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SPECIAL REPORT

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Saudi Arabia and Iraq

Oil, Religion, and an Enduring Rivalry

PURDUE UNIVERSITY
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About the Report

Iraq's neighbors are playing a major role—both positive and negative—in the stabilization and reconstruction of "the new Iraq." As part of the Institute's "Iraq and Its Neighbors" project, a group of leading specialists on the geopolitics of the region and on the domestic politics of the individual countries is assessing the interests and influence of the countries surrounding Iraq. In addition, these specialists are examining how the situation in Iraq is impacting U.S. bilateral relations with these countries. Joseph McMillan's report on Saudi Arabia is the third in a series of USIP special reports on "Iraq and Its Neighbors" to be published over the next few months. The "Iraq and Its Neighbors" project is directed by Scott Lasensky of the Institute's Center for Conflict Analysis and Prevention, who is also the author of the project's next report on Jordan.

Joseph McMillan is senior research fellow at the National Defense University's Institute for National Strategic Studies. The views expressed are his own and do not necessarily reflect those of the National Defense University, the Department of Defense or the U.S. government. He wishes to thank Rachel Bronson, Scott Lasensky, Phebe Marr, and Daniel Serwer for their valuable comments on an earlier draft of this report. Kerem Levitas of the Institute's Center for Conflict Analysis and Prevention provided additional research for the report.

The views expressed in this report do not necessarily reflect the views of the United States Institute of Peace, which does not advocate specific policy positions.

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Summary

- From Operation Desert Storm in 1990 until the U.S. overthrow of the Saddam Hussein regime in 2003, the Kingdom of Saudi Arabia was the United States' key Arab partner in confronting the problems to international stability emanating from Iraq. Over that decade and more, however, the demands associated with containing Iraq and Saddam Hussein began to place unprecedented strains on the U.S.-Saudi relationship, particularly after the terrorist attacks of September 11, 2001, and the run up to the U.S. invasion. The abnormal situation that bound Saudi Arabia to the United States in having to face a common threat from Iraq has now given way to a more normal situation in which the two countries' interests and approaches toward Iraq will converge or diverge, depending on the issue concerned.
- Riyadh's policy toward Baghdad over the next several years will probably be dominated by four key concerns about the future of Iraq: domestic stability, foreign meddling, oil production policy, and Iraq's political evolution (especially the role of the Shia). Of these, far and away the most important to Riyadh is stability.
- Even if Iraq achieves a stable, legitimate government, it would still be a mistake to foresee its relations with Saudi Arabia as trouble-free. Ever since the emergence of the Saudi and Iraqi states in the wake of World War I, relations between the two have been problematic. The post-Saddam period promises to be another era of bilateral difficulties over oil policies; the demonstration effect on Saudi Arabia from Iraq's democratization; and cross-border religious influence, particularly from Shia in both states and on Iraq's Sunni community from Saudi Arabia's support of Wahhabi propaganda.

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About the Institute

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- In the near term, the U.S. and Saudi perspectives on Iraq will be quite similar, with both countries tightly focused on restoring peace and order, and preventing the propagation of terrorism spurred by the fighting in Iraq. Beyond that, however, there is ample room for divergence. Saudi Arabia values its ties to Washington, but its ability to cooperate with U.S. policy will be limited by regional and domestic pressures. Riyadh's attention will frequently be distracted by the bumps and potholes on its own developmental path. Ensuring that Saudi Arabia is a force for stability in the Gulf rather than a source of disruption will be a continuing challenge for U.S. diplomacy.

Introduction

From the evening of August 6, 1990, when the late King Fahd bin Abdul Aziz Al Saud agreed to Secretary of Defense Dick Cheney's request to deploy American troops in the wake of Iraq's conquest of Kuwait, up to the launching of the coalition operation to oust Saddam Hussein from power on March 19, 2003, the Kingdom of Saudi Arabia was the United States' key Arab partner in confronting problems to international stability emanating from Iraq. Throughout those years, however, the demands associated with containing Iraq began to place unprecedented strains on the historic U.S.-Saudi relationship, strains that erupted into the open after 9/11 and in the run-up to the invasion of Iraq. These strains have included not only differences over policy toward Iraq but also the domestic effects in Saudi Arabia of prolonged deployments of U.S. forces, the impact on Saudi public opinion of the violence in the Palestinian territories, and the role played by Saudi citizens in the 9/11 attacks.

While Saudi Arabia and the United States have been strategic partners for decades, the relationship was historically a low-key one, built primarily on shared economic interests and the containment of communism, with any U.S. security commitment largely tacit and, with rare and brief exceptions, out of sight. Iraq's August 1990 invasion of Kuwait changed all that. For the first time, substantial U.S. combat forces were present in the kingdom on a sustained basis, putting ties between the two countries under intense and prolonged scrutiny, both from Arab-Islamic critics of the ruling family's pro-American policies and from American critics of the kingdom's social and political systems. Moreover, while the U.S. government has ample experience in dealing with the issues arising from its military presence abroad, for the Saudis this was a novel and uncomfortable situation. This abnormal situation has, in a sense, now given way to a more normal one in which the two countries' interests and approaches toward Iraq will converge or diverge, depending on the issue concerned. The purpose of this report is to explore how Saudi Arabia will define its policies toward Iraq in the coming years and to what extent those policies will tend to promote or hinder the attainment of U.S. objectives.

The Primacy of Stability

The Saudi foreign policy agenda toward Iraq, now and for the foreseeable future, can be summed up in a single word: stability. As early as November 2003, Adel al-Jubeir, the foreign affairs adviser to then–Crown Prince Abdullah, told a press conference in Washington, "We are concerned that the situation in Iraq, unless we deal with it in a positive way, could erode and unravel."[1] Within less than a year, Saudi officials were privately describing the situation in Iraq as nothing short of chaotic, and the Saudi media had become openly critical of the optimistic assessments of progress in Iraq coming out of the White House.

This emphasis on stability is, in part, characteristic of the Saudi worldview in general. On both a governmental and an individual basis, Saudis are temperamentally uncomfortable with disorder and unpredictability, which is why the Saudi government has tradition-

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ally moved slowly and with extreme caution on issues both foreign and domestic. In the case of Iraq, however, Riyadh's fear of instability is firmly grounded in concrete threats to Saudi national and dynastic interests. As Saudi officials regularly point out, the kingdom's longest international border is with Iraq. It is, for most of its length, remote, undemarcated, and undefended, and, for reasons that have shifted over time, has always been a matter of security concern to the Saudi regime. In recent decades, the concerns about the security of the border were primarily military. During and after the first Gulf War, the size and perceived capabilities of Iraqi military forces, combined with the evident hostility the Saddam Hussein regime harbored toward its conservative monarchical neighbor, forced Saudi decision makers to treat the border as a possible avenue of attack.

But conventional military attack was far from the only threat Saudi leaders feared from Iraq. The difficulty of patrolling in remote desert areas, combined with the ingrained tribal traditions of easy movement across borders, made northern Saudi Arabia, western Iraq, and eastern Jordan a beehive of smuggling activity. In happier times, what Riyadh was most concerned about was liquor and narcotics, and to a lesser degree firearms. With what the Saudis see as the collapse of government in Iraq, the uncontrolled flow of terrorist operatives in both directions, bringing with them heavy arms pilfered from the former regime, has become the overriding issue. The Saudi government's biggest fear is that disorder will spill over its own borders in the form of experienced, battle-trained fighters who can easily infiltrate into the kingdom, bringing with them newly honed skills in bomb-making and other aspects of insurgent warfare and joining with al Qaeda elements already active in Saudi Arabia.

Conversely, Riyadh also sees the ability of Saudi Arabia's own domestic terrorists to slip through the porous borders—not just into Iraq but into Kuwait as well—as an important complication in its own antiterrorist campaign. It has raised the need for agreements on hot pursuit across these boundaries on several occasions, but without meeting any receptiveness on the part of its neighbors. The United States for its part has publicly expressed satisfaction with Saudi efforts on its own border with Iraq,[2] but the flow of Saudi terrorists and others seeking to join a "jihad" in Iraq by way of Syria has become a major issue in relations between Riyadh and Washington, as well as between Riyadh and Baghdad. Although foreign jihadists constitute a relatively small proportion of the insurgent fighters in Iraq, they make up the vast majority of the suicide bombers, with some analysts estimating as many as 75 percent of the suicide attacks carried out by Saudis.[3] Moreover, Iraqi officials and U.S. military officers have increasingly evinced skepticism as to whether Saudi authorities are really exerting themselves energetically to prevent Saudi radicals from seeking opportunities for martyrdom outside the kingdom's borders.

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From the Saudi perspective, however, the more serious problem is the potential flow coming from north to south. Given the difficulty of effectively controlling the border, the Saudis have very real fears that an anarchic Iraq growing out of the U.S. occupation has become, as Adel al-Jubeir put it, "a magnet for terrorists."[4] They see the struggle in Iraq replicating to some degree the 1980s experience of foreign mujahideen in Afghanistan, where the experience of fighting the "infidels" not only developed the Afghan Arabs' combat skills but also hardened and reinforced their ideological dedication to violent political change in the name of Islam.[5] Indeed, Interior Minister Nayif bin Abdul Aziz acknowledged in July 2005 that "we expect the worst from those who went to Iraq," predicting that they would be even more dangerous than those who had fought in Afghanistan, although at the same time Prince Nayif asserted that his forces were prepared to meet that danger.[6] The Saudis see this phenomenon both as a threat to themselves and an acceleration of the vicious circle in Iraq: disorder provides opportunities for terrorists, whose operations foster even greater disorder, drawing in yet more terrorists. This circle alone would drive them to support almost any effort the United States may make to restore order in Iraq.

The prospect of Iraq's splitting apart as a result of Kurdish separatism does not seem to be as high on the Saudis' list of concerns as the threat of a general breakdown of order

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and governmental authority. In fact, Saudi officials have said that the threat of Kurdish separatism in Iraq's north has been exaggerated and have been quick to praise Kurdish leaders for not aggravating separatist sentiments since the ouster of Saddam Hussein. At the same time, they express hope that Turkey's role in the international community, and in particular its aspirations for membership in the European Union, will have the effect of restraining any ambitions Ankara may harbor toward northern Iraq.

Nevertheless, Saudis do concede the possible risk that unbridled Kurdish aspirations might provoke Turkish defensive measures. If the United States, the new Iraqi government, or the Kurdish Regional Government in northern Iraq are unable to quell the resumption of Kurdish Workers Party activity in Turkey, the result might well be renewed Turkish military incursions. Those incursions could, in turn, invite further destabilizing interference from other neighbors as they attempt to counter Turkey. Above all, Riyadh would be gravely concerned if the Kurds did in fact attempt to break away from Iraq, seeing the country's fragmentation as creating the prospect for even greater foreign meddling on the kingdom's northern borders and adding yet another flash point to an already unstable neighborhood.

Of greater concern to the Saudis are the ambitions of Iran, Turkey, and Syria in the region, and particularly about the possibility of their colluding with one another. Iran, of course, is a particular concern, and the announcement on July 7 of a military agreement between Iran and Iraq undoubtedly raised some eyebrows in Riyadh, although any reaction was quickly drowned out by the news of the London terrorist bombings the same day. In any event, the Saudis are clearly concerned about what they perceive as ongoing Iranian attempts to infiltrate Iraqi society through the Shia community and build long-term influence in the country. For example, as early as mid-2004, Saudi officials were contending that Iranians are buying up property in southern Iraq with exactly this kind of long-term plan in mind—it is not what Iran might do next month or next year that worries them, they say, but what Teheran's aims are ten years from now, or beyond.[7] The political resurgence of hard-liners in Teheran, capped by the election of Mahmoud Ahmedinejad as president of Iran, has only reinforced Saudi suspicions on this front. The clearest evidence of this concern can be found in Foreign Minister Saud al-Faisal's remarks at the Council on Foreign Relations in September 2005:

> The Iranians now go in this pacified area that the American forces have pacified, and they go into every government of Iraq, pay money, install their own people, put their own—even establish police forces for them, arms and militias that are there and reinforce their presence in these areas. And they are being protected in doing this by the British and the American forces in the area.... [T]o us it seems out of this world that you do this. We fought a war together to keep Iran from occupying Iraq after Iraq was driven out of Kuwait. Now we are handing the whole country over to Iran without reason.[8]

A Context of Distrust

Rhetorically, the Saudi government has long insisted that Iraq and Saudi Arabia have a fraternal history and that the only problems the kingdom ever had with its northern neighbor were the result of Saddam Hussein's megalomaniacal ambitions.

Assuming that the kingdom's worst-case scenario does not come to pass, and a reasonably effective and legitimate government comes to power in Baghdad, it would still be a mistake to characterize relations between the two countries as trouble-free. Rhetorically, the Saudi government has long insisted that Iraq and Saudi Arabia have a fraternal history and that the only problems the kingdom ever had with its northern neighbor were the result of Saddam Hussein's megalomaniacal ambitions. For example, the Saudi government downplays any prospects for the revival of Iraqi irredentism vis-à-vis Kuwait, despite the fact that several post-Saddam Iraqi political leaders have publicly broached the need for Iraqi control of deep-water access.[9] The Saudis do acknowledge that there are outstanding Iraqi claims against Iran, particularly concerning the maritime and riverine boundary along the Shatt al-Arab waterway, but believe that such disputes will ultimately be resolved through legal means, such as the International Court of Justice. Saudi diplomats point to

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the recent settlement of Bahrain and Qatar's dispute over the ownership of the Hawar Islands as an example of the possibilities for international adjudication of such territorial disputes.[10]

These public shows of solidarity are demanded by Arab sensibilities, but insisting that there are no serious issues can also be a prudent way of ensuring that potential areas of friction do not develop into points of confrontation. Nevertheless, Saudis will admit privately that they expect Iraqis to behave like Iraqis—in the Saudi stereotype: arrogant, pushy, and overbearing. This stereotype is fully reciprocated by Iraqis, who see Saudis as arrogant, lazy, corrupt, and uncultured. For example, the Iraqi disdain for Saudis was recently expressed in vivid terms by Interior Minister Bayan Jabr, who reacted to Saudi foreign minister Saud al-Faisal's comments on the dangers of sectarianism in Iraq by saying, "This Iraq is the cradle of civilization that taught humanity reading and writing, and some Bedouin riding a camel wants to teach us."[11] The negative personal views on both sides are reinforced by the history of relations at the interstate level. Ever since the emergence of both the Saudi and Iraqi states in the wake of World War I, relations between the two have been problematic. From the beginning, as domains ruled by bitter dynastic rivals in a climate of mutual animosity, each appeared to the other as at least potentially if not actively hostile.

In the early days, it was not Iraq that was the threat to the peace but, rather, the Saudis. Wahhabi militias loyal to King Abd al-Aziz conducted raids deep into Iraq on several occasions in the 1920s, all in the course of attempting to expand the Saudi domain at the expense of the Hashemites in Hijaz, Transjordan, and anywhere else they were in power. The British-brokered 1922 Treaty of Uqair, which modern Iraqis have often interpreted as unfairly limiting Iraq's natural aspirations, was in fact imposed to contain the ambitions of Abd al-Aziz vis-à-vis Britain's Iraqi clients.[12]

As time went by, however, the two countries reversed their basic postures: Iraq became the revisionist power and Saudi Arabia the bastion of the status quo. In the 1950s, Crown Prince Abd al-Ilah of Iraq began to advocate a monarchist form of pan-Arabism (based, needless to say, on the leadership of the Hashemite family) as the solution to the ills besetting the Arab world. No other proposal could have been better poised to set off alarm bells in Riyadh. The Saudis are perennially sensitive to Hashemite legitimist claims and are regularly at pains to emphasize that their own legitimacy derives from a social compact with the people of the kingdom, not from the kind of Prophetic pedigree claimed by the Hashemites.[13]

Ideological tensions between the two countries were only heightened by the ouster of the Iraqi monarchy in 1958 and particularly by the rise to power of the Baath Party. Saudis cite the fact that Saddam Hussein's march into "Iraq's nineteenth province" had been preceded two decades earlier by Iraqi president Abd al-Karim Qasim's threatened takeover of Kuwait in 1961 as evidence that Iraq's ambitions against its neighbors are independent of who holds power in Baghdad. The radicalization of Iraqi foreign policy that ensued upon the consolidation of the Baath regime in the early 1970s further alarmed Riyadh, which perceived Iraq as intentionally encircling the kingdom with a hostile array of anti-monarchist forces; the Marxist government of South Yemen to the south, left-wing opponents of the Saudi-sponsored regime in North Yemen to the southeast, and the Popular Front for the Liberation of Oman and the Arabian Gulf in Oman to the south—all received Iraqi support.[14]

Iraq's shift toward a more pragmatic foreign policy in the late 1970s led to substantial improvement in relations between Iraq, on the one hand, and Saudi Arabia and the smaller Gulf states on the other. Among other things, the surface border of the former Saudi-Iraqi Neutral Zone was demarcated and agreement was reached to continue dividing revenues from Neutral Zone oil production on a 50-50 basis. Toward the end of the decade, the Iranian Revolution of 1979 and the specter of Iran's exporting radical Shiite theocracy across the Gulf definitively put on the back burner any remaining Saudi concerns about Iraqi hegemonic ambitions. Instead of a potential rival, Saddam Hussein's Iraq came to be seen as an Arab bulwark against the Persian heretics.

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Iraq's Debt Relief—Saudi Indecision?

Following the fall of Saddam Hussein's regime, Iraq's foreign debt stood at an estimated $120 billion, which does not include Gulf War reparations. Of this, $38 billion is owed to members of the Paris Club, an unofficial group of major creditor nations; $60–65 billion is owed to other countries; and the remaining debt is commercial. The effort to forgive Iraq's staggering foreign debt is often framed in the larger argument about "odious debt"—sovereign liabilities incurred by illegitimate, oppressive regimes.

In December 2003, President Bush appointed former U.S. secretary of state James Baker III as special envoy for Iraqi debt. Baker has met with a wide array of government and private sector leaders as part of this U.S.-led diplomatic effort. Despite some notable successes, little progress has been achieved with Iraq's largest creditor nations. In November 2004, the Paris Club agreed to a phased, conditional 80 percent debt cancellation. On December 17, 2004, the United States went a step further and forgave 100 percent of Iraq's $4.1 billion debt to Washington. Other Paris Club members have begun to implement the November 2004 plan. Other large creditor nations, such as Russia, have taken little action.

Unlike the Paris Club, Gulf Arab states—Iraq's largest creditors—have not been forthcoming. Iraq's debt to Saudi Arabia is about $28 billion, of which $19 billion is owed to private Saudi banks and firms, and $9 billion to the Saudi government. Saudi foreign minister Prince Saud al-Faisal said in June 2005 that Riyadh was willing to discuss debt relief, but the kingdom has yet to take any significant steps.

Sources: BBC News, Congressional Research Service, International Monetary Fund, Paris Club

The war that broke out in 1980 with Iraq's attack across the Shatt al-Arab into Iranian territory reinforced Iraq's stature as defender of the Arabs, particularly when the war started going badly for the Iranian side. Later reversals, such as those that saw Iranian forces occupying the Al Faw Peninsula in 1986, only spurred Saudi Arabia, along with its fellow monarchies on the Arabian Peninsula, to invest even more heavily in the success of Iraqi arms. In the process, Iraq built up a $40 billion debt to its Arab neighbors, including $28 billion to Saudi Arabia alone.

Even as the Iran-Iraq War generated pressures that tended to drive the Saudis and Iraqis closer together, it also generated other pressures working in the opposite direction. Support for Iraq made Saudi Arabia and the other Gulf Arab states plausible targets of Iranian retaliation, which led Saudi leaders to take two actions that unintentionally had the effect of distancing all the Gulf Arab states from Baghdad. First, in 1981, Saudi Arabia and its smaller Arab neighbors along the Gulf created the Gulf Cooperation Council (GCC), an organization intended to foster economic, political, and military cooperation among its six members. But, as Phebe Marr points out, by excluding Baghdad from membership "the GCC institutionalized the distance between the Arab Gulf states and Iraq."[15] In addition, the risk that Iran would strike against its enemy's allies drove Saudi Arabia to request what would become a long-term deployment of U.S. airborne warning and control system aircraft to Dhahran to help the Royal Saudi Air Force ensure the safety of key oil installations and other potential strategic targets. Simultaneously, the "tanker war" that had been triggered by Iraq's attacks against oil tankers serving Iranian ports beginning in 1984 prompted the U.S. Navy to take a progressively more active role in the war. While the United States and Saudi Arabia had a military relationship dating back, in various forms, to the 1940s, it was during this period of the Iran-Iraq War that the operational links were forged that subsequently provided the basis for the combined U.S.-Saudi response to the Iraqi invasion of Kuwait a few years later.

Oil Rivals

With the close of the Iran-Iraq War in 1988, the intertwined issues of oil policy and debt relief came to the fore as sources of Iraqi-Saudi friction. Baghdad expected the kingdom and its Gulf Cooperation Council partners to help maintain high oil prices so that Iraq could generate the revenue necessary to service its war debt, not just within the Gulf but to non-Arab creditors as well. Saudi Arabia, however, was committed to a policy of price stability at moderate levels, a position it considered in its own long-term best interest as the holder of the world's largest reserves and its stature as the key swing producer in the global market. The kingdom's petroleum and financial technocracy had concluded by the 1980s that demand for oil was more elastic than many producers had previously believed. Specifically, they had been impressed by the measures taken in the West to improve energy efficiency and find alternative sources in the aftermath of the 1973 and 1979 oil shocks.

The post-Saddam period promises to be another era of differences over oil policy between Riyadh and Baghdad. With crude prices reaching historic record levels—even when adjusted for inflation—and the Iraqi government in desperate need of cash, these differences will be temporarily masked. For the time being, both countries have a strong interest in producing oil at close to maximum capacity. The Saudis foresee a tremendous increase in demand for oil and gas, particularly from China, and therefore believe that there will be a more than sufficient market for all suppliers. Indeed, to some degree they will welcome the return of Iraqi supplies to the market, as Saudi Arabia will otherwise be called upon to make huge investments required to increase its own output.

When and if the domestic situation in Iraq returns to something approaching normality, however, divergences will probably begin to appear. The Saudis recognize that, given its heavy debt burden and need for reconstruction, Iraq will be inclined to push the Organization of Petroleum Exporting Countries (OPEC) to maintain high price levels, while

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simultaneously pressing for generous production quotas for itself. The Saudis will probably welcome higher production quotas for Iraq as this would allow them to return some of their own capacity to reserves and maintain their traditional role of swing producer. For the same reason, the Saudis would like to see Iraq invest in expanding its own production capacity, although whether they would welcome what that would imply for the two countries' relative weights in OPEC is another matter.

Yet if Iraqi expansion of capacity can be achieved only in an environment of artificially high prices, Riyadh can be expected to balk, fearing that prolonged high prices might trigger conservation measures and other forms of demand suppression in the consuming countries. The Saudis assert that prices in the range of $50 a barrel and up are "good for no one," meaning themselves and their customers. Their current stated preference is to bring prices down to about $35/barrel. Traditionally, the Saudis have insisted that the kingdom will use its market clout to keep prices stable and reasonable if others attempt to push them to what Saudi Arabia considers unreasonable levels.[16] From Baghdad's perspective, by contrast, it would be hard to argue that the higher price range is "good for no one." In addition to helping Iraq address its debt and reconstruction needs, as already mentioned, high crude prices would also enable Baghdad to speed the generation of resources necessary to expand Iraqi production capacity.

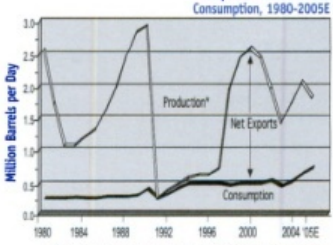
An issue that thus far has remained unraised, and which Saudis expect to remain so, is the status of the Iraqi Pipelines in Saudi Arabia (IPSA). These two crude-oil pipelines, which were built in the 1980s to circumvent the possibility of Iranian closure of the Strait of Hormuz, have a maximum (as opposed to optimal) capacity of 3.3 million barrels a day, more than twice that of the Kirkuk-Ceyhan pipelines across Turkey.[17] The IPSA lines were closed down in accordance with UN Security Council sanctions following the 1990 invasion of Kuwait and formally taken over by the Saudi government in 2001. In principle, they have since been integrated into the kingdom's own crude transportation network, but, in fact, they are sitting idle, and there are reportedly no plans to activate them.[18] Saudi officials contend that, because the IPSA pipelines were built in the context of the Iran-Iraq War and there is now no danger that Iran will attempt to interfere with shipping out of the Gulf, Iraq has no reason to be dissatisfied with continued Saudi control of them. It would seem that a new government in Baghdad might disagree with that view. While not a pressing issue as long as Iraqi crude production continues to lag, as Iraq repairs its oil infrastructure it will be looking for every possible means to move oil to market, whether or not Iranian hostility threatens Gulf shipping. Baghdad might be expected to contend that Iraq paid for construction of the IPSA, that Saudi Arabia may have had a legal right to close it down after the invasion of Kuwait but not to seize it outright, and that in any event its return is necessary for Iraq's recovery. Whatever the legal merits of the case, it is an issue that bears watching.

In sum, Iraq's logical oil policy would be to maximize near-term revenues, while Saudi Arabia's would be to preserve long-term demand and its own market share. It is difficult to see how the two positions can be reconciled, but it is not difficult at all to imagine a return to the collision of oil policies—this time, one hopes, without the military subtext—that preceded Saddam's invasion of Kuwait.

Reform in Iraq, Reform in Saudi Arabia

Although the Saudi government is more immediately worried about instability on the kingdom's northern border than about the internal shape of a future Iraqi government, that does not mean it is unconcerned about the direction of Iraq's political evolution. Although deference to the principle of noninterference demands that the kingdom insist it is prepared to accept any Iraqi government, provided it does not seek to meddle in Saudi affairs or threaten the peace, the fact is that Saudis believe the United States has opened a political Pandora's box in Iraq, as Prince Saud al-Faisal made clear in New York in

Iraq's Oil Production and Consumption, 1980-2005E



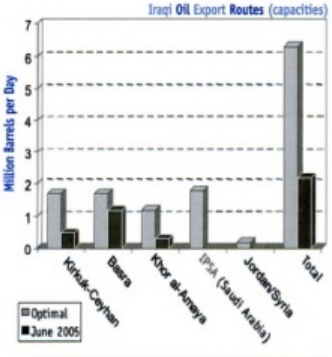
*Production includes crude oil, lease condensate, natural gas liquids, ethanol, and refinery gain.

Saudi Arabia's Oil Production and Consumption, 1980-2006F

*Production includes crude oil, natural gas liquids, other liquids, and refinery gain.

Source: Energy Information Administration

Iraqi Oil Export Routes (capacities)



Source: Energy Information Administration

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September.[19] Of the possible domestic political outcomes in Iraq, few can be attractive from Riyadh's perspective, particularly a majoritarian democratic system dominated by the 65 percent of Iraq's population who are Shiites.

Saudi officials profess to believe that there is no threat of any demonstration effect or spillover of Iraq's new political institutions into Saudi Arabia. One senior Saudi diplomat stated that in the long run any government has to reflect what its people want and expect, and that Saudi Arabia is prepared to get along with any of them. He pointed to Yemen's military-dominated government as a case in point; Saudi Arabia gets along just fine with the regime of Ali Abdullah Salih, he said, and no one in the kingdom looks to Yemen as a model.[20]

The comparison with Yemen is, of course, disingenuous. It is not Sana'a that has historically served as a center of Arab culture, but Baghdad. Nor, despite the historic Saudi fixation on keeping the Yemenis tightly confined in the corner of the Arabian Peninsula, has Yemen ever posed a serious military threat to the survival of the kingdom. Most important, though, it is not Yemen but Iraq that has the educated population and the economic potential to re-establish itself as a major power within the Arab world. So one would think that the Saudis would take more seriously the prospect that successful Iraqi political evolution will ultimately present a challenge to the Saudi regime in the form of rising popular expectations for political reform. They do not, however, seem to be doing so, apparently for three reasons.

First, the Saudi political system has proven to be more resilient and more capable of coping with crisis than outside critics generally recognize. The example that Saudis usually quote is the relative ease with which the monarchy survived the family coup that led to the ouster of King Saud bin Abd al-Aziz in 1964, but one might also mention the family crisis over the "Free Princes" in 1961, the assassination of King Faisal in 1975, and the radical takeover of the Grand Mosque in Mecca in 1979.

Second, Saudis have a strong sense of exceptionalism; their system, their history, and their culture are all—as they see it—unique to themselves. They recognize that there is a demand for reform inherent within the Saudi population and that a process of reform in response to that demand is necessary, but they tend to be blind to any parallels between these demands and similar cases experienced in other countries or at other times, and they express deep skepticism that any foreign experience, even from other Arab countries, is transferable. The insistence on Saudi uniqueness persists despite the fact that the outcome of the first Saudi municipal elections, held in early 2005, closely paralleled that of the Iraqi parliamentary elections being conducted at about the same time, with a strong showing by Islamist groups among both Sunnis and Shia and a clear assertion of sectarian identity in the Shia majority areas of both countries.

Saudis do not fundamentally believe that democracy can succeed in Iraq. It is of a piece with the Saudi stereotype of Iraqis that they consider Iraq to be fundamentally an untamable country.

Third, and perhaps most important, Saudis do not fundamentally believe that democracy can succeed in Iraq. It is of a piece with the Saudi stereotype of Iraqis that they consider Iraq to be fundamentally an untamable country. One senior Saudi diplomat points out that, even in the early days of the Umayyad caliphate, the Iraqis kept killing the governors sent from Damascus to rule over them. Finally, in 694 A.D., Caliph Abd al-Malik dispatched a notoriously ruthless general named Al-Hajjaj bin Yusuf to be the governor. Upon his arrival, Hajjaj gave a speech, quoted approvingly by the Saudi official, announcing, "O people of al-Kufah! Certain am I that I see heads ripe for cutting, and verily I am the man to do it. Methinks I see blood between the turbans and the beards."[21] While Iraq may not need a Hajjaj now, the Saudi official conceded, it does require a powerful hand to keep the country under control. Apparently most Saudis assume that that is exactly what Iraq will ultimately get. Provided that the strongman does not harbor external ambitions, that would probably be Riyadh's favored outcome.

The Religion Card

Given that Saudi Arabia defines its national identity in predominantly religious terms, and that sectarian differences have emerged as the major factor in domestic Iraqi security and

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politics, it is inevitable that religious issues will be an important part of the Saudi-Iraqi dynamic. Under Saddam Hussein, to the extent that religion mattered to the relationship, it normally served to bring the two countries together. The Sunni aspect of Sunni Arab dominance of the regime was at least as important as the Arab aspect when it came to the Saudis' choosing to back Iraq in the war against Shiite Persian Iran. While the royal family did not care for Saddam and the Baathists—indeed, they were so frightened of the prospects of Iraqi aggression in 1990 that they invited large numbers of non-Muslims into the country to defend them—it was always quite clear that if the choice were between Saddam and a Shiite-run Iraq, they would take their chances with Saddam. Meanwhile, the Saudi policy of propagating its radically fundamentalist Wahhabi brand of Sunnism did not extend to Saddam's tightly controlled Iraq. In short, neither government had any religion-based concerns or grievances regarding the other. That has all changed in the aftermath of regime change in Baghdad.

Just as they said that democracy in Iraq does not concern them, Saudi officials initially insisted that the kingdom has no worries about the empowerment of the Iraqi Shia. From the standpoint of Shia-ruled Iraq as an external threat, Saudis would point out correctly that most Iraqi Shiites have consistently seen themselves as Iraqi first and Shii second, and have not been receptive in the past to moves from Teheran to use them as surrogates for Iranian agendas. Moreover, the mainstream leadership of the Iraqi Shia community, such as Ayatollah Ali al-Sistani, has never advocated Ayatollah Khomeini's extreme doctrine of *velayet-e-faqih* (the rule of the supreme religious leader), favoring instead a more quietist approach to the role of clerics in government.

This optimistic assessment was never a candid statement of the Saudi government's assessment of the challenge of Shia empowerment, and it has now been superseded by Foreign Minister Saud's frank expressions of alarm at the prospects for sectarian violence and division in Iraq and for the assertion of Iranian influence there. In contrast to what they were saying a year ago, Saudis now seem to assume that the moderation characteristic of the traditional leaders of the Iraqi Shia community will ultimately be overcome by the radical elements, such as that led by Muqtada al-Sadr, that advocate a Khomeini-style Islamic republic. Given that moderate Shia Islamists dominated the January 2005 elections for the Transitional National Assembly, the Saudis' pessimism now may be as unjustified as their optimism was before those elections. What is quite realistic, based on the outcome of the Iraqi constitutional referendum, is their assessment that the political trend in Iraq is not in favor of the stable, orderly Sunni Arab dominance that is the Saudis' preferred end-state. What is new, however, is not this trend—a Zogby International survey conducted just before the January 2005 Iraqi elections indicated the direction quite clearly[22]—but the Saudis' recognition of it as a reality to be dealt with.

The real issue, for the Saudis, must be the demonstration effect that the achievement of even moderate Shiite majority rule in Iraq turns out to have on other Shiite Arabs in the Gulf. This effect will be mitigated somewhat by the different traditions within Shi'ism that are represented in the various states. Without recounting the entire schism-ridden history of Shia Islam, it is a matter of practical political importance that the dominant form of Shiism in Iraq is that expounded by the Usuli school. This strain of thought, which also prevails in Iran, accords a prominent role to eminent, seminary-educated jurist-clerics known as *mujtahids;* each believer is obligated to select one of these scholars as a "model of emulation" and to follow his guidance on questions of law, religious practice, and morality. By contrast, the Akhbari Shiites of Bahrain and the Shaykhis of Saudi Arabia's Eastern Province do not have this same tradition of deference to clerical authority. As a result, it may not necessarily be the case that Saudi, Bahraini, and other Shiites will automatically follow the political lead of the Iraqi Shiite leadership.

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Nevertheless, with Shia majoritarian rule having come to Iraq, there would seem to be a very real prospect for a broader Shia political awakening throughout the Arab countries bordering the Gulf. The results of the municipal elections in Saudi Arabia's Eastern Province this past spring, which unmistakably showed the strength of Shia consciousness

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there, are only the first bit of evidence that such an awakening may well be in the works. If Iraqi Shiites succeed in attaining their own large Shia province within a federal Iraq, as they have been discussing in the context of the new Iraqi constitution, the power of this model will only be reinforced. For the first time in centuries, Shiite Muslims will be in complete political control of the territory over which the Sunni-Shia split occurred in the first place. Both Sunni and Shia throughout the Gulf region will understand this to be an epochal shift away from the centuries of Sunni domination, and it is difficult to believe that either community will refrain from reacting accordingly.

In this context, Saudi Arabia's own self-perception as leader of the Islamic world is a formula for friction with the newly empowered Shiite majority in Iraq. The standard Saudi response to any religiously based challenge is to assert the King's status as Servant of the Two Holy Mosques and therefore a natural voice of the Muslim community. Unfortunately, the Saudis' claim to leadership and legitimacy as custodians of the sanctuaries of Mecca and Medina undoubtedly carries less weight with Iraq's Shia majority than Riyadh might believe. In the first place, the very origin of the Shia branch of Islam lies in its denial that the mainstream succession to power following the Prophet was legitimate. For centuries, the guardianship of the Two Holy Mosques was claimed by Sunni caliphs whom the Shia by definition considered illegitimate. Shia today are therefore unlikely to be impressed by the claims to guardianship asserted by a dynasty that has controlled Mecca and Medina for a mere eighty years.

Furthermore, Iraqi Shia vividly recall that in the early nineteenth century, the Wahhabi predecessors of the modern Saudi regime not only "purified" the shrines at Mecca and Medina of all traces of Shia practice but also sacked the shrines of the Imams Ali and Husayn at Najaf and Karbala, sites that for the Shii rival Mecca itself for holiness. Indeed, as Yitzhak Nakash observes, these attacks did much to reinforce the Shia identity of the people of these areas, and their clerics' determination to co-opt the previously Sunni tribes of the region to serve as a defense force for the holy cities.[23] Although an Egyptian army under Mohammed Ali suppressed the Wahhabis in 1818, Wahhabi pressure against the Shiite community and its interests was renewed with the rise of the new Saudi state under Abd al-Aziz Al Saud in the early twentieth century. Abd al-Aziz's brotherhood of warriors, the Ikhwan, conducted a series of raids into southern Iraq in 1922 and, upon seizing Mecca and Medina in 1925, again destroyed a number of important Shiite shrines in the two cities.[24] If added to this historic mixture the continuing official discouragement of Shii rituals at the tomb of the Prophet Muhammad in Medina and restrictions on the religious practices and civil rights of the Shii of Saudi Arabia's Eastern Province, it is obvious that the Saudis can expect little or no deference from the Iraqi majority on religious grounds.

For their part, Saudi officials are insistent that whatever happens in Iraq will have no bearing on the Shii of Saudi Arabia, who, they say, are already playing a more active role solely because of internal Saudi dynamics. It needs no demonstration effect from north of the border for Saudi Arabia's Shii to be brought into the evolving Saudi political system. This may be true, but another component of the equation also needs to be taken into account: the inherently anti-Shiite nature of traditional Wahhabi ideology. Anti-Shiite attitudes may be expressed most virulently among those who back the armed challenge to royal authority, but the broad middle ground of Saudis almost certainly share the Wahhabi presumption that Shiites, whom they consider to be heretics, are worse than infidels. The royal family may find itself facing a difficult task reconciling its hard-line populace to the easing of restrictions on "heretical" practices,[25] a task that will only be made more difficult if the Shia themselves, with or without incitement from their Iraqi brethren, become more assertive in their aspirations.

As an immediate issue, all three governments—Riyadh, Baghdad, and Washington—share an interest in preventing Wahhabi jihadists from filtering out of Saudi Arabia into Iraq and continuing to foment violence there.

It is not only from north to south that the flow of religious feeling will be felt, however. For exactly the reason that Wahhabism and Shiism are so mutually antagonistic, the export of Wahhabi attitudes from Saudi Arabia into Iraq is now a growing concern for the government in Baghdad, as it will be for any successor government. As an immediate issue, all three governments—Riyadh, Baghdad, and Washington—share an interest in preventing

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Wahhabi jihadists from filtering out of Saudi Arabia into Iraq and continuing to foment violence there. Although the main jihadist leader in Iraq, Abu Musab al-Zarqawi, is Jordanian and not Saudi, he clearly has a large number of fighters of Saudi origin within his organization and has benefited from the flow of funds given by Saudi citizens in the past to promote the spread of the Wahhabi form of Islam.

Even assuming that Zarqawi and his ilk are eventually defeated, the question of exporting Wahhabi influence into Iraq will remain. Several possible scenarios could lead to contention between Baghdad and Riyadh in this area. First, in casting about for ways to influence developments in Iraq, it would be characteristic for the Saudis to seize on religion as the way to do so. The only viable card for Riyadh to play in that respect would be with the Sunni Arab community. The kingdom may not intentionally seek out opportunities to meddle in internal Iraqi politics, but there is still likely to be strong pressure in influential circles for the kingdom to serve as patron and protector of what Saudis will see as a Sunni Arab community at risk of Shia domination.

In theory, one might also expect Saudi Arabia to see tribal connections as a potential instrument of influence over Iraq's Sunni Arabs, and Gulf Arabs do indeed consistently emphasize the need for U.S. policy to take greater account of Iraqi tribalism. The large tribal confederations, such as the Shammar, spill across Iraq, Saudi Arabia, Jordan, and Syria, and there may well be the possibility that these kinship ties could provide an avenue for shaping developments across regional borders.

But if past performance is any guide, the Saudis' reflex would be to look to religious rather than tribal affinity as the key instrument at their disposal. Whether the Saudi objective in Iraq is thought of as building influence or protecting clients, the means on which the Saudis would rely would be the same: assisting in the building and staffing of mosques, providing Sunni "religious" education, and disseminating "religious" information. Unfortunately, any Saudi efforts along these lines will be entirely colored by Wahhabi fundamentalist doctrine; Saudi Arabia has no other form of the faith that it can propagate. Even apart from the broader pernicious effects associated with Wahhabi indoctrination, the intense anti-Shia bigotry with which Wahhabi doctrine is imbued would give such missionary work a potentially serious destabilizing effect and could well provoke a backlash against the Iraqi Sunni community that would be directly contrary to Riyadh's objectives in the country.

Working with Washington

Although Saudi Arabia argued strenuously against the invasion of Iraq before it took place, since the overthrow of Saddam it has made clear that it hopes for and supports the success of U.S. efforts to restore order. This position clearly does not mean that the Saudis have agreed with everything the United States has done in Iraq. For example, Saudi leaders opposed the dismantlement of the Iraqi Army and the Baath Party, both of which they argue were key institutions that should have been purged and then utilized for the reconstruction of the country. The Saudis contend that both decisions had the effect of unnecessarily making enemies of many who might otherwise have been neutral toward the occupation.

Despite these differences over the past, and Saudi anxieties over the empowerment of Iraqi Shia, U.S. and Saudi objectives toward Iraq are now largely in harmony—for the time being. This harmony was reflected in Saud al-Faisal's statement to the Saudi-British Forum shortly after the Iraqi elections, which could as easily have been given by a U.S. official: "We must also work for a stable and unified Iraq, at peace with itself and in harmony with its neighbors. We are heartened by the electoral process and results in that country. And we must work together to achieve what the Iraqi people deserve."[26] Adel al-Jubeir, adviser to then–Crown Prince Abdullah, had previously emphasized the importance of U.S. success in Iraq in a speech to the Los Angeles Committee on Foreign

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The Saudis' desire for stability in Iraq and for cooperation with the United States was also visible in then–Crown Prince Abdullah's initiative proposing the establishment of an Arab-Islamic force to help secure Iraq, a proposal that the White House rejected publicly on October 18, 2004.

Affairs on October 4, 2004, urging that the United States not give up on restoring order to Iraq and saying, "You must succeed. The challenge is, how do you do it, but you must persevere if you want stability in the region."

The Saudis' desire for stability in Iraq and for cooperation with the United States was also visible in then–Crown Prince Abdullah's initiative proposing the establishment of an Arab-Islamic force to help secure Iraq, a proposal that the White House rejected publicly on October 18, 2004. Nevertheless, the fact that Saudi officials continued to cling to the idea well beyond the point that Washington considered it dead should be interpreted as clear evidence of Riyadh's interest in helping the United States cope with the Iraqi situation.[27]

If reservations about the politics and the practicalities led Washington to snub the Saudi proposal for an Arab role on the security front, Saudi reservations have likewise led Riyadh to temporize on steps the United States would like to see the kingdom take on the economic and diplomatic front. While Riyadh managed to put a positive spin on its response to former U.S. secretary of state James Baker's plea for debt relief for Iraq in January 2004, its actual commitment was far less than the Bush administration might have wished. Instead of expressing willingness to write off all or most of the debt incurred by the Saddam Hussein regime, the Saudis merely indicated openness to negotiations over debt relief, those negotiations to be conducted only when a fully legitimate, permanent Iraqi government comes to power. Despite the January 2005 elections and the installation of the transitional government, however, the farthest the Saudis have gone is Foreign Minister Saud's recent expression of readiness "to look into the matter of reducing Iraq's debt burden" and to say, rather vaguely, that "with the formation of the Iraqi government, we are looking forward to direct talks on writing off debts."[28]

Given the windfall the Saudi treasury has realized from the oil price boom (a projected budget surplus of more than $50 billion for the current fiscal year[29]), this may be an opportune time to make concrete progress on debt relief. However, several factors argue against dramatic steps on that front. In the first place, the Saudis still have an enormous debt of their own, amounting to an estimated $164 billion, accumulated during the years of slumping oil prices; paying down that sum is the highest priority for the current surplus.[30] Second, a range of social welfare programs that have received short shrift over the past decade levy further demands on the surplus. Addressing such domestic needs and expectations in a country with high unemployment, a huge youth bulge, and serious questions about social stability is probably a higher priority for the Saudi government than doing favors for the Iraqis. Third, maintaining the kingdom's posture as the world's swing producer of petroleum requires enormous investments in infrastructure. Saudi Aramco plans to spend some $30 billion to increase crude production capacity by 2.5 million barrels a day over the next five years and additional billions to enhance its downstream capabilities in the areas of refining and petrochemicals.[31] Finally, and perhaps most important, the Saudis and their Gulf neighbors have always been loath to forgive debts in any case, feeling that generous rescheduling—or, rather, leniency in demanding timely repayment—provides a more effective way of maintaining leverage than the good will accrued by outright cancellation. It may well be that the Saudis are hedging their bets against the resurgence of a hostile Iraq, over which they would want to be able to exert leverage. Whether they understand that continued temporizing on this issue could well contribute to such hostility is open to question.

Still, Riyadh is not sitting completely idle; at a donors' conference in June 2005, Foreign Minister Saud pledged $1 billion for Iraqi reconstruction. On the other hand, this seems to be the same $1 billion commitment that the Saudi government "renewed" when interim Prime Minister Ayad Allawi visited Riyadh almost a year earlier, at which time the Saudis also committed to the establishment of diplomatic relations and the expansion of trade ties. While some $300 million of humanitarian aid has already been given, according to Prince Saud, the diplomatic promises, like the agreement to discuss debt relief, still await fulfillment.

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As it looks to Saudi Arabia to help legitimize and strengthen post-Saddam Iraq diplomatically, the United States must bear in mind that attempting to leverage the new government in Baghdad into becoming the point of the wedge for an Arab deal with Israel will encounter stiff Saudi resistance. It is not that Saudi Arabia opposes a peace agreement; indeed, the new king has been in the forefront, at least among Arab leaders who are not already at peace with Israel, in pushing for a settlement very much along the lines proposed in the Bush administration's "Road Map for Peace" initiative. Given the right opening, Abdullah might even be prepared to renew his long-standing peace proposal and, if the U.S. president shows personal commitment to the process, to take an active role himself; the war in Iraq, however, has made it harder for him to do so than in the past. The Saudi leadership is acutely attuned to charges that the United States is doing Israel's bidding in Iraq, and that the royal family is culpable for aiding and abetting that work by having allowed the use of its facilities to prosecute the war. For the Saudi regime to be seen as abetting the Israeli agenda—even if only by supporting an Iraqi government that gets too far in front of the Arab consensus toward Israel—might well be political dynamite within the kingdom.[32] In particular, Washington cannot expect its Saudi partners to stand aside quietly if it chooses to push the new government in Baghdad toward a separate peace.

Nevertheless, as the foregoing makes clear, there remains ample room for the Saudis to make a greater contribution to the long-term stabilization of Iraq. More could be done to address the problem of border security, an issue of deep concern to both Riyadh and U.S. officials in Baghdad, as well as to the new Iraqi government. The more progress is made on the Iraqi political front, the stronger the position of the Iraqi government, along with the United States, to go back to the kingdom and insist that it make good on its commitment to negotiate in good faith on the question of debt relief.

The kingdom may also be able to help Iraq and the United States diplomatically, particularly with Syria. Saudi Arabia has shown in the past that it can contribute to the moderation of Syrian behavior—as in the case of the Taif Accords to end the Lebanese civil war—and Abdullah, as crown prince, was able to use his personal ties to Syria in 1999 to help avert a looming Turkish-Syrian confrontation. This influence might be useful in pushing Damascus toward more effective control over foreign fighters trying to enter Iraq by way of Syria. As the dominant partner in the Gulf Cooperation Council, Saudi Arabia could also take the lead in shaping a constructive collective policy toward Iraq on trade and investment issues.

Finally, the extent to which Saudi Arabia will be inclined or able to help the United States with the political and economic reconstruction of Iraq or anything else will be limited by the kingdom's need to focus on two interrelated aspects of its own political future, the first of which is the issue that looms over all discussions of the future direction of Saudi policy—namely, the question of generational transition in the royal succession.

With the passing of his half-brother Fahd, King Abdullah bin Abdul Aziz now will have only a few years to grapple with the nagging question of how to get the next generation of princes into the succession picture. As politically problematic as it is, this is not a challenge that can be put off much longer. Since the death of the founder of the modern Saudi state more than half a century ago, the throne has passed from elder brother to younger. The youngest of King Abdul Aziz's sons are nearing 60 years of age; the eldest are in their eighties, and it seems apparent that some arrangement on moving on to the grandsons must be reached in the fairly near future. The alternative would appear to be a chain of brief reigns by increasingly elderly monarchs. Yet one must also assume that Prince Sultan, the new crown prince, would lead his five surviving full brothers in blocking any move to settle the issue until they have had their turn on the throne and can guide the outcome of the decision. The intra-family politicking that will be involved in dealing with this issue will further limit the ability of any ruler to pursue policies on any issue outside the bounds of family consensus, but it is improbable in any case that any successor in the immediate future will be any more supportive of U.S. objectives than Abdullah has been.

The New U.S.-Saudi "Strategic Dialogue"

On her November 13, 2005, visit to Saudi Arabia, Secretary of State Condoleezza Rice met with Saudi foreign minister Prince Saud Faisal to establish a new "strategic dialogue" centered around six working groups on counterterrorism, military affairs, energy, business, education and human development, and consular affairs.

The new strategic dialogue is an attempt to move away from the personal, ad hoc management of U.S.-Saudi issues over the years. It is also an attempt to revive the framework for bilateral relations Secretary of State Henry Kissinger established in the early 1970s to manage various U.S.-Saudi interests, including military affairs and energy policy.

The restructuring of bilateral relations comes as the Bush administration is pressing the Saudis and other Arab nations on political reform and democratization—particularly in Saudi Arabia, home of fifteen of the nineteen people involved in the 9/11 attacks. Yet the working groups do not include those two sensitive issues for the Saudis, who prefer to address political reform through the region-wide Forum for the Future, which includes North African states and the Group of Eight leading industrial democracies.

The latest meeting of the forum, November 11–12, 2005, in Bahrain, produced agreements on reform institutions and small-scale economic enterprises, but failed to arrive at a consensus on the role of nongovernmental organizations in the forum's member states.

Sources: Robin Wright, "U.S.-Saudi Plan Aims to Expand Relations," *Washington Post,* November 14, 2005; David Gollust, "Rice in Jeddah for First U.S.-Saudi Strategic Dialogue," Voice of America, November 12, 2005.

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Related to this question of royal succession is the broader issue of political evolution within Saudi Arabia and the stance the United States takes toward it. If Washington elects to press the royal family hard on the issue of democratic reform, human rights, and religious moderation, it will be increasingly difficult to secure Saudi cooperation on the U.S. agenda for Iraq. Even if Washington takes a more hands-off approach, the mere fact that the kingdom is preoccupied with core questions of national identity and fundamental political and social institutions will make it difficult to attract Saudi attention to U.S. concerns elsewhere.

Conclusion

In the near term, the U.S. and Saudi perspectives on Iraq will be quite similar, with both countries tightly focused on the restoration of peace and order. Beyond that, however, there is ample room for divergence, between Riyadh and Washington as well as between Riyadh and Baghdad. In the best of times, the Saudi-Iraqi relationship has historically been uneasy; at times, it has been overtly hostile. There is no reason to assume that the departure of Saddam Hussein will automatically overcome eight decades of distrust.

Saudi Arabia will not welcome and will not assist—but will also be unlikely to interfere with—U.S. efforts to introduce a democratic form of government into Iraq. Saudi leaders will do their best to live with Shia domination of Iraqi politics, but they will not like it, and we can expect their discomfort to continue erupting into public view from time to time. The Saudi public and the traditional establishment are apt to be even less circumspect in expressing their misgivings. Depending on how the kingdom's own Shia population responds to political developments north of the border, those misgivings could find expression through anti-Shiite actions within Saudi Arabia or attempts to meddle in Iraq by means of the Sunni Arab population, a population that has become increasingly attuned to its religious identity in the last decade and thus, perhaps, more susceptible to Wahhabi blandishments.

When American analysts explain why Saudi Arabia is important to the world, two themes always come to the fore: oil and Islam. Saudi analysts and officials reverse the order of the two, but oil is nevertheless always near the top of the kingdom's foreign policy agenda. With demand high and production going full blast, there is no basis for contention between Saudi Arabia and Iraq over oil policy, but this is a situation that will not continue forever. Again, it is quite likely that the Saudi interest in moderate prices and preserving market share will run afoul of the Iraqi need for maximum production at high prices to fund national reconstruction. The United States may well find itself torn between its interest in the future of Iraq and demands for cheap energy at home.

With demand high and production going full blast, there is no basis for contention between Saudi Arabia and Iraq over oil policy, but this is a situation that will not continue forever.

Under King Abdullah, Saudi Arabia values its ties to Washington and will go out of its way to demonstrate willingness to cooperate on matters, such as Iraq, that the United States considers important. But its ability to cooperate will be limited by regional and domestic pressures, and its attention will frequently be distracted by the bumps and potholes on its own developmental path. Meanwhile, there will be strong tendencies in the kingdom, particularly on religious issues, that could make Saudi-Iraqi interactions deeply troublesome for U.S. strategy. Ensuring that Saudi Arabia is a force for stability in the Gulf rather than a source of disruption will be a continuing challenge for U.S. diplomacy.

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Notes

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13. The author has heard the former Saudi ambassador to the United States, Prince Bandar bin Sultan, explain this justification for the rule of the House of Saud to U.S. officials on a number of occasions over the course of a decade. It is also set forth in Prince Saud al-Faisal, "The Fight against Extremism."

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16. Of course, it remains to be seen whether, in the face of limited spare capacity and burgeoning demand, the Saudis' production clout can still bring prices back under control as it could in the past.

17. These are the nominal design capacities of these lines; actually operating them at those capacities would require major repairs.

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24. Ibid., 155.

25. Such as the addition of the phrase "Ali is the saint of God" to the Muslim creed—"There is no god but God and Muhammad is the prophet of God"—as well as the dramatic re-enactments of the martyrdom of the

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USIP and Iraq

Funded by a $10 million appropriation provided by Congress in late 2003 and a $3.08 million transfer from the State Department in 2005, USIP Iraq programs aim to:

- Prevent sectarian violence, including through interethnic and interreligious dialogue.
- Build up the rule of law, especially through the constitutional process.
- Educate and train a new generation of democratic leaders.
- Prepare Americans to serve in Iraq on the basis of "lessons learned."

Despite difficult security conditions, this effort has entailed the establishment of the first USIP office abroad—in Baghdad—as well as the Institute's first foreign-language publications (in Arabic). We are grateful to the Iraqis who have courageously joined in this effort through USIP grants, training programs, faculty seminars, and legal workshops, and hope that the Americans who have received USIP materials before embarking will find them useful to their work in this most challenging of environments.

Imam Husayn and the sometimes bloody displays of public mourning for him during the Shia holy month of Muharram.

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27. See, for example, the comments of Prince Turki al-Faisal, then-ambassador to the United Kingdom, in Barry Moody and Jeremy Lovell, "Interview—Saudi Ambassador Says More Troops Needed in Iraq," Reuters, October 28, 2004.

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SPECIAL REPORT

1200 17th Street NW • Washington, DC 20036 • 202.457.1700 • fax 202.429.6063

Joseph McMillan

Saudi Arabia and Iraq

Oil, Religion, and an Enduring Rivalry

PURDUE UNIVERSITY
FEB 10 2006

About the Report

Iraq's neighbors are playing a major role—both positive and negative—in the stabilization and reconstruction of "the new Iraq." As part of the Institute's "Iraq and Its Neighbors" project, a group of leading specialists on the geopolitics of the region and on the domestic politics of the individual countries is assessing the interests and influence of the countries surrounding Iraq. In addition, these specialists are examining how the situation in Iraq is impacting U.S. bilateral relations with these countries. Joseph McMillan's report on Saudi Arabia is the third in a series of USIP special reports on "Iraq and Its Neighbors" to be published over the next few months. The "Iraq and Its Neighbors" project is directed by Scott Lasensky of the Institute's Center for Conflict Analysis and Prevention, who is also the author of the project's next report on Jordan.

Joseph McMillan is senior research fellow at the National Defense University's Institute for National Strategic Studies. The views expressed are his own and do not necessarily reflect those of the National Defense University, the Department of Defense or the U.S. government. He wishes to thank Rachel Bronson, Scott Lasensky, Phebe Marr, and Daniel Serwer for their valuable comments on an earlier draft of this report. Kerem Levitas of the Institute's Center for Conflict Analysis and Prevention provided additional research for the report.

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Summary

- From Operation Desert Storm in 1990 until the U.S. overthrow of the Saddam Hussein regime in 2003, the Kingdom of Saudi Arabia was the United States' key Arab partner in confronting the problems to international stability emanating from Iraq. Over that decade and more, however, the demands associated with containing Iraq and Saddam Hussein began to place unprecedented strains on the U.S.-Saudi relationship, particularly after the terrorist attacks of September 11, 2001, and the run up to the U.S. invasion. The abnormal situation that bound Saudi Arabia to the United States in having to face a common threat from Iraq has now given way to a more normal situation in which the two countries' interests and approaches toward Iraq will converge or diverge, depending on the issue concerned.
- Riyadh's policy toward Baghdad over the next several years will probably be dominated by four key concerns about the future of Iraq: domestic stability, foreign meddling, oil production policy, and Iraq's political evolution (especially the role of the Shia). Of these, far and away the most important to Riyadh is stability.
- Even if Iraq achieves a stable, legitimate government, it would still be a mistake to foresee its relations with Saudi Arabia as trouble-free. Ever since the emergence of the Saudi and Iraqi states in the wake of World War I, relations between the two have been problematic. The post-Saddam period promises to be another era of bilateral difficulties over oil policies; the demonstration effect on Saudi Arabia from Iraq's democratization; and cross-border religious influence, particularly from Shia in both states and on Iraq's Sunni community from Saudi Arabia's support of Wahhabi propaganda.

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