islamist tendencies everywhere. The advantage of Norway, one is tempted to say, is that it has no 'great cause' that it should sponsor—although the cases of Nigeria, Venezuela, and others are there to demonstrate that it is possible to create a disaster out of oil even in the absence of such a cause.

It is remarkable how little attention the oil-exporting countries have otherwise devoted to oil in international relations. OPEC members meet to discuss production and prices, but otherwise limited resources have been devoted to shaping fully fledged, well-structured oil diplomacy. Since 2000, the major Arab Gulf producers have considerably diversified their diplomatic initiatives, notably engaging in dialogue with their most important clients in East and South Asia to reassure them about the reliability of supplies. In particular, closer ties have been shaped with some of the emerging Asian economies, which are the most rapidly growing markets for Gulf oil. Saudi Arabia has also considerably increased public diplomacy with respect to oil affairs, engaging in frequent speeches and presentations in international forums. The kingdom was also in the forefront of the creation of a permanent Secretariat to the International Energy Forum, which was established in Riyadh in 2003.[6]

Oil and domestic politics: the rentier state paradigm

The availability of oil resources profoundly affects the domestic political order and contributes to explaining the Middle Eastern particularity. Several authors have dealt with the interplay between oil and domestic politics, and a lively discussion has developed in the literature. Without attempting a complete survey, this chapter will introduce the 'rentier state paradigm', which was proposed originally by Hossein Mahdavy (1970), and systematized by Beblawi (1987) and Luciani (1987); it has become a common tool in the interpretation of the political dynamics of oil-producing countries.

The rentier state paradigm

The essence of the 'rentier state' concept is this: in 'normal' countries, the state is supported by society and must, in order to pay for itself, establish a system to extract from society part of the surplus that it generates; in oil-exporting countries, the state is paid by the oil rent, which accrues to it directly from the rest of the world, and supports society through the distribution or allocation of this rent, through various mechanisms of rent circulation. Hence the distinction between 'production' states, in which society is the source of value added and the state pays for itself by imposing taxes, and 'allocation', or 'distributive' (or rentier) states, in which the state is independent of society and directly or indirectly supports a large part of society through the process of spending domestically the rent that it receives from the rest of the world.

The emphasis in this approach is on the fiscal function of the state. The (production) state is viewed essentially as a tool with which to subtract resources from the actors originally possessing them and reallocate them in a way that is different from that which the original owners would have chosen. Politics in (production) states consist in justifying the predatory function and influencing the destination of the 'booty' in the name of an asserted common interest. In order to justify this process, states need the acquiescence or acceptance of their people, and seek legitimacy, including through democratic institutions. In contrast, rentier states do not need to tax, or may tax more lightly, and their primary function is the distribution of resources accruing from abroad. These resources enter the domestic circulation and have an impact on the domestic economy only to the extent that they are domestically spent by the state. Spending is therefore the essential function of the rentier state, and generosity (as opposed to accountability), the essential virtue of its ruler.

Not all Arab states are rentier. The details of the definition of rentier state are essential, and generalizations that blur our understanding of reality rather than improve it should be resisted. In particular, the following points must be made.

1. It is essential that the source of the rent be the *rest of the world*. States that use the control of a specific domestic source of rent to extract surplus from society are not rentier states, because they are supported by society rather than vice versa.

2. It is also essential that the rent should accrue *directly* to the state. Some authors consider the inflow of remittances from workers having migrated to the oil-exporting countries (believed to incorporate a share of the oil rent) to be a potential base for a rentier state in the receiving country. There is, however, a double fallacy here: first, because expatriate earnings, if they contained an element of rent in the past, certainly do not do so any longer, beyond the normal differences in remuneration levels in different labour markets; and second, because, in any case, remittances are private income flows and the state must resort to taxation in order to appropriate them.

The rentier nature of the state is empirically connected primarily to the case of oil exporters, but there may exist other sources of rent, which might have essentially the very same impact.

exclusively, to the nationalization of Anglo-Iranian Oil Company. Similarly, the US, as already noted, entered into very close alliances with Saudi Arabia and Iran, the latter having developed following the inclusion of American companies in the Iranian consortium that became possible after Mussadiq's demise and the return of Muhammad Reza Shah.

The diplomacy of other countries was also shaped by oil, albeit at a lower level of intensity, simply because they had far fewer assets and were rather more interested in a reshuffling of the cards than in the continuation of the existing order. Thus France attempted to hold on to Algeria and did what was necessary to protect the interests of CFP (today's Total) in the UAE, but otherwise tried to distinguish itself from 'the Anglo-Saxons' by taking a line emphasizing 'cooperation' with the oil-producing countries. Other examples of this are France's immediate acceptance of the Iraqi nationalization in 1972, its refusal to become a member of the International Energy Agency when it was established in Paris in 1974, its promotion of diplomatic initiatives for a 'new international economic order' and later for the International Energy Forum, and finally its active undermining of US sanctions against Iran until the end of the Chirac presidency and its flirting with Saddam Hussein's regime for oil concessions in the 1990s—a love story that was never consummated because of UN sanctions.

Italy too supported the creation of a national oil company, ENI, which became the prime mover of Italian diplomacy towards the Arab countries, leading to active support of the Algerian war of liberation (raising the suspicion that the bomb that downed Enrico Mattei's plane in 1962 might have been planted by the French secret services), as well as support for Muhammad Reza Shah when he fled Iran in conflict with Mussadiq, and finally to the close relationship with Libya.[3] In actual fact, however, none of these attempts were ever terribly successful: ENI got its best results from purchasing oil from the Soviet Union (a move that made the US furious) and finding oil in the Sinai, in Egypt.

Oil has influenced diplomacy towards the region, but in most cases diplomacy has failed to yield the results that were expected of it, at least as far as oil is concerned. In more recent years, oil has more frequently been used as a tool, rather than as an objective: witness the American sanctions against Iran, which continue to this day, then Libya (1982–2004), and the UN-imposed sanctions against Iraq (1990–2003). In all cases, the major industrial powers have made their own access to oil more difficult in order to pursue a political priority. Or is it the case that oil needs not only to be abundant and cheap, but also politically correct, in the sense of coming from a country with a 'friendly' government? Many seem to believe that this is indeed a priority, or even a requirement, and rank suppliers in accordance with political proximity, although there is no empirical support for the belief that oil produced from a friend is either cheaper or more reliable than oil produced elsewhere.

Middle Eastern oil exporters and their international relations

The oil-producing countries have naturally taken notice of the importance attributed to oil by the major powers and have attempted to take advantage of it, acquiring guarantees for their security against external and internal challenges, as well as access to sophisticated weapons systems. The guarantee against internal challenges was 'lifted' from Iran by US President Jimmy Carter, who wanted to uphold basic human rights and democracy, and thus allowed the Pahlavi regime to collapse—with consequences that most observers would, to this date, consider disastrous. Following the 11 September 2001 terrorist attacks ('9/11'), a current of thought in the US depicted Saudi Arabia as part of the problem, rather than the solution,[4] and argued in favour of regime change in the kingdom as well as in Iraq. But the meeting between President Bush and then Crown Prince Abdullah in Crawford, Texas, in April 2005 reiterated the close alliance between the two countries (Bronson 2006). With the onset of the Arab Spring, the US has followed a course very close to that advocated by the countries of the Gulf Cooperation Council (GCC),[5] except for being critical of the repression in Bahrain. The GCC has been unhappy with the US refusal to intervene in Syria, and of continuing negotiations with Iran aimed at reaching an accommodation on the nuclear fuel enrichment issue. Nevertheless the US has consistently reiterated the security guarantee against external challenges—notably the threat of a nuclear Iran—and has approved massive weapons sales. Finally, the turnaround in US oil production, substantially decreased reliance on imports and, in perspective, even a potential return to a net exporting position for North America, has not led to the feared disengagement of the US from the Middle East, confirming that oil is not the only nor possibly the most important American interest in the region.

The less obvious point is that, in fact, oil does not appear to be a prominent preoccupation in shaping the foreign policy of the oil-producing countries. International oil policy is entrusted with a minister of petroleum or energy, who is generally regarded as a technician; it is discussed in OPEC or other similar forums, which have a narrow, technical mandate. The only case in which there was an attempt to use oil as a weapon—in 1973—was a short-lived affair and oil never truly became physically scarce (see **Figure 5.3**).

At the outbreak of war between Israel and its Arab neighbours in October 1973, the Organization of Arab Oil Exporting Countries (OAPEC) declared an embargo against the US and the Netherlands (Yergin 1991: 588–612). Prices increased rapidly on oil markets, precipitating the first 'energy crisis'. **Figure 5.3** shows that the embargo was fictional: Middle

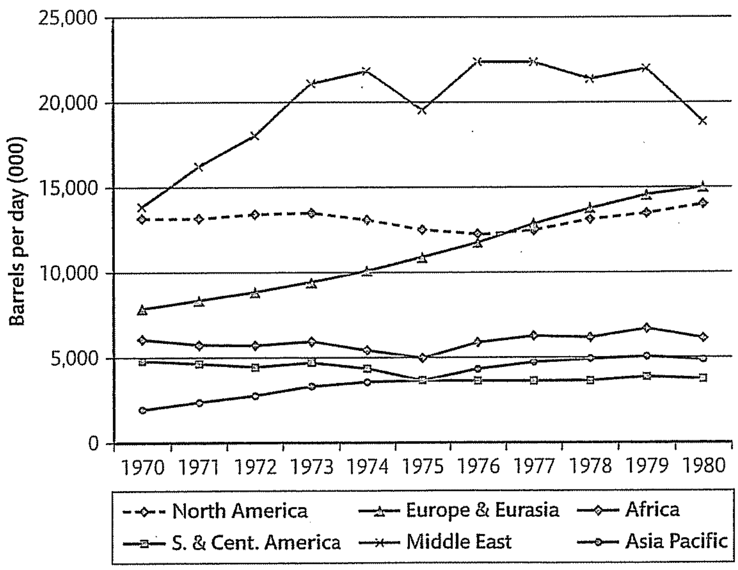

Figure 5.3 World oil production by region, 1970–80

Source: BP (2007)

Eastern oil production increased steadily and rapidly until 1974; it declined the following year because of the recession and decrease in oil demand triggered by the increase in prices. In fact, oil was never used as a weapon. Nevertheless, commentators still refer to OAPEC's decision as a dangerous precedent and proof of the unreliability of Gulf oil supplies.

That episode was a success, since it provoked an increase in prices, but politically it was a disastrous failure, which the Gulf oil producers still regret today. In fact, the perception that Gulf oil supplies are insecure and unreliable is still based essentially on only that one decision, and persists notwithstanding the fact that, since that time, Gulf producers have demonstrated more than once that they are able to deliver all of the oil that is required even when there is conflict in the region.

More recently, OPEC's decision, prompted by Saudi Arabia with the support of Kuwait and the UAE, not to lower production quotas in November 2014 has been interpreted in some capitals as being politically motivated, and possibly suggested or endorsed by the United States, in order to punish or weaken other oil exports such as notably Russia, Iran, or even Venezuela. However, such conspiracy theories do not hold water in the face of the intractable excess of supply and unwillingness of some OPEC producers (Iran, Iraq) and all non-OPEC producers to consider reducing their respective exports.

Mostly, the diplomacy of the oil-producing countries has been busy pursuing objectives that are either irrelevant or dysfunctional to their position as major exporters of oil—be it the promotion of Islam or the fight against Israel, pan-Arabism, or some milder form of pan-Africanism, or sheer military expansionism. Indeed, many oil-producing countries should blame their ill-advised foreign policy initiatives for most of the problems in which they find themselves mired. Even the Gulf countries, which have a record of less pernicious adventurism than Iraq, Libya (culminating in the Lockerbie bombing), or even Algeria (still mired in conflict with Morocco on southern Sahara, a late heritage of its 'Third World-ism'), still bear the consequences of their support for Arafat, the Afghan mujahedin, and Islamist tendencies everywhere. The advantage of Norway, one is tempted to say, is that it has no 'great cause' that it should sponsor—although the cases of Nigeria, Venezuela, and others are there to demonstrate that it is possible to create a disaster out of oil even in the absence of such a cause.

It is remarkable how little attention the oil-exporting countries have otherwise devoted to oil in international relations. OPEC members meet to discuss production and prices, but otherwise limited resources have been devoted to shaping fully fledged, well-structured oil diplomacy. Since 2000, the major Arab Gulf producers have considerably diversified their diplomatic initiatives, notably engaging in dialogue with their most important clients in East and South Asia to reassure them about the reliability of supplies. In particular, closer ties have been shaped with some of the emerging Asian economies, which are the most rapidly growing markets for Gulf oil. Saudi Arabia has also considerably increased public diplomacy with respect to oil affairs, engaging in frequent speeches and presentations in international forums. The kingdom was also in the forefront of the creation of a permanent Secretariat to the International Energy Forum, which was established in Riyadh in 2003.[6]

Oil and domestic politics: the rentier state paradigm

The availability of oil resources profoundly affects the domestic political order and contributes to explaining the Middle Eastern particularity. Several authors have dealt with the interplay between oil and domestic politics, and a lively discussion has developed in the literature. Without attempting a complete survey, this chapter will introduce the 'rentier state paradigm', which was proposed originally by Hossein Mahdavy (1970), and systematized by Beblawi (1987) and Luciani (1987); it has become a common tool in the interpretation of the political dynamics of oil-producing countries.

The rentier state paradigm

The essence of the 'rentier state' concept is this: in 'normal' countries, the state is supported by society and must, in order to pay for itself, establish a system to extract from society part of the surplus that it generates; in oil-exporting countries, the state is paid by the oil rent, which accrues to it directly from the rest of the world, and supports society through the distribution or allocation of this rent, through various mechanisms of rent circulation. Hence the distinction between 'production' states, in which society is the source of value added and the state pays for itself by imposing taxes, and 'allocation', or 'distributive' (or rentier) states, in which the state is independent of society and directly or indirectly supports a large part of society through the process of spending domestically the rent that it receives from the rest of the world.

The emphasis in this approach is on the fiscal function of the state. The (production) state is viewed essentially as a tool with which to subtract resources from the actors originally possessing them and reallocate them in a way that is different from that which the original owners would have chosen. Politics in (production) states consist in justifying the predatory function and influencing the destination of the 'booty' in the name of an asserted common interest. In order to justify this process, states need the acquiescence or acceptance of their people, and seek legitimacy, including through democratic institutions. In contrast, rentier states do not need to tax, or may tax more lightly, and their primary function is the distribution of resources accruing from abroad. These resources enter the domestic circulation and have an impact on the domestic economy only to the extent that they are domestically spent by the state. Spending is therefore the essential function of the rentier state, and generosity (as opposed to accountability), the essential virtue of its ruler.

Not all Arab states are rentier. The details of the definition of rentier state are essential, and generalizations that blur our understanding of reality rather than improve it should be resisted. In particular, the following points must be made.

1. It is essential that the source of the rent be the *rest of the world*. States that use the control of a specific domestic source of rent to extract surplus from society are not rentier states, because they are supported by society rather than vice versa.

2. It is also essential that the rent should accrue *directly* to the state. Some authors consider the inflow of remittances from workers having migrated to the oil-exporting countries (believed to incorporate a share of the oil rent) to be a potential base for a rentier state in the receiving country. There is, however, a double fallacy here: first, because expatriate earnings, if they contained an element of rent in the past, certainly do not do so any longer, beyond the normal differences in remuneration levels in different labour markets; and second, because, in any case, remittances are private income flows and the state must resort to taxation in order to appropriate them.

The rentier nature of the state is empirically connected primarily to the case of oil exporters, but there may exist other sources of rent, which might have essentially the very same impact.

These may be tied to control of: strategic assets, generating payments from other governments; important logistical assets, such as the Suez Canal; other minerals, such as diamonds in Africa; or drug production or trade, such as in Afghanistan, among others. However, these activities are not always controlled by the state, in which case the political impact is quite different: for example, the production of qat is not controlled by the Yemeni state, the production of opium in Afghanistan supports the Taliban resistance, and the drugs cartel in Colombia is in conflict with the state; for many years, diamonds allowed the National Union for the Total Independence of Angola (Unita) to continue in civil war against the Angolan government.

In historical experience, the oil rent suddenly increased for approximately a decade, from 1973 to 1983, and 'flooded' the entire region, engulfing everybody in the process of rent circulation. But this was a limited experience: oil-exporting states were rentier, in the sense of being essentially independent of domestic taxation, before 1973 and continue to be so in the twenty-first century. To the rest of the region, the encounter with large-scale oil rent was short-lived.

The rentier state, taxation, and democracy

The most important feature of the rentier state is that—being financially independent of society and indeed having, in a sense, society on its payroll—it is autonomous (that is, it can initiate policies with a degree of independence, although it cannot eventually ignore public opinion entirely) and does not need to seek legitimacy through democratic representation. It is a historical fact that demands for democratic representation and government accountability arose out of the attempt of the ruler to impose new taxes. The rentier state paradigm has become most popular through the reversal of the well-known saying 'no taxation without representation' into its mirror image: 'no representation without taxation'. In fact, neither of the two is, strictly speaking, correct, yet both capture a simple casual link, which remains fundamentally true.

Rentier states inherit a political order from history; they do not create their own political order. A few were democracies when they acquired access to external rent and remained democracies, although perhaps with a slightly different modus operandi. A majority were authoritarian, and the advent of the rent allowed them to reinforce and consolidate authoritarian rule. Patrimonial states ruling segmented (tribal) societies are a specific subset among the authoritarian rentier states: it has been argued that this specific form of government is particularly adapted to the rentier state, because the state is viewed as the property of the ruler and the distributive function, which is played in order to maintain a desired balance in the segmented society, is understood as the essential function of government.

The link between oil and authoritarian rule has been belaboured in the literature in numerous studies based on statistical analysis of panel data (Ross 2001b, 2012; Herb 2005), which suffer from many predictable problems, including a limited number of observations, the arbitrary quantification of essentially qualitative variables, a low dispersion of values, the arbitrary specification of equations to explain variables that clearly are determined by complex, multifaceted societal processes, among other things. At the same time, this approach has a tendency to propose simplistic explanations of the nexus between oil and authoritarianism (because complex explanations cannot be tested statistically). For example, saying that oil money allows the ruler to 'buy off' the opposition and acquire consensus through government expenditure is pointing to a power strategy that is common in all polities, including democracies, and not exclusive to oil producers. Similarly, pointing to the fact that oil money allows the state to pay for a strong repressive apparatus points to another feature that is surely not exclusive to oil-exporting states; indeed, relatively speaking, oil-exporting states are probably less repressive than their non-oil neighbours. In both cases, the strategies in question can be pursued on the basis of income from domestic taxes quite effectively. The difference in oil states is that power holders do not need to take money from their citizens—and this changes the nature of their relationship very substantially.

It is to be expected that rentier states will not be subjected to important pressure from below to allow for proper democratic rule. The reason is not that citizens are indifferent to outcomes (clearly, they are not), nor that they do not have opinions or have no wish to express them, but that they are likely to be sceptical about the effectiveness of elections as a tool with which to select the best rulers. If we focus on the Arab countries, it is clear that issues such as the political irrelevance of the educated and potentially liberal elite, the role of religion and the potential manipulations that it may allow, and the overwhelming importance of expatriates in the resident population all militate against betting on elections.

The point is that 'democratic transitions' in rentier states are very likely to produce authoritarian governments. Everybody understands that a democratically elected ruler will be seriously tempted to turn authoritarian as soon as he acquires control of the oil rent and the great power that this gives him over society. The possibility of alternation is essential to democracy: no opposition will remain loyal to democratic institutions if it does not stand a chance of ever winning elections; and no political force will accept a transition to democracy if the first elections are also likely to be the last.

The difficulty of establishing representative democracy in a rentier state is an objective fact. It has been clearly demonstrated in Iran, where a clerical elite has progressively established a stranglehold on power, and where elections are controlled and increasingly fabricated. It has been demonstrated also by the difficulty of establishing democratic institutions in Iraq. Early on in the debate about the democratization of Iraq, it was clear that the distribution of the oil rent would be a crucial determinant of the resulting power equilibrium: if the rent is left entirely in the hands of the central government, whoever wins the first elections has a huge opportunity to consolidate power. Hence it was proposed by some that oil revenue should be distributed directly to individual citizens in equal instalments (a negation of politics and of the state) and hence the 2005 Constitution allocates priority control over oil affairs to provinces rather than to the central government—a stipulation that many find incompatible with national unity and sovereignty. The lack of a national consensus on control of the oil rent amounts to disagreeing on political institutions and the constitution—and both remain unresolved more than ten years after the collapse of the Saddam Hussein regime. The divisive policies of Prime Minister al Maliki, who appeared only interested in consolidating his personal power (Dodge 2012) led eventually to his demise. It remains to be seen whether his successor, Haider al-Abadi, will succeed in reversing the trend and avoid the complete collapse of the Iraqi state.

Another crucial test case is Libya. The collapse of the regime of Muammar Gaddafi was precipitated by the tide of the Arab Spring and made possible by Gaddafi's style of government (inimical to institution building; incapable of delivering any economic diversification or even decent infrastructure; exclusivist, violently repressive). Still, international intervention was necessary to allow the internal opposition to dislodge the autocrat. However, once that task was accomplished, Libya was left on its own and progressively descended into civil war and state failure. At the time of writing, the country is a battleground of different factions, and a UN effort at shaping a minimum national consensus is not achieving the hoped-for improvement in the situation. Oil production has collapsed because of insecurity, and declining volumes compound with much lower prices to create very difficult economic conditions, on top of political and security concerns.

While democratic transitions are difficult in rentier states, this does not mean that there is no political participation (Khalaf and Luciani 2006). The Gulf countries exhibit, to variable degrees, a style of authoritarian rule coupled with consultation (shura) which is meant to integrate and involve as much as possible all components of society. Shura is not democracy, because the ruler remains absolute, is not elected, and has the final say on all decisions. But he listens to his people through formal or informal channels—from the establishment of appointed or elected (increasingly) parliaments, to selective access to the ruler for people in positions of influence (including those who have influence on expatriate communities), to police control of social media and communications. Through the practice of consultation, the ruler impresses upon his people the idea that it may be better to have a chance to be listened to, even if your advice is not always followed, than to be a marginalized minority under inflexible majority rule. Indeed, the key difference between the Gulf monarchies and the rentier republics (Iraq, Libya, Yemen) has been the inclusivist practice of consultation as opposed to an exclusivist reliance on a restricted circle of praetorian supporters. As a result of the sectarian divide, Bahrain has not been able to sufficiently integrate its Shia majority and will never recover political stability until integration is accomplished. The remaining Gulf countries (in descending order, from Kuwait to Oman, to Saudi Arabia, to Qatar and the UAE) all appeared to be more advanced on the road of political participation than most other Arab countries—until the advent of the Arab Spring. However, since the outbreak of the Arab Spring the space for public debate and consultation has considerably narrowed. Turmoil in Syria, Yemen, and Iraq and the rise of ISIS constitute a direct threat to the GCC regimes and have led to a further emphasis on security.

The question of democracy in non-rentier states and root causes of the Arab Spring

Conversely, it may be expected that non-rentier states, because they need to rely on taxation, will experience pressure from below to allow for democratic representation. However, when faced with pressure to democratize, non-rentier states can, first and foremost, resort to repression—a task facilitated by constant refinement of control methods and technology; second, they can make the most of whatever small sources of external rent might be available; and finally, they can develop forms of taxation that are less politically demanding—from taxes on international trade, to money creation and inflation. The region offers examples of various combinations of all of these, and they succeeded quite well in delaying the transition to democracy that would otherwise have taken place about twenty years earlier (the Algerian transition started in 1988 and collapsed in 1991; Mohammed Bouazizi set himself on fire on 17 December 2010).

The ability of authoritarian governments to resist economic, fiscal, and political reform is indeed considerable. The common assumption, whereby economic stagnation will breed dissatisfaction and fuel demand for participation, has frequently been disproved in reality: having a hard time simply to survive leads to passivity and fatalism, rather than to the revolt of those 'having nothing else to lose than their chains'.

Yet, faced with decreasing legitimacy, the non-rentier states have been unable to muster sufficient resources to promote development and maintain at least a stable supply of public goods to a growing population. The state has been forced to cede ground, reluctantly and gradually, to the private sector, but has conducted the process more with an eye to rewarding selected supporters (Heydemann 2004) than to maximizing the potential benefit in terms of economic growth (Luciani 2013). In the absence of substantial rent, the state has increasingly relied on circulation of the spoils. The state thus lost capacity in all domains, including repression, and remained an empty building behind a crumbling facade.

The survival strategy of the state has, in other words, consisted in its progressive withering away in order to avoid establishing legitimacy on new, democratic foundations, as would have been necessary to open the door to a new development strategy. The Washington Consensus provided a convenient narrative to justify the withering away of the state, but did not produce much development.

That said, recent research aiming at understanding the root—specifically economic—causes of the Arab Spring has found that the countries where the revolt erupted were not doing badly at all in the years immediately preceding (Luciani 2015). The Arab countries experienced a decade (or more) of rapid growth before 2010. Income disparities seemingly did not increase, and income distribution remained more egalitarian than that of other key emerging countries, when measured at the national level. Research has also found increasing corruption and cronyism, both traits capable of increasing the alienation of the population from the state. However, overall these phenomena hardly explain the sudden, spontaneous wave of revolts which very rapidly engulfed the entire region: a common, regional underlying cause must have existed to generate the Arab Spring.

A possible hypothesis is that the common underlying cause be in fact the rapid increase in oil prices, which exacerbated economic distances between oil and non-oil Arab economies, and created conditions in which tactical positioning and political connectedness became much more important than productive investment. The regionalization of media brought images of Gulf consumerism and irresistible progress to the homes of the poor and marginalized in Egypt, Tunisia, Yemen, or Syria, exacerbating the feeling of exclusion and hopelessness, which combined with the desire for political freedom, and was expressed as a request for dignity.

In this interpretation, high oil prices are a corrosive factor for regional relations and domestic stability in each of the region's states, because of the difficulty of managing rent circulation in the region in such a way that it may become a trigger of development. Beginning from the fact that the oil exporting countries of the Gulf prefer to rely on immigrant labour from South and South-East Asia rather than from neighbouring Arab countries; and considering that private investors are more attracted by financial or real estate placements and projects in the industrial countries or in distant emerging economies rather than in fellow Arab countries, it is clear that key potential mechanisms of rent redistribution are not functioning in favour of greater regional integration.

With the exception of Tunisia, the Arab Spring has yielded neo-authoritarian regimes or civil wars and failed states. Such regional developments now represent a direct threat to the stability of the GCC regimes, prompting them to greater regional activism. Saudi Arabia and the UAE have thus supported the coup that toppled the Muslim Brotherhood government in Egypt and have since extended massive economic aid to the government of General Sisi. Whether this may succeed in stabilizing the latter in the long run, or whether progress can be made in national reconciliation in Yemen, Iraq, Libya, or Syria is the challenge lying ahead for the rentier states of the Gulf.

Oil and inter-Arab relations

Oil has had a fundamental influence on inter-Arab relations, primarily because of the dialectic between oil-poor and oil-rich states. Interestingly, the oil-rich states, as stressed earlier in the chapter, are also relatively 'new' in history, while the oil-poor states have deeper historical roots. Finally, the oil-rich states are rentier, while the oil-poor states became rentier only for a short period, as recipients of unilateral transfers from the oil-rich states.

The dichotomy between oil-rich and oil-poor states is certainly not the only factor in the extraordinary divisiveness of Arab regional relations, but it has been significant.

The call of pan-Arabism

Pan-Arabism has been the dominant discourse in regional relations in the Middle East. Pan-Arabism is not, in itself, directly related to oil—although it is a reaction to the Balkanization of the Arab region, which, in turn, is certainly also related to oil—but quickly became entangled with it, hardening the conflict between the historically longer established, progressive, more developed, but oil-poor Arab states and the newly formed, traditional, conservative, oil-rich states in the Gulf and North Africa.

Nasser's ideology was not primarily conceived of as a tool with which to destroy the oil monarchies and assert control over their oil riches, but it was soon perceived by these monarchs as aiming precisely at this outcome. Nasser was defeated not only by his inability to deliver progress with respect to the Palestine–Israel issue, but also, and perhaps even more so, by his inability to come to terms with the oil monarchies—or, to be precise, with all oil-exporting countries in the region—even when they shed their monarchies and followed the 'revolutionary' path. He lost his battle when he could not prevail in the civil war in Yemen; nor was he able to overcome persistent rivalry with Iraq (even before 1967). The advent of a regime with strong Nasserite and pan-Arab temptations in Libya received little more than an opportunistic and profiteering response from Egypt. Simply put, the 'historical' Arab states have been unable to accept that the basis of power in the contemporary world has changed: not only are oil barrels more important than guns, but also money is more important than population size.

The constant temptation of Arab oil exporters to become embroiled in issues that transcend their national boundaries and are not functional to their national interest is indeed a feature of rentier states. The authoritarian rentier state has not needed to refer to a 'national myth', because it is supported by a rent accruing from the rest of the world and does not impose taxes on the domestic economy. A national myth is necessary to justify the redistributive function of the state, which needs to be based on a concept of collective good and legitimacy. Rentier states simply distribute without the need for taxes and tend to deny that 'the people' should have a say in the way in which the rent is distributed, presenting 'the state' as invested with some superior or wider mission. The authoritarian rentier state thus has tended rather to assert its legitimacy by reference to a constituency that is larger than its own population—Islamic in Saudi Arabia or the Islamic Republic of Iran; Arab in Iraq or Libya; technocratic in Dubai. Inevitably, these assertions of legitimacy tend to compete and conflict with each other, creating a difficult regional climate. Partly in reaction to the unwanted consequences of pursuing values transcending national boundaries, rentier states have, in the past decade, devoted greater attention to asserting their respective national consciousness and identities; the strength of shared identities (Arab, Islamic, Shia, Sunni, and more) remains very strong, however, and has been furthered by the emergence and success of regional media (satellite television, first and foremost).

For their part, the oil-poor states have articulated a claim to a share of the oil rent that the oil-rich states never truly accepted as legitimate. The primary recipients initially accepted mechanisms to circulate the rent regionally—direct budget subsidies to their neighbours, as well as labour migration and remittances—but expected a political return, which was denied to them. This has little to do with the nature of the regime, because it has been true of the Gulf monarchies as well as of Libya and Iraq. The claim to sharing in the rent combined with a statist ('étatist') ideology, which attributed the primary role in promoting economic development to the state, leading to a vision of regional integration based on politicized government-to-government relations. This approach proved totally sterile.

It is interesting to note how both oil-poor and oil-rich states sometimes embraced the same ideological discourse, but with quite opposite intentions. Hence pan-Arabism in Egypt and Baathism in Syria were meant to lay a claim to a share of the oil rent of neighbouring countries, while the same pan-Arabism in Libya or Baathism in Iraq were used to justify the rentier state's bid for hegemony.

Egypt turned its back on pan-Arabism and Nasser's legacy when it signed its separate peace with Israel. It also turned its back on the oil money of its neighbours, embracing, in theory, the credo of openness to international trade and market-based development. But implementation of the new strategy was painfully slow. It is only since 2000 that Egypt has been moving more aggressively towards economic reform, and the shift came about essentially because it became clear that this was the way in which to attract private investment from the Gulf—that is, again tapping the oil rent, albeit in a different form. The Gulf oil producers have always combined a leading role of the state in promoting development—an essential facet of circulating the oil rent—with openness to international trade. In so doing, they have nurtured a domestic private sector that has grown more competitive within and been better integrated into the global economy. Attracting private Gulf investment became the cornerstone of economic development strategy in all Arab countries, including Syria; in this way, the Gulf countries hegemonized development throughout the region.

The ascendance of the Gulf rentier states

In the 1970s, the increase of the oil rent was so sudden, and its concentration so extreme, that the rentier states felt it was prudent to be generous outside, as well as inside, their boundaries.

They therefore created institutions to redistribute a share of the rent internationally and engaged in granting direct subsidies to neighbouring governments. Jordan, Syria, the Palestine Liberation Organization, and, until it made peace with Israel, Egypt were major beneficiaries of these direct grants. Later, Iraq became a recipient during its protracted war with Iran.

However, the effectiveness of such generosity in purchasing lasting goodwill was dubious, to say the least. Iraq's decision to invade Kuwait, and the attitude that Jordan, Yemen, or the Palestinians took on that occasion, proves that generosity sometimes breeds resentment. More recently, the fact that Al-Qaeda turned against the Saudi regime is again a demonstration of a client turning against its patron.

So, after a short period of time in which the tide of the rent rose so high that it covered the entire region and almost every government became rentier (in the sense of being primarily occupied with capturing oil or strategic rents under the form of direct grants), we have returned to a condition that was common before 1973—that is, of a region dominated by the dynamics between rentier and non-rentier, or oil-rich and oil-poor, states, and the seemingly impossible integration between them.

In the meantime, the private sector in the rentier states has become much stronger: rentier states can therefore propose a much more conventional model of regional cooperation, based on free trade and private investment, be it direct or financial. They can rely on international organizations such as the International Monetary Fund, the World Bank, or the World Trade Organization to promote this model, playing down the Arab nationalist discourse and dimension. However, the shared Arab regional identity refuses to die and, as argued above, may be responsible for the regional dimension of the Arab Spring and subsequent political turmoil.

Slowly, but surely, the balance of power (of opportunities and capabilities) has shifted in the region, away from the older established, but oil-poor, states and in favour of the newly consolidated, oil-rich ones. Furthermore, within the latter group some have wasted their opportunities, engaging in regional adventurism and ill-advised state-led investment policies. The GCC states, certainly the most fragile at the beginning of the process, have bred a wealthy, sophisticated private sector, which is reasonably well integrated in the currents of globalization; they therefore have a much better chance of succeeding than the rest of the region.

The regional balance in the Arab region has been moving relentlessly away from the historically better established states towards the oil-rich 'parvenus'. As military power loses importance—in a world in which only one superpower counts—and traditional industry and agriculture are less important than services and the e-economy, the traditional centres of Arab politics are in decline, while the oil exporters enjoy all of the opportunities.

The regional and international environments and the political order in the Middle East

In the early years of the twenty-first century, a major attempt was made by Western powers to change the region's political landscape radically through outside intervention. Motivated by, or using as a pretext, the terrorist attacks of 9/11, the United States and a number of other countries decided to intervene militarily in Iraq to eliminate the Baath regime of Saddam Hussein. This was perceived as the first move in a broader plan aiming at establishing democratic regimes throughout the region, as well as changing the rules under which the region's oil resources are exploited and commercialized internationally.

Whether the Iraqi adventure was motivated primarily by oil interests or by political objectives is a discussion that is likely to continue for some time. The fact that Iraq is potentially a much more important exporter than it has been historically certainly played a role in the decision-making process—at least in giving credence to the idea that the war and reconstruction could, and would, be paid for by Iraq itself. Nevertheless, it is clear with hindsight that if the purpose had been to make more oil available to the international market and to allow international oil companies to return to the country under favourable contracts, it would have been more fruitful to accept the deals that the Saddam regime was offering in the 1990s, which the companies, keen as they were to accept those terms, were prevented from signing by international sanctions. The war and its difficult aftermath delayed investment in Iraqi resources by a minimum of ten years, and the companies (those that ventured into the country—and not all did) have been forced to accept service contracts and considerably tougher terms rather than the production sharing agreements that were on offer in the previous decade.

The intervention in Iraq was also motivated by the desire to establish a 'model' democratic regime that would trigger a wave of democratization throughout the region—beginning with the regime in Saudi Arabia. But the infant Iraqi democracy has proved to be inferior as a model, and it is not clear that it had much of a role in triggering the Arab Spring and the wave of authoritarian regime collapses that ensued.

The revolutionary movement that started in December 2010 has rapidly engulfed several states in the region, including one major oil producer (Libya) and some minor (Egypt, Syria, Yemen). It has had less of an impact—at least for the time being—on the Gulf states (except Bahrain) or Algeria. Thus it appears that while being an oil exporter is not an absolute guarantee against revolutionary contagion, it helps. In the case of Libya, outside intervention was needed to help the rebel forces to defeat the regime and again the question was: was intervention motivated by the oil? It is possible that considerations related to oil—especially the danger, and the potential consequences, of a long, drawn-out civil war—might have played a role in precipitating the decision. However, Libyan oil was always accessible (except for sanctions, imposed by other countries on Libya); oil companies were busy investing in the country and, after 2004, had received the active support of their respective governments, which had been generous in bestowing accolades on the intractable Gaddafi.

The end of the oil price cycle (2004–14) and the unresolved dilemmas of regional relations

There is a close connection between regime change in Iraq and the onset of the oil price cycle that began in 2004 and came to a dramatic end in the latter part of 2014. At the turn of the century, oil prices were recovering from the abysmally low levels reached in 1998–99, and the dominant narrative was that of peak oil. Following the terrorist attacks of 9/11, some tension emerged on the markets due to fear for oil supplies—Saudi Arabia at that time being portrayed as part of the problem rather than part of the solution. However, in the run-up to the allied intervention in Iraq, the expectation was that the demise of the Saddam regime would bring about an end to the Iraqi sanctions, the opening of the country to international oil companies' investment, and rapid increase in oil production. As it became apparent that the outcome of the Iraqi adventure was very much different from what had been expected, oil prices started increasing gradually. The upward trend found little immediate resistance: demand for oil showed no sign of decreasing—indeed China's appetite for imported oil exploded; the industrial countries were not plunged into recession; and alternative sources of oil were not immediately forthcoming. The market became convinced that prices could grow much higher, and eventually created a bubble. The financial crisis subsequent to the collapse of Lehmann Brothers suddenly drained liquidity from the oil futures market, leading to a collapse in prices in the latter part of 2008—but this proved temporary. Prices recovered quite rapidly and kept climbing until 2011. The outbreak of the Arab Spring contributed to again creating a fear that oil supplies from the Middle East might be seriously disrupted, although this was in fact not the case.

In the meantime, supply from alternative sources, which had not been forthcoming in the previous decade, started growing exponentially. The fastest growing, but not unique, component of additional supply was from shale oil in the US, which revolutionized the global oil market outlook. The shale oil revolution was also viewed as liberating the US from their dependence on Middle East oil, thus potentially undermining the close relationship between Washington and the GCC oil exporters.

Between 2011 and 2014, the market became progressively oversupplied, and in the summer of 2014 price softness became apparent. Nevertheless, many expected that OPEC, and specifically Saudi Arabia, would cut production in order to shore up prices. Such expectation proved unfounded: in November 2014 OPEC decided to keep quotas unchanged, opening the door to a major price collapse. This downturn is unlikely to be reversed soon, because all signs point to abundant supplies until at least 2020.

We can therefore identify a clear oil price cycle, which began approximately in 2004 and came to an abrupt end in 2014. This price cycle had momentous consequences in the Middle East region: it further emphasized the distance between the oil exporters of the Gulf and the rest of the region, and, as we argued, created the underlying conditions for the regional upheaval of the Arab Spring.

It is clear that the period of very high prices led to greater regional instability rather than the opposite. Not only did it enhance the distance between the major oil exporters and the rest of the region, fuelling the resentment of the latter; it also provided ample resources to regional spoilers (facilitating Russia and Iran in their support to the Asad regime, or the Houthi rebellion in Yemen; and private donors' money to flow to Islamic extremists). But the collapse of oil prices cannot be expected to have a symmetrical outcome, that is, to lead to a resolution of conflicts.

The Arab Spring posed a major challenge for the major Gulf oil producers and they frequently appeared to be divided in their response. Saudi Arabia offered refuge to Zine al-Abidine Ben Ali and supported Mubarak until the last moment (and beyond); Qatar was in support of the revolutions in both countries, and maintained its support of the Muslim Brotherhood government even beyond its demise; Saudi Arabia and the UAE, in contrast, welcomed the coup staged by Field Marshal Abdel Fattah al-Sisi, and strongly supported his new regime with finance and investment. The GCC as a group reacted to the outbreak of the Arab Spring by offering membership to Jordan and Morocco, two non-oil monarchies: but there was no practical follow-up to this opening. The group was unanimous in helping the Bahraini monarchy crush the Shia rebellion; yet in Yemen the organization was very active in seeking a way of easing Ali Abdullah Salih out of power. The Gulf countries also very actively supported the rebellions in Libya and Syria. In December 2011, King Abdullah of Saudi Arabia called for the transformation of the Gulf Cooperation Council into a Gulf Union, to better face the worsening regional challenges. This proposal met with the hostility of Oman and Qatar, both jealous of their sovereignty in the conduct of regional policy. Divergences between Qatar on the one hand and Saudi Arabia, the UAE, and Bahrain on the other led to the withdrawal of the latter countries' ambassadors from Doha between March and December 2014. The lack of cohesion of the GCC will inevitably weaken the organization's ability to pursue the return to peaceful conditions in the region.

Conclusion

This chapter has attempted to map the multiple ways in which oil has influenced international relations and domestic politics in the Middle East. Historically, interest in oil—especially in the UK and the US—strongly influenced attitudes towards the Middle East and the formation of the state system in the region, following the collapse of the Ottoman Empire. However, not everything can be explained by oil.

The chapter has stressed the dynamic between states that have deeper roots in history, but generally little oil, and states that were formed only much more recently and consolidated primarily thanks to their oil resources and the rent that these generated. The polarization in the region between oil-rich and oil-poor states is an essential tool of analysis. The parallel distinction between rentier and non-rentier states helps to explain how oil affects the domestic political development of the oil-rich states, and influences their regional relations.

Rentier states feel little pressure to become democratic, while this pressure exists in the non-rentier states. Yet, faced with the need to engage in economic reform, non-rentier states are in a much more difficult position—because of the weakness of their private sectors—than rentier states—notably the Arab Gulf states, whose governments always supported private business. This is one reason why there has been little progress towards democracy and economic reform in the non-rentier states; quite the contrary, the state progressively barricaded itself behind an increasingly intrusive repressive apparatus. In contrast, rentier states in the Gulf moved towards economic reform as well as wider political participation; the latter, however, is falling well short of democracy, as normally recognized. The game suddenly changed in December 2010, with the onset of the Arab Spring.

Such domestic dynamics are important because they underlie regional relations. The progressive ascendance of the oil-rich, rentier states has been made possible by their much greater adaptability to the dictates of globalization. The oil-poor states are facing a political turning point, which may or may not open the door to economic revival.

International organizations, the United States, and the European Union all pursued, albeit at times in competition with each other, an agenda aiming at economic and political reform in the region. However, faced with the new political landscape, external actors found that their tools are limited and intervention frequently counterproductive.

Oil is important because it affects the power balance within the region, as well as outside attitudes. As the price of oil increased significantly between 2004 and 2014, the impulse towards reform in the rentier states has moderated. The priority attributed to the strengthening of the role of the private sector remained essentially unchanged. Concern for the employment of nationals, with the closely correlated emphasis on education reform and even more acute alarm for excessive dependence on expatriate labour (which is the other side of the same coin), remained high on the political agenda.

At the regional level, the high oil price cycle had important destabilizing effects, and opened wounds that will not be mended easily. The prospect of two important oil exporters, such as Iraq and Libya, slowly turning into failed states inevitably has important international repercussions and invites outside interference from various sides. But outside intervention has already been attempted and has not yielded appreciable results.

By the same token, GCC financial support for the new Egyptian al-Sisi regime also smacks of *déjà vu*. Maybe what was tried before and failed will succeed when tried a second time, but scepticism is justified. Continuing political unrest and civil war in several of the countries of the region and failure to create a positive development dynamic in Egypt would force the Gulf countries to further isolate themselves from the rest of the region, and clamp down on domestic dissension. At the same time, a successfully stabilized and economically prosperous Egypt would not wait long before reasserting its regional hegemony, confining the GCC countries to paymasters of its regional ambitions. In other words, there is no escape from the inevitable tension between oil-rich and oil-poor countries in the region, nor from the call of the Arab regional identity.

Further reading

Aarts, P. and Nonnemann, G. (eds) (2005) *Saudi Arabia in the Balance: Politics, Economics and International Relations between 9/11, the Iraq Crisis and the Future* (London: Hurst)

The best collective effort at understanding Saudi Arabia currently available.

Bronson, R. (2006) *Thicker Than Oil: America's Uneasy Partnership with Saudi Arabia* (Oxford: Oxford University Press)

The most exhaustive discussion of US-Saudi relations and the role that oil has played—or not played.

Kerr, M. H. and ElSayed, Y. (eds) (1982) *Rich and Poor Nations in the Middle East: Egypt and the New Arab Order* (Boulder, CO: Westview Press)

A classic for understanding the regional dynamics between oil-rich and oil-poor countries in the Middle East.

Khalaf, A. and Luciani, G. (eds) (2006) *Constitutional Reform and Political Participation in the Gulf* (Dubai: Gulf Research Center)

An exploration of the different dimensions and limits of political liberalization in the GCC.

Legrenzi, M. and Momani, B. (eds) (2011) *Shifting Geo-Economic Power of the Gulf: Oil, Finance and Institutions* (Aldershot: Ashgate)

Contains essays discussing several aspects of the growing economic power of the Gulf countries.

Luciani, G. (ed.) (1990) *The Arab State* (Berkeley, CA: University of California Press)

Includes the essential reference work on the rentier state paradigm.

Ross, M. (2012) *The Oil Curse: How Petroleum Wealth Shapes the Development of Nations* (Princeton, NJ: Princeton University Press)

The most recent argumentation of the theory according to which oil is a curse; has relatively little on the Middle East specifically, but is a very useful reference for the oil/resource curse theory.

Salamé, G. (ed.) (1994) *Democracy without Democrats: The Renewal of Politics in the Muslim World* (London: I. B. Tauris)

The best study of the question of democracy in the Middle East.

Schlumberger, O. (ed.) (2007) *Debating Arab Authoritarianism: Dynamics and Durability in Non-Democratic Regimes* (Stanford, CA: Stanford University Press)

The most recent comprehensive debate on economic and other roots of authoritarianism in the Arab countries.

Stocking, G. W. (1970) *Middle East Oil* (Knoxville, TN: Vanderbilt University Press)

An account of the history of the development of Middle Eastern oil that presents all of the important details very effectively.

Yergin, D. (1991) *The Prize: The Epic Quest for Oil, Money and Power* (New York: Simon & Schuster)

A history of the oil industry that is the best introductory reading to get the basic facts and references. It differs from Stocking (1970) in as much as it covers more than just the Middle East and has a lot of entertaining details, which, however, are not always truly important.

Useful websites

http://gulf2000.columbia.edu The Gulf 2000 Project, established at Columbia University, provides very extensive documentation on the Gulf.

http://www.eia.doe.gov The US Energy Information Agency (US EIA) offers the largest freely available source of information on energy affairs on the Internet.

http://www.grc.net The Gulf Research Center is a privately sponsored research and documentation centre on the Arab Gulf.

Questions

1. It is commonly maintained that access to oil is the main interest justifying the activism of European countries and the United States in Middle Eastern affairs. Does historical evidence support this view?
2. Access to oil revenue has, at different times and under different circumstances, had a stabilizing or destabilizing effect on Arab regimes and states. Give examples of such divergent effects and discuss their causes.
3. The Arab world is sharply divided into oil-rich and oil-poor countries. How does this affect regional relations?
4. Throughout the history of oil in the Middle East, Iraq has played a controversial role, which has prevented it from reaching the level of production that might be warranted by its vast resources. Discuss the specific trajectory of Iraq as an example of how history bears on contemporary developments.
5. To what extent would you say that the foreign policy of Iran or Saudi Arabia is functional to their respective oil interests?

Notes

1. Ilya Harik (1990) has argued that, contrary to the frequently held view according to which all contemporary Arab states are a creation of the colonial powers, most of them have substantial roots in history. This is certainly the case not only for Egypt, but also for the Maghreb—although in the case of Libya, the three constituting provinces of Tripolitania, Cyrenaica, and Fezzan have greater historical legitimacy than the unitary state that has emerged. The situation is different in the Mashreq, where the division between Syria, Iraq, and Jordan (the latter a state invented totally *ex novo*) was shaped by the colonial powers; Mount Lebanon had a clearly recognizable separate identity in history, but today's Lebanon was deliberately defined by the French with considerably wider borders than the historical precedent. In relation to Israel/Palestine, the impact of the British mandate is only too obvious. In the peninsula, a Saudi state has existed in the Nejd (central Arabia) almost without interruption since the eighteenth century, but today's kingdom includes the historical Hijaz and the emirate of Hail, which have disappeared. Kuwait has roots in history, but all other Gulf emirates were such small and unimportant places that to discuss their 'independent' existence in history is moot.
2. Biafra is the province in Nigeria where oil is concentrated. Biafra tried to secede from the Nigerian federation, but lost the ensuing bloody civil war (1966–70).
3. Enrico Mattei was the charismatic founder of the Italian state oil company ENI, which brought together two pre-existing companies, Agip and Snam. He died in the crash of the company's plane in very bad weather while returning to Milan from Sicily; the causes of the crash were never satisfactorily clarified (Yergin 1991: 530–1). Mattei battled the major international oil companies (he coined the term 'the Seven Sisters') and sought to find independent reserves for his company in Iran and Libya, but was especially successful in Egypt.
4. For a recent re-statement of a virulent anti-Saudi position, see Stern (2011).
5. The Gulf Cooperation Council—or, more accurately, the Cooperation Council of the Arab States of the Gulf—is the regional group reuniting Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates. It was established in 1981 as an association of the rulers of the six patrimonial monarchies, with collective security and a mutual security guarantee as primary objectives. It has since evolved into a regional economic integration project, pursuing the creation of a common market, a common currency, and freedom of movement for nationals and capital. In response to the Arab Spring, in December 2011 King Abdullah of Saudi Arabia issued a call 'to move from a phase of cooperation to a phase of union within a single entity', but the proposal was resisted in particular by Oman and Qatar.

   The GCC member countries are all major oil exporters, with the exception of Bahrain, whose oil production is now down to a trickle.
6. The International Energy Forum is a conference of the major industrial, developing, and oil-producing countries, which was convened for the first time in 1991. The eighth International Energy Forum was convened in September 2002 in Osaka, where the decision to establish a permanent Secretariat based in Riyadh was made. A Secretary General was appointed in June 2003.