MIDDLE EASTERN AFFAIRS
Istituto affari internazionali
Royal Institute of International Affairs
Castelgandolfo, 10-13/VII/1981

a. Programme
b. List of participants
1. "Islamic revival and the Middle East"/ James Piscatori
2. "The Soviet view of conflict in the Middle East"/ Karen Dawisha
3. "Middle Eastern politics in the wake of the Gulf War"/ Adeed I. Dewisha
4. "The Middle East and hydrocarbons"/ Richard L. Paniguian
5. "The United Kingdom government and NATO"/ Adam Fergusson

Istituto Affari Internazionali

Rome

Royal Institute of International Affairs (Chatham House)

London

"MIDDLE EASTERN AFFAIRS"

Castelgandolfo (Rome), 10-13 July 1981

PROGRAMME

Friday, 10 July	- Arrival of participants
Saturday, 11 July	
9.30 hours	- First Session
	"Middle East and oil in the '80s"
	Introductory report by Giacomo Luciani
11.00 hours	- Coffee Break
11.15 hours	- First session continues
13.00 hours	- Lunch
15.00 hours	- Second Session
	"Islam, social structure and political evolution"
	Introductory report by James Piscatori
20.00 hours	- Dinner
Sunday, 12 July	
9.30 hours	- Third Session
	"External factors and the Middle East"
	Introductory reports by Karen Dawisha and Roberto Aliboni
11.00 hours	- Coffee Break
11.15 hours	- Third session continues
13.00 hours	- Lunch
15.00 hours	- Fourth Session
	"Strategic balance in the Middle East"
	Introductory reports by Maurizio Cremasco and Adeed Dawisha
20.00 hours	- Dinner
Monday, 13 July	- Departure of participants

(b)

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LIST OF PARTICIPANTS

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ISLAMIC REVIVAL AND THE MIDDLE EAST

by James Piscatori

> 'The Syrian army is as fanatical as the hordes of the Mahdi . . . The Persian Moslems are threatening trouble. There is a dry wind blowing through the East, and the parched grasses wait the spark . . .'
>
> 'It looks as if Islam had a bigger hand in the thing than we thought', I said.
>
> 'You are right', he said. 'You must be right. We have laughed at the Holy War, the Jehad that old Von der Goltz prophesied. But I believe that stupid old man with the big spectacles was right. There is a Jehad preparing. The question is, How?'[1]

Published in 1916, John Buchan's words illustrate two common features also present in contemporary Western thinking on Islam. First, there is the belated discovery of Islam as an important political factor, and, second, there is the wrong conclusion drawn from the discovery. Having discovered Islam with the mullahs' revolution in Iran, Westerners often seem to believe either that it is on the march, inevitably anti-foreign in impulse and anti-Western in deed, or that it is a natural bulwark against the blandishments of godless Communists.

Most of the current thinking turns on the general assumption that Islam is enjoying a 'revival' or 'resurgence'. But this assumption is misleading in at least four ways. First, and basically, it might deceive us into thinking that merely because of the economic realities of our age, Muslims are reasserting the importance of Islam to their consciousness — whether out of gratitude for Allah's munificence or fear that

modernization is robbing them of their heritage. In fact, Islam has been a constant component of the believers' lives, and it would be inaccurate as well as unfair to suggest that only recently they have rediscovered their faith.

Second, the notion of revival unhelpfully implies that the current zeal and visibility of fundamentalists are novel phenomena. It is a suggestion overlooking that throughout Islamic history there has been a legion of activists proclaiming themselves guardians of unadulterated orthodoxy. The khwarij of the seventh century, the Hashimiyya of the eighth century, the Carmathians of the tenth, the followers of Muhammad ibn 'Abd al-Wahhab in the eighteenth, the salafiyya of the nineteenth, and the seemingly omnipresent Muslim Brotherhood in our century testify to the persistence of groups claiming that theirs is the voice of pristine Islam.

Third, the current talk gives the impression that there is a uniform process of renaissance throughout the believing world. While it is true that fundamentalist critiques are a constant feature of Islam and while it is indisputable that Muslims everywhere exude a sense of confidence these days, it would be wrong of us to conclude that they share one vision of Islam's role in the modern world or advance similar prescriptions for the future. To the contrary, Muslims today evidence no greater consensus on the way to reaffirm Islam's relevance than they have since the traumatic days of defeat by Westerners who were technologically superior but seemed religiously deficient.

Finally, the notion of renascent Islam carries with it the implication of 'militant' Islam, rekindling the Crusades and intent on pushing back the borders of the dar al-harb. It sets up an 'us' against 'them' dichotomy and makes of a complex reality a simple clash of civilizations. There is no cause in dogma or recent history to suggest that Muslims are inevitably anti-Western or anti-Christian.

If the 'revival' has any meaning, it is as a shorthand expression for the excitement and energy we plainly see among Muslims these days. Daniel Pipes thinks 'the evidence suggests that the oil boom is primarily responsible for the surge in Islamic political activities during the seventies',[2] and it is undeniable that new found wealth must have increased the self-confidence of at least some Muslims. But it is more likely that Muslims generally are reacting to some combination of the dilemma of modernization and the imperative of political change. Uncomfortable with rapid economic and social changes that threaten to deprive them of their cultural moorings, many hold on to the familiar; and, displeased with the political status quo, some seek to mobilize by appeal to the most evocative symbol.

If Islam is the rallying cry of those who feel themselves socially dispossessed and politically deprived, its significance and roles vary from country to country. Islam, admittedly in a remarkably short time, has become nationalized; it is a kind of green skein[3] running through the national fabrics. Al-Azhar supporting Egypt's socialist revolution and the Shi'ite-Sunni split casting a pall over Iraq's stability are but two examples of how Islam directly affects national development. Since Islam mixes with particular ethnic, tribal, economic and historical circumstances, it is reasonable to conclude that there are now such hybrids as a Pakistani Islam, an Egyptian Islam, and a Saudi Islam. Given this specificity, it is surely wrong to conclude that Muslims are edging towards the concrete umma or even that 'the Muslim world has emerged as a unit in international relations'.[4] The events we witness today are not the engendering act in the umma's political incarnation simply because the disagreements among the faithful are many and deep. Rather than groping for a supranational alternative, then, Muslims are working out revised national philosophies.

Rather than being anti-liberal or even anti-capitalist in inspiration, these philosophies seek answers to the question of how to make Muslim nation-states less vulnerable to the developed world's money and ideas.

If it is wrong to think that a 'resurgent' Islam is a monolithic, anti-Western Islam, it is also wrong to make the complacent conclusion that it is inevitably a barrier to Communist infiltration. Islam is much too flexible an ideology to fail to accommodate itself, if necessary, to some Marxist notions ('Ali Shariati is a currently popular example of one who does this). Moreover, Muslims, like everybody else, are eminently pragmatic in their politics and so will tolerate leftist, Marxist, allies to further their goals (one need only look at the political constellation of Iran for evidence). Perhaps most importantly, Muslims, particularly Arab Muslims, are so deeply committed to the cause of Palestinian liberation that they see Soviet intrusion in the Middle East as one, though not necessarily the paramount, danger to regional peace. Much was made in the West of the Islamic Foreign Ministers' resolution of May 1980 condemning the Soviet invasion of Afghanistan, but noteworthy was that coupled with it was a condemnation of Western support of Israel.

There is also some talk of the disintegrating effect the Islamic revival will have on the Soviet Union itself. There is indeed evidence of revived Islamic sentiment in the Central Asian Republics and of some troops defecting in Afghanistan, and, surely, the example of Khumayni's revolution in neighbouring Iran must be troubling to the Kremlin. But the future is still open, for the Soviet authorities have pursued a clever policy of creating the religious establishment and allowing them a fair measure of manoeuvrability in a state officially suspicious of religion.

It is bad fortune, then, that just as the Western world rediscovers the importance of Islam, it thinks of it as animated by ancient hostility

to the unbelievers. The reality is too complex to suggest that Muslims are naturally either anti-Western or anti-Soviet. They are Muslim and nationalist, ethnic and Arab, and in these diverse affiliations lie both the difficulties and opportunities for external policymakers. Western countries and the Soviet Union will be unable to formulate anything like an 'Islamic policy',but they can devise specific policies taking into account the diversity and the Islamic tone of Middle Eastern societies. Perhaps,in this game, the advantage will go to the side which limits its visibility and understands that oppositional movements may use Islam to create some unity but that the historical pattern is clearly one of diversity.

Notes

1. Greenmantle.

2. Daniel Pipes, '"This World is Political!!" The Islamic Revival of the Seventies', Orbis, 24 (Spring, 1980), p 40.

3. To paraphrase George Kennan's phrase about moralism in American foreign policy.

4. Pipes, p 41.

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THE SOVIET VIEW OF CONFLICT IN THE MIDDLE EAST

by Karen Dawisha

The ideological component has always been a discernible feature of Soviet writing on conflicts in the Near and Middle East. Drawing on Lenin's theory of imperialism, Soviet analysts have always stressed the inherent unity of aims between movements for national liberation and the socialist world. Both seek the collapse of the capitalist West and both recognise that this difficult task can best be achieved by all-round cooperation, including military cooperation, between national liberation movements and the socialist world. Without going into great detail, it is probably true to say that Lenin's theory of imperialism and, in particular, his views about the effect of uneven and combined development (where two stages - feudalism and capitalism - coexist side by side in colonial countries) on the revolutionary potential of the colonies has had a continuing and deep influence both on the Soviet view of the national liberation movement and on Soviet policy towards it. Above all, the Leninist dictum that combined development produces two potentially revolutionary forces within the same society (that is, the indigenous national bourgeoisie fighting against feudalism and the usually smaller nascent proletariat fighting against the compradore bourgeoisie imposed by the imperial centre) have been a consistent feature in the Soviet assessment, making it possible for the Soviets to rely on one force often at the expense of the other.

Soviet policy toward conflicts in the Near and Middle East is the result of the calculation of the correlation of forces. This Soviet concept has several important features which distinguish it from Western concepts of the 'balance of power'. First of all, it is not a concept based on the notion of maintaining the status quo. It assumes the gradual but inevitable shift in favour of socialism. As a result, short-term policy must always be made within the framework of long-term goals. This arguably gives Soviet policy an overall coherence lacking in Western strategy. The Soviet willingness to invest large

sums of money in economic and military aid in the states of the Near and Middle East up to 1973 was based on this notion that short-term investment would reap long-term benefits. As we know in the case of Egypt, this proved a fallacious assumption when Sadat abrogated the Soviet-Egyptian Treaty of Friendship, leaving an unpaid debt of $14,000 millions. Soviet difficulties derive from the fact that while many of the leaders in the Near and Middle East might agree that there is a basis for short-term cooperation, they would reject any correlation between short-term and long-term objectives.

The long-term goal of strengthening the socialist orientation of progressive regimes and coordinating their external policies in a way designed to weaken and exclude Western influence is clearly made more difficult by the common spectre of regional conflicts which are aimed not at eliminating Western influence but at pursuing, in the Soviet view, narrow sectarian, irredentist, or power political considerations -often stirred up by the West to maintain its influence through the doctrine of 'divide and rule'. This is essentially the view adopted by Moscow to explain both the Iran-Iraq war and the Somali-Ethiopian conflict where in both cases two states with 'progressive' credentials were at war with one another. A recent Pravda article (19 January 1981) analysing the "senseless devestation" of the Iran-Iraq conflict claimed, for example, that "American and Israeli intelligence had played a definable role in sowing the seeds of the discord between Iran and Iraq, which was further exacerbated by a long-standing territorial conflict, and also by a rivalry for influence in the Gulf region reinforced by the clash of religious and personal ambitions."

In the case of the Ethiopia - Somalia war, Moscow's effort to get both of these states to patch up their immediate conflict in order to get on with the 'real business' of forming a solid bloc of progressive states (which the PDRY is committed to develop in Article 10 of its 1979 Treaty with Moscow) beyond Ethiopia and the PDRY who signed a mutual Friendship Treaty on 3 December 1979. On the contrary, of the countries with whom the USSR itself has treaty relations, Syria and Iraq are arch-rivals. Iraq is publicly committed to the overthrow of the PDRY for the latter's support of communist subversion in Iraq, Syria is unlikely to sign a treaty with the PDRY for fear of alienating her Saudi backers, and any of these regimes anxious to protect their Islamic credentials will provide the minimum support possible to the Soviet Union's other treaty ally in the area - Afghanistan.

The problem for the Soviet Union remains therefore one trying to build a long-term basis for cooperation out of policies based on short-term expedients in an area itself characterised by complex and constantly changing patterns of

alliances, feuds, clashes and coups. Thus as early as the mid-1960s Soviet theoreticians recognised the difficulty of achieving a correlation between short-term policies and long-term goals, commenting as one of them did that "zigzags, sudden twists and turns, outbursts of contradictions, occasional advances and retreats, steps forward and steps back are all interwoven into the live fabric of every people's history. This is especially manifest in the national liberation movements of countries where the working class is only emerging . . . . here nothing is automatically certain in advance, every step forward has to be won in battle, and progress is often attained at the price of bitter disappointments, mistakes and scorches."(1)

Secondly, Soviet leaders have always weighed the pros and cons of supporting a local or regional conflict within the context of the global correlation of forces. Thus, the Soviet Union is willing to aid states or movements fighting imperialism or its 'lackeys' provided victory is assured, both in that particular conflict and more importantly that such a victory does not produce a negative shift in favour of imperialism on a global scale. The Soviet admission that they were 'surprised' by the Western reaction to Afghanistan proves that they are more than capable of getting this calculation wrong. Further, the USSR consistently has proved less willing to fully support conflicts not immediately directed at weakening imperialism. The clearest examples here are the shift in the Soviet attitude towards Somalia's irredentist claims against Ethiopia following the overthrow of Ethiopia's Emperor Haile Selassie and Soviet preparedness to support Syria and Iraq with all the most advanced weapons for the fight against Israel but not against Lebanon and Iran, respectively.

A third, and equally important, element in the Soviet calculus is that in the event of a clash between what is good for a national liberation movement, and what benefits the USSR, the latter must always take precedence. This view, that the promotion of Soviet national interests should be the cornerstone o both of Soviet foreign policy and of the actions of all good internationalists and communists everywhere, was first enunciated by Lenin himself and is frequently quoted in defence of the USSR's selected and self-interested support for conflicts in the Near and Middle East. To cite Lenin:

> "Reciprocal relations between peoples and the world political system as a whole are determined by the struggle waged by a small group of imperialist nations against the Soviet movement. Unless we bear that in mind, we shall not be able to pose a single national or colonial problem correctly, even if it concerns a most outlying part of the world. The Communist parties in civilized and backward countries alike, can pose and solve political problems correctly only if they make this postulate their starting point." (2)

Continued Soviet adherence to this view was most forcefully restated in response to the revision in Maoist doctrine during the mid-1960s to the effect that the world revolutionary focus had shifted to the Third World (of which China considered itself a member). The Soviet response was unequivocal:-

> "The contentions are designed to refute the Marxist characterization of the current epoch and to substitute for the basic contradiction of our day, which is that between socialism and capitalism, the contradiction between the oppressed nations and imperialism, which is often identified with that between 'rich' and 'poor' nations, the 'rich North' and the 'poor South'. These conceptions in reality seek to push into the background and play down the significance of the revolutionary struggle waged by the peoples of the socialist community of nations . . They are completely alien to a class interpretation of the nature of the present epoch" (3)

Yet it has not only been the Chinese who have objected to the USSR putting the 'interests of socialism' above that of the national liberation movement. Moscow itself concedes that criticism has also come from the Third World where "leaders of nationalist leanings . . . are fanning a useless argument over which of the two trends are of greater importance."(4) It is a useless argument only in the sense that there is no chance of Moscow changing its view, although it is willing to concede that "the objective fact that the socialist system is a leading factor in the world revolutionary process must in no way be taken to belittle the importance of the . . . fight the oppressed peoples are waging."(5) Third World leaders frequently have been made aware of this "objective fact" at times when Moscow decided it was not in its own best interests and therefore not in the best interests of international socialism to support a local conflict - a most notable example was in 1972 when Egyptian President Anwar Sadat expelled Soviet personnel when he became convinced that the Soviet Union, interested only in the strengthening of East-West detente was in fact an impediment to the pursuit of Egypt's military objectives vis-a-vis Israel.

Included within this important third element is the protection and strengthening of Soviet border security. Anyone familiar with the Soviet attitude toward conflict on or near its southern borders knows that in the event of a conflict breaking out, almost inevitably Moscow is sooner or later going to issue its time-honoured statement about the USSR being unable to "remain indifferent to acts of unprovoked aggression in an area adjacent to its borders, and it will have to take the necessary measures dictated by the

security interests of the Soviet Union and in the interests of preserving world peace".(6) The Soviet interest in maintaining border security arguably has played a part in the formulation of two rather contradictory policies, including on the one hand the Soviet intervention in Afghanistan designed both to 'protect the gains of the 1978 revolution' and to remove a source of instability emanating from mujahidun activity on the USSR's border and on the other hand, the long (if not entirely unbroken) tradition of 'good neighbourly relations' between the USSR and the Shah of Iran dating back to the early 1920's when Moscow unceremoniously allowed the collapse of the newly founded independent Soviet Republic of Gilan in northern Iran in return for the 1921 Treaty of Friendship between Moscow and Iran's Reza Shah, the founder of the Peacock Dynasty. Even as opposition to the Shah was growing, the Soviet Union initially refrained from issuing a policy statement supporting the overthrow. Indeed, when on 19 November 1978 Brezhnev issued the first major statement of Soviet concern over Iran, he made no comment, as one might have expected, about 'supporting the democratic aspirations of the peoples struggling to free themselves from imperialist oppressions.' Rather, his concern was that any US attempt to interfere militarily in Iran would constitute a threat to Soviet security interests.(7) Thus, it would appear that in the Soviet assessment of the 'correlation of forces' in the northern tier states of Turkey, Iran and Afghanistan, far greater emphasis is put on pure border security considerations than is the case in the Middle East and the Horn of Africa.

A final aspect in the 'classical' Soviet idea of the correlation of forces is that international relations is concerned with the interaction not primarily between states and governments as in the Western conception, but between class forces - socialism, capitalism, feudalism, etc. It goes without saying that interaction between these forces is often expressed in the form of state-to-state relations. But the important point here is that because the focus of the Soviet perspective is on the dialectical relationship between class forces, the USSR has absolutely no qualms about openly supporting any communist party, national liberation movement, or separatist group which helps to 'tilt the balance in favour of socialism'. Looking at the Near and Middle East, one has the examples of Soviet support at different times for the Kurds, the Palestinians, the Dhofari rebels in the Sultanate of Muscat and Oman, the Eritreans and of course all the various communist parties and all the groups which fought against British and French rule in Aden, Algeria and other countries during colonial wars. The point that needs to be made here is not

that the USSR has always been a selfless and tireless supporter of these groups, because it has not, or that the USSR conducts all its relations 'in the open' without needing to resort to clandestine methods, since this also is clearly not the case. Rather the fact of the matter seems to be that the Soviet view of international relations allows it to lend support freely and openly if the cause is deemed deserving.

The West, with a different view of international relations, is considerably more constrained since support for 'non-state actors', however just the cause, goes against the dominant conception that state-to-state relations are the only truly legitimate form of international relations. The West has not lent open direct and non-clandestine military support to a single non-state actor in the Near and Middle East, which is presumably why the picture of former National Security Advisor Ezigniew Brzezinski holding a gun in an Afghan refugee camp in Pakistan created such a furore. The West's support is always clandestine or through third parties, and one can think of two salient examples here - Western arms to the Kurds via Iran and to the Afghan rebels via Pakistan. Even in the case of aid to a state, the West has often felt constrained to go through third parties or find a means by which its aid can be disguised, such as in the case of efforts by the Sultanate of Muscat and Oman to put down the Dhofari rebellion in which British aid was either channeled through Iran or took the form of sending contract personnel from British forces to fight there. Equally, the UK currently admits to having 850 loan service or contract personnel attached to various armed forces in the Gulf, yet one suspects that HMG would not readily welcome the suggestion that Britain has become the Cuba of the Atlantic Alliance!

These then are the four main elements of the 'classical' Soviet view of the correlation of forces - short-term policy should serve long-term goals; support for regional conflict should be determined with reference to the effect such support would have on the global correlation of forces; the interests of socialism take precedence over the interests of national liberation movements, and with it the interests of maintaining the security of the borders of socialism similarly take precedence over national liberation movements; and finally, international relations is concerned with the total correlation between class forces, not the balance of power between states.

Tactics and Problems of Implementation

Several instances in which the problems faced by Soviet leaders in assessing and reacting to conflicts in the Near and Middle East have already been cited, suggesting that application of the correlation of forces calculus falls short of providing Moscow with a foolproof, scientific framework for the formulation of policy. Several specific areas of difficulty, however, bear further analysis.

Looking first at the issue of Soviet support for armed struggle, it is not difficult to find quotes from Soviet sources to the effect that as long as imperialism exists, there will be armed struggles for freedom and independence. But as Raymond Garthoff and other analysts have pointed out, while Moscow may support such wars in theory, in practice "Soviet support is neither unqualified nor universal." The Soviet leadership has been roundly criticised by Peking for arguing that first peaceful coexistence and then detente, by decreasing imperialist aggression, actually increased the chances of success for national liberation movements. Peking charged that the real problem lay with the fact that the Soviet leaders "are sorely afraid of the revolutionary storm."(9) The Soviet response has always been to stress the need for 'all-round assistance' which will include if necessary the help of arms, without, however, committing the Soviet Union in any way either to the support of armed conflict per se or to direct Soviet military assistance beyond the supply of weaponry. Clearly, any Soviet decision to commit its own forces in aid of one side in a local conflict (Ethiopia-Somalia; PDRY-N.Yemen) or in aid of one faction in an internal conflict (Afghanistan) will depend on a myriad of other considerations, including calculation of likely gains, Western responses and Soviet capabilities. Yet the point often made, namely that there is a new Brezhnev Doctrine committing the Soviet Union to take maximum risks to prevent the overthrow of one of its established Marxist-Leninist client states, is, I believe, not only still an open question but in the light of the Soviet failure or inability to prevent the diminution of its influence in Egypt, Somalia and Iraq not indicated by Soviet behaviour in any other state except Afghanistan. The issue, therefore, of whether 'proletarian internationalism' has now taken precedence over 'peaceful coexistence' is vital but yet to be proved either in Soviet official pronouncements (it will be extremely important to analyse Brezhnev's speech at the forthcoming 26th Party Congress in this light) or in Soviet behaviour.

The second major difficulty the Soviets face is that their arms supply policy is based not only on a calculation of the 'justness' of the cause but also, and increasingly, on the ability of the recipient to pay in hard currency. This means that the economic pressures to supply can balance, or even outweigh, other considerations. Related to this is the near impossibility of controlling the end-use of weapons supplied, except through the refusal to allow the stock-piling of unlimited spare parts (also NATO policy at one time vis-a-vis Greece and Turkey), thus making it difficult for long-term, high-intensity conflicts to be pursued by the arms client without recourse to additional inputs of Soviet spare parts and weaponry replacements.

The current Soviet policy towards Iraq is an excellent case in point. Although Baghdad has diversified its arms sources in the last few years, Moscow remains the chief supplier of weaponry to the Iraqi regime. The question is why did Moscow supply such extensive and sophisticated hardware to Baghdad? First of all, the Soviets, since Egypt's peace treaty with Israel, have argued that Syria will be vulnerable to Israeli attacks unless it can be defended in depth from Iraq. Weaponry is therefore supplied to help prop up Syrian defences in the event of war with Israel. Yet such is the state of Iraqi-Syrian relations that except for a short period after the November 1978 Baghdad summit, Soviet weapons in the hands of the Iraqi leadership have only increased Syria's own insecurity, and with it, her own demand for increased weapons supplies. Secondly, weapons were supplied to enhance Iraq's stature in the Gulf and to balance the military might of America's previous 'policeman', the Shah of Iran. However, with the overthrow of the Shah, the Iraqis saw the chance to redress the imbalance in Gulf power and to use Soviet weapons to forward irredentist and even hegemonistic claims against a weak revolutionary regime now nurtured - if from a distance - by Moscow. Thirdly, arms are supplied to bolster the internal prestige and power of a progressive regime in which the army, increasingly recognised by Moscow as a powerful instrument for socialist transformation,(10) plays a vital role. In Iraq (as now in Syria) Soviet arms were supplied to bolster the internal security forces when the major internal 'enemies' were rightist, separatist, or Islamic fundamentalist groups. Yet Moscow appears powerless, as has happened in Iraq, if the regime turns the army and the security apparatus against the communists.

Having used arms supplies to gain influence, that influence disappears almost immediately if supplies cease, particularly if this occurs in the midst

of a conflict. Moscow's current posture of starving the Iraqi war machine shows the limits of Soviet influence, since failure to supply weapons is not going to stop the war, particularly given Iraq's capability to find alternative supplies, while that very failure is almost certainly going to lead to a further diminution of Soviet influence in Iraq, and a loss of important hard currency revenues for arms sales. Moscow had previously turned off the arms 'tap' to Egypt several times during the 1972-6 period. Equally, in Somalia after July 1977 (following the US promise to 'look favourably' on Somali defence needs and Siad Barre's escalated offensive against an Ethiopian army by then actively assisted by the Russians) Moscow tried to control the conflict by first pulling back its military advisors who had been operating with Somali combat units and then gradually shutting off the flow of arms altogether. In both cases, Moscow's refusal to supply arms to meet the demands of local clients led to the eventual and total exclusion of its influence from both Somalia and Egypt. It is this dilemma - that is the need to supply arms to establish and maintain influence despite clear Soviet interests in other aspects of Third World policy - which has led to more Soviet setbacks than any other in the Third World and which the Soviet Union (and the West) seem nowhere near to solving.

Parallel to the military demands of the recipient state is the military requirements of the Soviet defence establishment. The Soviet military, with its enhanced capability, obviously is responsible, at least in part, for the calculation that the correlation of forces is shifting in favour of socialism. Equally, advances in Soviet force projection capabilities make it possible for Moscow to level direct and decisive military support in aid of Third World clients, as we have seen particularly in the case of Soviet offshore bombardments of Eritrea in support of Ethiopian/Cuban/Soviet ground forces. Yet, as the case of Ethiopia's war against the Eritrean People's Liberation Front may indicate, the interest of the Soviet Navy in obtaining deep-sea ports may be generating its own dynamic independent of any 'ideological' considerations. This is, of course, at the heart of Western worries about the strategic implications of the invasion of Afghanistan - that Moscow will use it as a 'back-door' for a drive to the warm-water ports of the Gulf and the Indian Ocean.

These various factors certainly highlight the difficulty faced by Moscow in formulating either an effective short-term regional policy or a coherent

long-term strategy. The problem for Western analysts, it seems to me, is not so much identifying the various component parts of the Soviet view of conflict or the separate reasons why Moscow's application of a 'classical' correlation of force doctrine is impeded. The real difficulty is in assessing Moscow's priorities given the many contradictions inherent in the Soviet view of conflict. Thus, for example, can we expect the USSR always to minimise a risk of war with the West in supporting a client state? Would strategic or military interests now always take precedence over support for national liberation movements if the two are in conflict? What will be the effect of the Afghanistan 'misadventure' on future Soviet willingness to commit troops in support of a disintegrating Marxist-Leninist regime? I have outlined some of the contradictions which have plagued Soviet policy in the past. I see no indication that Moscow is about to resolve all or even any of these problems.

1. K. Ivanov "The National-Liberation Movement and the Non-Capitalist Path of Development", International Affairs, Moscow No. 2, 1966, p. 12.

2. V. I. Lenin, Collected Works, Vol. 31, p. 241. Perhaps two of the clearest statements of the Soviet view of this aspect of the correlation of forces are contained within V. G. Solodovnitov, Problemy Sovremennoy Afriki, Moscow: Nauka, 1973, pp 9 - 56, and R. A. Ul'yanovskiy, Sotsializm i osvobodivshiesya strany, Moscow: Vostochnoy Literatury, 1972. Solodovnikov was the director of the African Institute, accompanying President Podgorny on his African tour in 1977. Shortly afterwards, he was appointed to the strategically vital post of Ambassador to Zambia. Ul'yanovsky was head of the Institute of Orientology before his promotion as Ponomarev's deputy in the International Department of the CPSU Central Committee.

3. A. Iskenderov, "The National Liberation Movement in Our Time", The Third World, Problems and Prospects, Moscow: Progress Publishers, 1970, p. 30.

4. L. Delyusin, "Socialism and the National-Liberation Struggle", ibid, p. 247

5. A. Iskenderov, op. cit. p. 31

6. "Statement on the Soviet Government in Connection with the Aggression by the United States and Great Britain in The Middle East", July 18 1956, contained in The Policy of the Soviet Union in The Arab World, A Short Collection of Foreign Policy Documents, Moscow: Progress Publishers, 1975, p. 110.

7. Pravda, 19 November 1978

8. Raymond L. Garthoff, Soviet Military Policy, London: Faber and Faber, 1966, p. 212

9. "Apologists for Neocolonialism" Jen-min Jih-pao, 22 October 1963, quoted in ibid p. 212

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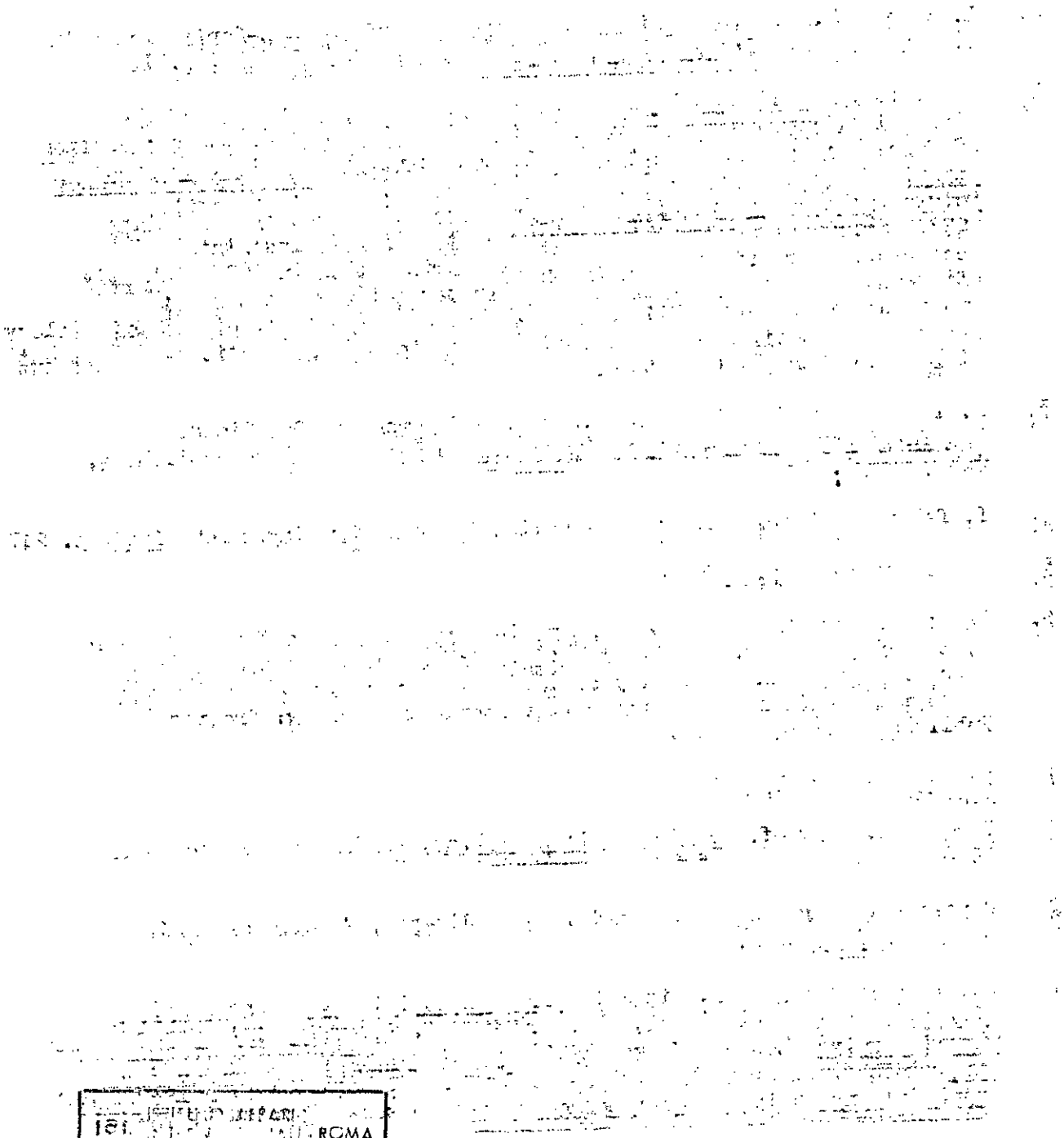

MIDDLE EASTERN POLITICS IN THE WAKE OF THE GULF WAR

Adeed I. Dawisha

Immediately after border skirmishes erupted into full-scale hostilities along the entire Iraqi-Iranian front in September 1980, it was predicted confidently that the war would be of short duration. It was argued that neither side possessed the capabilities, political or military, to wage a long war. On the one hand, the Iranians were thought to have neither the will nor the equipment to respond to the invading Iraqi forces, and on the other hand, the Iraqi army was expected quickly to disintegrate into warring Sunni and Shii factions, for how could the Shii soldiers, constituting approximately 75% of the rank and file of Iraq's armed forces, fight their spiritual leaders in Iran?

The war in fact has successfully exploded this particular myth, so dear to Western scholarship, of the primacy in the Arab world of sectarian and religious cleavages above other factors. While there is no doubt that religious affinity between the Iraqi and Iranian Shiis exists, the national ethnic divide between Arabs and Persians, vigorously encouraged by Iraq's virulently Baathist regime, proved a more potent political force. Furthermore, the Baghdad government over the last five years has worked very hard to improve the economic and social status of Iraq's poor, the majority of whom have traditionally been Shiis. And President Saddam Hussein is increasingly referring to this as Iraq's 'new spirit'. He told the Islamic mediation team in March 1981:

> "There are Sunnis, Shiis and other religions and sects in Iraq. All of them have been fighting obstinately for six months. Why this obstinacy and all these sacrifices, especially as we keep telling them that the land they are fighting on and dying on is not their land. It is very easy to tell the Iranians: "This is

> your land, the Iraqis are on it, so you have to fight to retain it". But it is difficult to tell the Iraqis to fight on a land which is not theirs. The Iranians have to understand, therefore, that it is not Saddam Hussein who is fighting them; it is the whole unified Iraqi people who are fighting to safeguard their values and their new spirit.'[1]

Similarly, in the case of the other Gulf states, the Iraqi-Iranian war did not adversely affect domestic stability. Indeed, if anything, the war considerably lessened any problem that the Gulf rulers might have encountered in the wake of the Iranian revolution. In 1979 and 1980, at the height of the 'Islamic revival' and Khomeini's prestige, there were a number of pro-Iranian demonstrations in Bahrain, Kuwait and Saudi Arabia, emanating primarily from the indigenous Shii populations. While at no time these constituted real and immediate threats to the regimes in the way similar manifestations proved to be fatal to the Shah, it was nevertheless accepted by the rulers that continued Iranian efforts to use the religious instrument to destabilize their own political orders was something they needed to counteract swiftly. This state of nervousness was evident in a statement made by Crown Prince Fahd of Saudi Arabia in February 1980, in which he intimated that while he saw no reason why there should be conflict between Shii and Sunni Moslems, the situation would change if the Iranians were to try 'to impose their Shii belief upon the other Moslem countries in the area'.[2] These same sentiments were echoed a year later by Saddam Hussein when he insisted that the Iranian leaders 'had to understand that they had not received any authorization, either from God or from the people, to act as spokesmen for Moslems, giving advice on how other nations ought to rule themselves'.[3] These statements probably reflected the general state of mind of most Gulf rulers during 1980, which meant that even if they considered the danger to be neither immense nor immediate, they nevertheless were not prepared to tolerate it indefinitely.

The war therefore served the interests of not only Iraq but also the other Gulf states. It was thought, no doubt, that a swift Iraqi victory would lead to the possible demise of Khomeini and his Islamic order. And even if that did not happen, the energies of the Islamic regime would be concentrated on the war effort rather than on trying to export the Islamic revolution to neighbouring countries. As it turned out, the Iraqis did not score the quick and massive victory that had been anticipated. Even so, they did achieve a victory of sorts. Their troops were able to penetrate into, and remain in, Iranian territory; and they were able after two months to capture an Iranian city and encircle another. While they did not seem capable of defeating the Iranians summarily, the Tehran government was also incapable of driving the Iraqis out of Iranian soil. The continued presence of Iraqi soldiers inside Iran, therefore, naturally led to a diminution in the prestige of Ayatollah Khomeini among the Gulf and Arab Moslems generally and the Shiis particularly, especially since at the outset of the war, Iran's religious leaders had confidently predicted that the Iraqi Moslem soldiers would soon revolt against the 'infidel who opposes Islam'. The message to Saddam Husseim from Tehran was clear and confident:

> God will defeat your devices. In the coming days you will learn how the Moslem people and army of beloved Iraq will respond to you, and how the Moslem Iranian army and people will respond to you. You will know how you have dug your own grave — the grave of shame and humiliation in this world, and the grave of hell-fire in the hereafter. [4]

By December 1980, the Shiis in Basrah, Bahrain or Dhahran must have been wondering why it was taking the Ayatollahs such a long time to dispose of the 'worthless infidel'. And the consequent loss of prestige suffered by the Iranian clergy must have been precisely what the Gulf rulers had hoped for.

On the other hand, while domestic threats to the Gulf regimes had decreased in the wake of the war, the military confrontation itself began to constitute an ever increasing external threat to the Gulf states. Most of the major oil terminals, including those of Saudi Arabia, are situated just across the Gulf from Iran, and as such were very vulnerable to the Iranian Phantoms which had already proved their effectiveness in Iraq. Saudi Arabia immediately requested and received five AWACS planes from the United States to protect its skies against any possible Iranian incursion. Indeed, a Kuwaiti border town was bombed by the Iranian air force in the spring of 1981. It was thus obvious that, having succeeded in undermining Khomeini's moral authority, the war had served its purpose for the Gulf rulers and the time had come for it to be stopped. It was not surprising, therefore, that the Saudis, backed by the other Gulf states, placed a very high priority in the Islamic summit in Taif in January 1981 on trying to resolve the Iraqi-Iranian impasse.[5] An Islamic mediation team was formed, and tried vigorously, but without much success, to narrow the positions of the two conflicting parties sufficiently for a ceasefire to take place.

On the whole, the war therefore tended to decrease the potential of domestic instability in the indigenous countries, while increasing the probabilities of external threats to these countries. This is why Saudi Arabia and the other Gulf states strongly backed the mediation efforts, and endeavoured to present a neutral posture with regard to the conflict. It is however a neutrality of sorts; an imperfect neutrality clearly leaning towards Iraq. Thus on 21 April 1981 the Kuwaiti National Assembly approved an Iraqi request for a $2,000 million interest-free loan to help the war-damaged Iraqi economy. Reports suggested that the loan was part of a $14,000 million financial package sought by Iraq from Saudi Arabia, Kuwait, the UAE and Qatar.[6]

The Gulf's imperfect neutrality was not observed by the rest of the Arab states. On the contrary, the Iraqis in their war against Iran further exacerbated the divisions already existing in the Arab world. Two orientations clearly emerged: a pro-Iraqi camp, consisting mainly of the pro-Western regimes of Jordan, Morocco, Tunisia and North Yemen; and a pro-Iranian camp, containing the radical, pro-Soviet regimes of Syria, Libya and South Yemen. Algeria, like Saudi Arabia and the Gulf states observed an imperfect neutrality — but one which tilted towards Iran. This left the Arab world in almost total disarray, lacking purpose, cohesion and direction. This is not to imply that it was the Gulf war which caused these divisions. The Arab world was already disunited long before Iraqi tanks rolled into Iran. It is nevertheless the case that the Iraqi-Iranian war tended to rigidify and intensify inter-Arab conflict.

The position of the pro-Iraqi camp was articulated by the Jordanian monarch immediately after the war broke out. He stressed that Arabs must always fight for Arab rights, whether these were in Palestine, Iraq or any other state. He called for a unified Arab stand to support Iraq and to defend Iraq's soil and its rights.[7] And it seems that it was this attitude which the Iraqis had expected from the other Arabs as well. Thus, President Hussein expressed himself unhappy at the general Arab response to the war. How could he be happy, he declared, for if any other Arab was waging this war, 'the blood of the Iraqi army would have been spilling next to that Arab'.[8] The Iraqis had expected plainly, and erroneously as it turned out, that the 'bond of Arabism' would prove stronger among their Arab 'brothers' than other ideological or strategic considerations.

Syria and its allies were singularly unimpressed by the Iraqi-Jordanian position. The Syrian leaders pointed out that the Gulf war had if anything retarded the cause of Arabism. In the first place, the Iraqis had attacked an Islamic country which, while non-Arab, had become, since

the revolution against the Shah, one of the most implacable enemies of Israel. President Asad thus asked rhetorically: 'Why was war suddenly launched against the Iranian revolution? Given the large, broad significance of this revolution and the huge gains achieved for us the Arabs by this revolution, is it not our duty to ask why was war launched against this friendly revolution? . . . If the matter was one of Arab rights, why did we not hold consultations, especially since the matter concerns a friendly revolution, in which we have real and deep interests . . . Does anyone think that he who now rules Iraq does not understand these simple facts? Of course not.'[9]

Secondly, the Syrians and their allies stressed that the war had diverted attention away from what ought to have been the real focus of attention of Arab leaders concerned with Arabism; namely the Palestinian cause and the Arab-Israeli conflict. To the Palestinians especially, the Gulf war was particularly 'painful', and as such their persistent efforts to mediate were undertaken simply to 'secure the chance . . . to win the battle against the one enemy, Israel, and those who are with it and support it'.[10] Whatever the justifications for either party, therefore, the radical camp insisted that the Gulf war tended artificially to supersede the Arab-Israeli conflict in importance.

A broader and more globalist view of the war was taken as usual by President Qadhafi. The Libyan President accused Iraq of acting in collusion with American imperialism. He thus saw the conflict within 'the context of the crusade existing between Moslems and Christians, between East and West and between the Islamic nation and the Europeans. It is therefore an Islamic duty to be allied with the Moslems in Iran in this confrontation'.[11] This rather idiosyncratic interpretation of the conflict, although appealing in its sheer simplicity, did not seduce Libya's more sophisticated allies.

In all this furore, President Sadat of Egypt was naturally against everybody and everybody was naturally against him; a situation which brought to mind inter-Arab relations in the fifties and sixties when Sadat's predecessor, Gamal Abd al-Nasser, at one time or another, crossed verbal swords with almost every other Arab leader. The only difference is that whereas Nasser's utterings invariably contributed to the destabilization of the targeted regime, Sadat's attacks nowadays, if anything, tend to increase the prestige of the assaulted leadership. Such has been the legacy of Camp David, that there is at present a no greater welcoming sound to the ears of an Arab leader than a personal attack mounted against him by the Egyptian President. Thus, Sadat's frequent onslaughts against the Iraqis, Iranians, Syrians, Saudis, Jordanians and everybody else hardly mattered but simply added to the general confusion.

The net result of all this was an Arab world as torn by divisions as it was at the height of the ideological splits of the fifties and sixties. This could be clearly ascertained by the perceptible increase in the level and intensity of personal insults hurled by various Arab leaders at each other. And the most serious inter-Arab confrontation which occurred in the wake of the Iraqi-Iranian war was that between Syria and Jordan.

When first in December 1980 and then later on in February 1981, Syrian and Jordanian armed forces stood, in a high state of alert, facing each other across the common border, they represented the clearest illustration of the rapidly shifting sands of inter-Arab politics. The two antagonistic neighbouring countries had been only recently, and certainly throughout much of the last decade, as close as any that the Arab world had known in its turbulent history over the last three decades.

In the wake of the October 1973 war, there was a steady development over the following six years of political, economic, cultural and military

contacts between the two countries, and high-level ministerial delegations exchanged frequent visits for the purpose of coordinating, and in the long term integrating, the two countries' foreign policies. This led to the formation of a 'Supreme Political Command', composed of President Asad and King Hussein and designed to formulate common foreign policy objectives and to issue directives and instructions on the recommendations referred to it by the various ministerial committees. The rapport between the two leaderships was such that Amman was to give full and unreserved backing to Syria's military intervention in Lebanon in 1976, and as a consequence the Jordanians were depicted by President Asad as 'our close brothers who are the nearest of kin to us'.[12] There is no doubt that during this period the Syrians considered Jordan their most loyal ally, while the Jordanians saw in Syria a trusted and powerful friend.

Barely five years later, the Jordanian and Syrian leaders were levelling at each other a galaxy of insults, recriminations and accusations of such venom that it made the two countries the bitterest of enemies. To Jordan's Prime Minister Badran, 'Syria, the throbbing heart of Arabism, will restore its Arab, national and international prestige after the ruling group is eliminated. It will be eliminated because the current regime does not belong to Syria and is alien to the Syrians'.[13] And referring to Syria's support for Iran against Iraq, the Jordanian newspaper al-Destour lamented that 'no Arab could have thought it possible that in Arab Syria, the dearest part of the Arab homeland, a fascist, terrorist clique could stab the Arab nation in the back'.[14] On his part, President Asad took up the challenge well. He asserted that it was the Jordanian monarch who was stabbing Syria in the back, for after all 'the reactionary regime in Jordan was established primarily to dismember the Syrian body . . . That regime has been the enemy of Syria, and the Syrian people, right from the beginning'.[15]

This hostility related to Syria's suspicion of the growing links between Jordan and Syria's rival Baathist regime in Baghdad. Iraq's invasion of Iran, which the Syrians saw as retarding the Palestinian cause and as such as a major conspiracy engineered by 'American imperialism', coupled with Iraq's gradual, yet clear, move away from the Soviet Union, heightened Damascus's perception of an increasing American and Western influence in the area which seemed to be concentrated on Syria's own borders. Having already had Israel and Israeli-backed Christian antagonism in Lebanon, the Syrians, feeling encircled and always deeply suspicious of the West's capacity to manipulate events in the area in favour of Israel, gradually became convinced that Iraqi-Jordanian rapport would complete the strangulation of Syria to the benefit of the United States. To President Asad, 'The United States wanted Syria to kneel with the help of its clients in the Arab homeland, but American-inspired pressure and terrorism will not change Syria's stand'.[16] It is a measure of Syria's sense of isolation that Asad was forced to accept Qadhafi's perennial efforts to unite his remote and inconsequential country with a prestigious Arab state. In the aftermath of the Iraqi-Iranian turmoil, close relations between Damascus and Tripoli helped Asad out of his political isolation and helped Qadhafi out of his geographic remoteness. All in all, though, the foundations of this bizarre and asymmetric relationship were very flimsy which, while temporarily serving Syria's interests, had very little hope of standing the test of time.

Cementing Syrian-Libyan relations, however, was the pro-Soviet, anti-American stand taken by both leaderships. In Syria, this mistrust was reinforced not only by the Iraqi-Iranian war which was perceived as Western-inspired, but also by the increasingly bold subversive activities of the Moslem Brotherhood inside Syria. According to the Damascus regime, 'the Moslem Brotherhood could not have done what it did had it not been for the

direct support, facilities and free movement given them on Jordanian soil'.[17] It is difficult to find evidence to corroborate these allegations, but what is important is that they were genuinely believed in Damascus, thus heightening the leaders' fears of American moves through Jordan (and Iraq) to attack radical, pro-Soviet and/or Islamic regimes in the area.

In fact, toppling the Syrian regime through the Moslem Brotherhood could hardly have served Jordanian interests. The destabilizing impact of Iran's Islamic government on secularist and moderate regimes such as the one in Jordan could hardly fill the Hashemite monarch with confidence at the thought of the fundamentalist Moslem Brothers gaining power in Syria. Nor can the possibility of social, political and sectarian upheavals across the border be a comforting prospect for the population of Jordan, the majority of which is Palestinian, or for the Iraqi population with its ethnic and religious mosaic.

Nor, on the other hand, would the Syrians have stood to gain from the overthrow of the Jordanian monarchy, for apart from the repercussions this might have on Syria's own delicate domestic balance, there would be the even greater danger of an Israeli military intervention. Furthermore, given the quickly changing moods of inter-Arab relations, President Asad knew that, if and when the need arose to revive the Eastern front against Israel, a Jordan friendly with Syria and Iraq would be a good channel to effect a rapprochement.

Intra-regional conflict was not caused, but merely exacerbated, by the Iraqi-Iranian hostilities; nor will it necessarily end when the Gulf war is resolved. Intra-regional conflicts will cease only if and when the leaderships in question decide to call a halt to their conflictual activities. The problem, however, is that because of the highly personalized nature of Middle Eastern politics, governmental policies are

invariably and inexorably linked to the prestige, credibility, even survival of the respective leaderships. This makes it difficult for a leader to be seen by his population as 'backing down'. These internal political processes are further complicated by the infringement on domestic politics of two powerful transnational forces, namely Arabism and Islam, which set ideological parameters that motivate and constrain political action. On the other hand, the long periods of stability enjoyed by most of the contemporary Arab leaderships have given their respective regimes a measure of confidence in the long term security of their political orders, making it easier for them to take 'bold' decisions. It was thus only within the context of these complex domestic and regional issues that the Iraqi-Iranian war had an impact on the morass of Arab and Middle Eastern politics.

Footnotes

1. Al-Thawra (Baghdad), 3 March 1981.

2. Sunday Times (London), 3 February 1980.

3. Al-Thawra (Baghdad), 3 March 1981.

4. British Broadcasting Corporation, Summary of World Broadcasts, Part 4: The Middle East and Africa (hereafter cited as SWB), ME/6531/A/7, 24 September 1980.

5. Al-Majallah (London), 7 February 1981.

6. Middle East Economic Digest, 24-30 April 1981, p 27.

7. Al-Destour (Amman), 24 September 1980.

8. Al-Anba' (Kuwait), 19 January 1981.

9. Al-Thawra (Damascus), 7 November 1980.

10. SWB, ME/6667/A/3, 7 March 1981.

11. SWB, ME/6546/A/2, 11 October 1980.

12. See Adeed I. Dawisha, Syria and the Lebanese Crisis, London: Macmillan, 1980, p 111.

13. SWB, ME/6664/A/3, 4 March 1981.

14. Al-Destour (Amman), 27 March 1981.

15. Al-Ba'ath (Damascus), 28 April 1981.

16. Al-Thawra (Damascus), 9 March 1981.

17. SWB, ME/6670/A/5, 11 March 1981.

THE MIDDLE EAST AND HYDROCARBONS

1. PRE CRISIS (The 1960s)
2. CRISIS (The 1970s)
3. THE FUTURE (Beyond 1980)

R. L. PANIGUIAN

1. PRE CRISIS

The 1960 s now appear as a classical example of the buyer's market. The control over oil production exerted by the integrated oil companies ensured an orderly equation between supply and demand, with the emphasis on trimming and adjusting levels of supply in order to smooth out fluctuations in market demand. Reserves were the concern only of the exploration and production departments of the oil companies, and the concepts of resource scarcity and conservation made little, if any, impression on planning. The result was an era of unparalleled stability in the supply of crude oil, the erosion of the real cost of oil and a complacency of outlook among producers as well as consumers which would leave the world unprepared to face any kind of crisis.

During this period OPEC, and in particular Middle East OPEC, enjoyed or endured (there are arguments for both views) the status of a milch cow. It was easy to go along with the oil companies. They had a technology to which no producing country could aspire and provided a steady form of revenue which was entirely adequate for the nascent development requirements of the time. In the eyes of the oil industry, and of others besides, the Middle East producer countries were identified more than anything by the companies which controlled their oil production. The separate designs of these companies in pursuit of low cost oil from secure sources gave a surprisingly (from today's point of view) even pattern of production. Abstracting the Middle East OPEC members from the total OPEC in Attachment I for the year 1965 shows the following:

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Crude Oil Production in Middle East OPEC Member Countries ('000 barrels per day) in 1965 — TABLE I

		%
Iran	1908	23
Iraq	1313	16
Kuwait	2360	28
Qatar	233	3
S. Arabia	2205	27
UAE	282	3
	8301	100

2. CRISIS

The decade of the 1970 s was as remarkable for upheaval and discontinuity among the producing countries, and pre-eminently among the Middle East countries, as the 1960 s had been for stability and continuity. The epithet 'energy crisis' has been used to embrace different actions and consequences throughout this period; and it is worth sketching in broad terms the composition of the various forms of crisis, as this plays an important part in piecing together a view of the future.

i) The Crisis of OPEC Awareness

By the end of the 1960 s the industrial economies had reached a high point in complacency towards the supply of energy and its cost. Over-dependence by the West on oil, because of its advantageous economics, and on the Middle East, because this was where the resource could be obtained most plentifully and cheaply, was not matched by a similar complacency in OPEC. The realisation that they held sovreignty over the West's key energy component, the growing nucleus of their own technical competence and their accelerating aspirations for the

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economic development of their own countries were seized on first by Iran then by Libya to jolt OPEC into a realisation of its power. The swift nationalisation of the industry and the assumption of control over price definitively ended the industrial nations' control over the OPEC component of its energy supply.

ii) Adjustment by the Industrial World

Faced by this traumatic change in circumstances the West had to review its sources of energy, recognise the costs of developing alternative sources of oil and non oil energy and come to terms with reduced expectations of economic growth. The mid 70 s saw the forced development of non-OPEC oil sources, such as the North Sea and Alaskan fields, a revival of the exhausted resource of coal and renewed interest in bringing on nuclear energy rapidly. It also witnessed intensive research into entirely novel forms of energy, such as solar and wind power. And the idea of conservation took root for the first time.

iii) Schisms within OPEC

The transfer of control from the oil companies to the oil producers brought tremendous pressures to bear on individual members of OPEC. The popular misapprehension in the West of the ascendant OPEC as unified, or even monolithic, took no account of the diversity of the development objectives or politics of individual countries. Nowhere is this diversity of interest clearer than among the Middle East OPEC members. By the beginning of the 1980 s the revolution in Iran, the war between that country and Iraq, the levelling off of Kuwait's requirements for revenues for development and the

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determination of Saudi Arabia to take the leading role in OPEC had changed the pattern of Middle East OPEC production, as a comparison of 1975 levels with those at the end of 1980 shows.

Crude Oil Production in Middle East OPEC Member Countries ('000 barrels per day) TABLE 2

	1975	%	1980	%
Iran	5350	28	1700	10
Iraq	2262	12	1500	9
Kuwait	2084	11	1600	10
Qatar	438	2	500	3
S. Arabia	7075	37	9800	58
UAE	1664	10	1700	10
	18873	100	16800	100

3. THE FUTURE

The radical changes which occurred in the 1970 s have established a new relationship between the industrial economies and OPEC. This relationship is based on living with uncertainty - an uncertainty which not only characterises the business of dealings between the two interest groups, but also their internal affairs. The following view of the 1980 s and beyond is not intended to provide accuracy in quantitative terms, but to outline certain issues which will become increasingly important.

i) The Energy Strategies of the West

A number of short term measures may be brought into play. Greater flexibility in using oil stocks to ease supply strains would provide relief in periods of shortage. This would require courage and clear-cut decisions from governments in times of crisis.

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Next, consumers can be encouraged to accept and adopt temporary consumption restraints when necessary, with the result that the need to have recourse to the volatile spot market would be reduced. Thirdly, the principle will have to be accepted that oil will be sold to the consumer at its market place value.

In tackling these objectives the role of international co-operation cannot be over-emphasised.

In the longer term alternative energy programmes will have to be pushed ahead with urgency. Natural gas schemes, the redevelopment of coal, the development of nuclear energy on a meaningful scale and the adoption of wide ranging energy conservation measures, will all have a bearing on the consumption of oil. Attachment II shows how the consumption of oil by the Non-Communist World was checked in the mid-1970's; Attachment III gives an idea of the way in which the share of oil could decline between now and the end of this century relative to other forms of energy.

Two vital elements in any strategy designed to bring about this switch away from oil must be the adoption of a realistic, market-related policy on energy prices and consistent government policies on alternative forms of energy.

ii) <u>The Profile of Middle East Oil Production</u>

The next ten years are likely to see a sharpening of the differentiation between the Middle East producers.

Attachment IV shows the most important oil exporters in terms of their crude oil reserves and population. Those

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countries with large reserves and small populations, such as Kuwait and Qatar have relatively little need for increased revenue and relatively little capacity to absorb it. Given their small populations and pre-industrial economies, they face formidable problems investing or consuming their current oil income at home. And they have already learned from hard experience about the difficulty of investing safely and profitably overseas in an era of inflation and recession. Therefore they can be expected to reduce oil output as prices go up in order to avoid excess revenues.

On the other hand, Iran and Iraq have relatively high populations and, in terms of the area, sophisticated economies. They have been engaged in a costly war with each other, while Iran also suffered the disruptions caused by the revolution. Clearly the need for revenues of these two countries is likely to demand an increase in the present rates of production and their maintenance at higher levels over the long term.

The anomaly in this pattern is Saudi Arabia. Its colossal reserves and dominant production have established it as the leading force in OPEC, not just in the Middle East but internationally. No one can ignore the effect which Saudi pricing and production policies have on world demand for crude oil and on the ambitions of other OPEC members. The pursuit of high production and low price over the last year has demonstrated this clearly.

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However such pre-eminence makes Saudi Arabia vulnerable. Although the conditions of 'oversupply' engineered by the Saudis in 1980/81 have relieved certain stresses in the industrialised economies, not everyone has benefitted. Not only have the policies of the more hawkish, African, producers in particular been knocked off course as sales and revenues have dropped, but the other more revenue conscious Middle East producers such as Iraq and Iran have suffered. In addition there have been, for the first time, questions asked within Saudi Arabia as to whether production of 10 million barrels per day has any meaning for Saudi Arabia itself, especially if this high production results in a lowering of the price of oil.

iii) The Balance

It is suggested that throughout the 1980 s the combination of low-key economic activity and the implementation of alternative energy strategies will allow the industrial world to maintain the check on oil consumption which has characterised the past three years. In 1977 the Non-Communist World's oil consumption was 49.4 million barrels per day. Although it reached 51.2 million in 1979, it is expected that it will have fallen back to 47.5 million by the end of 1981 and to 46 million in 1982. (This would be roughly the same level as 1974). Right now there do not seem to be any very good reasons for believing that oil consumption will have returned to 1979 levels until the second half of the 1980 s.

Always assuming that the development of alternative energy sources is pursued vigorously, demand for oil in the 1980 s

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should remain comfortably within the limits of supply. The following table expresses a view of the way in which Non-Communist World demand could be contained within Non-Communist World availability:

TABLE 3

('000 barrels per day)

	1980	1985	1990
NCW Demand	49.0	50.0	53.0
NCW Supply	49.4	54.7	59.7
of which non OPEC	20.7	23.2	25.4
and OPEC	28.7	31.5	34.3

Within the overall supply potential of OPEC the share of the Middle Eastern producers will probably rise to higher levels than before. While 60% was an average for the 70 s, the proportion may be nearer to 75% by 1990:

TABLE 4

Production capacity of Middle East OPEC, 1980 - 1990 ('000 barrels per day)

	1980	1985	1990
Iran	1700	3500	5000
Iraq	1500	3700	4000
Kuwait	1600	1600	1600
Qatar	500	500	500
S. Arabia	9800	11000	12500
UAE	1700	2000	2000
	16800	22300	25600
(% of total OPEC capacity	59%	71%	75%)

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Iran and Iraq are presumed to restore capacity as rapidly as possible after the war is over in order to maximise revenues. And it is perfectly feasible that around 3 million barrels per day extra could be added to Saudi Arabia's capacity between now and 1990. Its position should continue to dominate a group of producers which will itself take a larger share of OPEC's production capacity.

It needs to be stressed that these figures represent maximum production potential. In the event supply is covered in the way that Table 3 suggests, there will be room for those with production potential out of proportion to their revenue needs to trim their output. This would enable Saudi Arabia in particular to ease back and make for a less heavily skewed profile for Middle East production.

CRUDE OIL PRODUCTION IN OPEC MEMBER COUTRIES, 1960-1979
THOUSAND BARRELS PER DAY

	1960	1961	1962	1963	1964	1965	1966	1967	1968	1969
ALGERIA	181.1	330.9	436.9	504.3	557.8	558.7	718.7	825.7	904.2	946.4
ECUADOR	7.5	8.0	7.0	6.8	7.6	7.8	7.3	6.2	5.0	4.4
GABON	15.4	14.9	16.4	17.7	21.0	24.9	28.6	69.0	91.9	99.8
INDONESIA	409.6	424.3	453.4	444.0	456.6	480.6	464.6	505.4	600.7	742.3
IRAN	1067.7	1202.2	1334.5	1491.3	1710.7	1908.3	2131.8	2603.2	2839.8	3375.8
IRAQ	972.2	1007.1	1009.2	1161.9	1255.2	1312.6	1392.2	1228.1	1503.3	1521.2
KUWAIT	1691.8	1735.0	1957.8	2096.3	2301.0	2360.3	2484.1	2499.8	2613.5	2773.4
S.P. LIBYAN A.J.	.0	18.2	182.3	441.8	862.4	1218.8	1501.1	1740.5	2602.1	3109.1
NIGERIA	17.4	46.0	67.5	76.5	120.2	274.2	417.6	319.1	141.3	540.3
QATAR	174.6	177.2	186.2	191.5	215.3	232.6	291.3	323.6	339.5	355.5
SAUDI ARABIA	1313.5	1480.1	1642.9	1786.0	1896.5	2205.3	2601.8	2805.0	3042.9	3216.2
UNITED ARAB EMIRATES	.0	.0	14.2	48.2	186.8	282.2	360.0	382.1	496.6	627.8
VENEZUELA	2846.1	2919.9	3199.8	3247.9	3392.8	3472.9	3371.1	3542.1	3604.8	3594.1
TOTAL OPEC	8696.9	9363.8	10508.1	11514.2	12983.9	14339.2	15770.2	16649.8	18785.6	20906.3

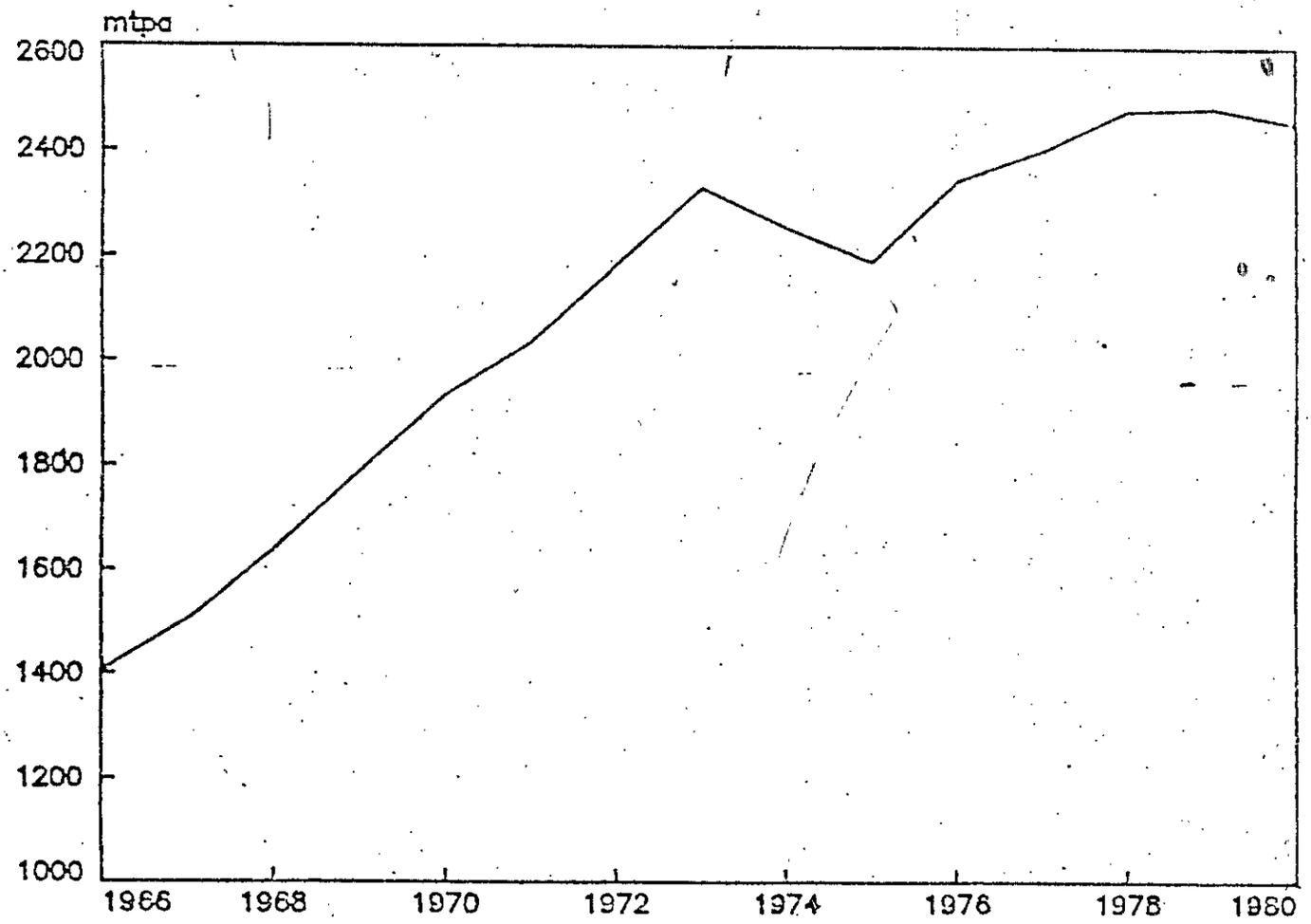
	1970	1971	1972	1973	1974	1975	1976	1977	1978	1979
ALGERIA	1029.1	785.4	1062.3	1097.3	1008.6	982.6	1075.1	1152.3	1161.2	1153.8
ECUADOR	4.1	3.7	78.1	208.8	177.0	160.9	187.8	183.4	201.8	214.2
GABON	108.8	114.6	125.2	150.2	201.5	223.0	222.8	222.0	208.7	203.4
INDONESIA	853.6	892.1	1080.8	1338.5	1374.5	1306.5	1503.6	1686.1	1635.2	1590.8
IRAN	3829.0	4539.5	5023.1	5860.9	6021.6	5350.1	5882.9	5662.8	5241.7	3167.9
IRAQ	1548.6	1694.1	1465.5	2018.1	1970.6	2261.7	2415.4	2348.2	2562.0	3476.9
KUWAIT	2989.6	3196.7	3283.0	3020.4	2546.1	2084.2	2145.4	1969.0	2131.4	2500.3
S.P. LIBYAN A.J.	3318.0	2760.8	2239.4	2174.9	1521.3	1479.8	1932.6	2063.4	1982.5	2091.7
NIGERIA	1083.1	1531.2	1815.7	2054.3	2255.0	1783.2	2066.8	2085.1	1897.0	2302.0
QATAR	362.4	430.7	482.4	570.3	518.4	437.6	497.3	444.6	486.7	508.1
SAUDI ARABIA	3799.1	4768.9	6016.3	7596.2	8479.7	7075.4	8577.2	9224.5	8301.0	9532.0
UNITED ARAB EMIRATES	779.6	1059.5	1202.7	1532.6	1678.6	1663.8	1936.4	1998.7	1830.5	1830.7
VENEZUELA	3708.0	3549.1	3219.9	3366.0	2976.3	2346.2	2294.4	2237.9	2165.5	2356.4
TOTAL OPEC	23413.0	25326.3	27094.4	30988.5	30729.2	27155.0	30737.7	31278.0	29805.2	30928.2

SOURCE: DIRECT COMMUNICATIONS TO THE SECRETARIAT
DE GOLYER AND MACNAUGHTON, TWENTIETH CENTURY PETROLEUM STATISTICS
PETROLEUM INTELLIGENCE WEEKLY.

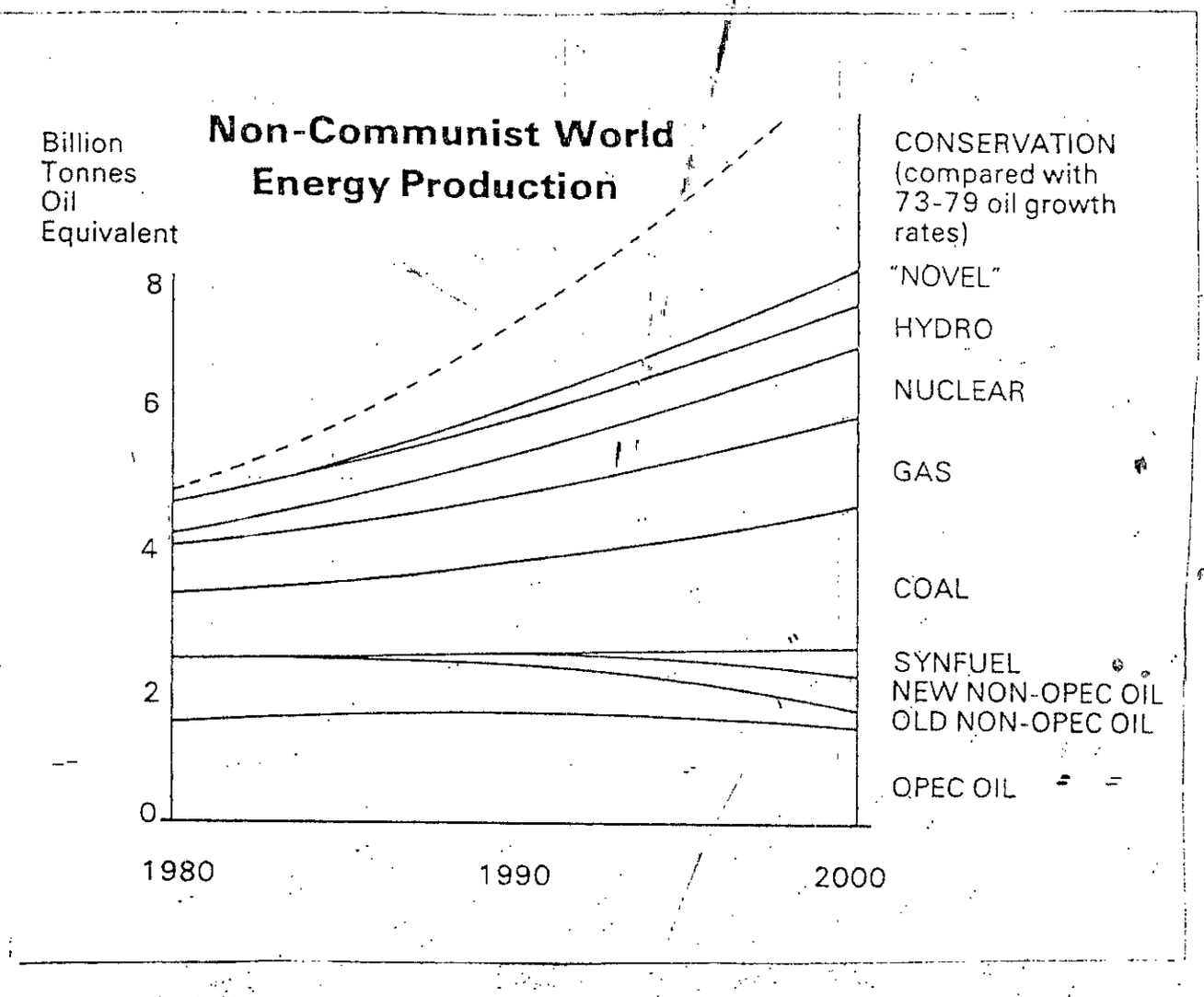
ATTACHMENT I

ATTACHMENT II

NCW Oil Consumption



ATTACHMENT III



ATTACHMENT IV

POPULATION/OIL RESERVES, MAJOR NON-COMMUNIST WORLD OIL EXPORTERS, 1975