

Saudi Arabia and OPEC: A Neorealist Approach

Alex Stein

United States Military Academy

Saudi Arabia rose from a fractured tribal nation to one of the leading oil producing states in the world in a matter of decades. The development of Saudi Arabia's oil industry is inextricably tied to its membership in the Organization of Petroleum Exporting Countries (OPEC). Yet, Saudi Arabia's role in the founding of OPEC, and all of the political maneuvering that followed stand in contrast to Saudi Arabia's identity as an Arab state, and seemingly their interests as an economic power. This paper seeks to explore Saudi Arabia's behavior, and explain their actions from a neorealist perspective. This paper analyzes how Saudi Arabia's choices were affected by the global political and economic climate at the time of OPEC's founding, and what the motivating factors for an economic alliance were. Finally, this paper considers constructivism as an alternate theory in answering the principal question.

In 1959, a small group of diplomats convened in a secret meeting outside of Cairo. They represented countries like Saudi Arabia, Iraq, Venezuela, Iran and Kuwait—the top oil producing nations in the world. Their meeting places were informal and unlikely—on yachts and in private cabins—but they sought to change the world order. The product of those surreptitious meetings would eventually upend the Western dominance of the crude oil market and shock the world economy. The Organization of Petroleum Exporting Countries (OPEC) became official shortly after. As the controlling force of the majority of the world's oil supply, OPEC became the international price maker in the oil market.¹

The organization appears to be contrary to the interests of some of its members. Saudi Arabia, while still underdeveloped in terms of production, sits on top of the largest accessible oil reserve in the world. The alliance essentially constrained Saudi Arabia's output and limited its individual control of its own oil supply. By

joining OPEC, Saudi Arabia seemingly subverted its interests to those of the group. It chose to forego the opportunity to have relative superiority over the other oil exporting nations. Why then, did Saudi Arabia become one of the five founding nations of OPEC in 1960?

To answer this question, I will first explore the complicated circumstances leading to OPEC's creation. Then, I will outline the theoretical roots behind an applicable intellectual framework. With the requisite historical and philosophical tools, I will offer a specific explanation, and then test this explanation through comprehensive analysis. I will explore Saudi Arabia's involvement in OPEC primarily from the perspective of neorealism. This theory, as explored by Kenneth Waltz, explains international cooperation in an anarchic global system.² I use this approach to analyze how Saudi Arabia's choices were affected by the global political and economic climate, and what the motivating factors for an economic alliance were. Finally, I will consider constructivism

¹ Pierre Terzian, *OPEC: The Inside Story* (London: Zed, 1985), 20.

² Kenneth N. Waltz, *Theory of International Politics* (Boston: McGraw-Hill, 1979).

as an alternate theory in answering the principal question.

Background

In the late 1930s and early 1940s, Venezuela was the top oil exporter in the world, supplying the United States with most of its oil.³ The rich oil reserves of the Middle East went largely untapped until the mid 1940s, when American and British oil companies began major drilling operations in Kuwait, Saudi Arabia, Iraq and Iran.⁴ Oil was not even in the Saudi lexicon until Saudi Arabian monarch Ibn Saud signed an oil concession in 1933, giving the Arabian American Oil Company (Aramco) permission to start prospecting.⁵ International ventures were crucial in the development of the Middle East oil economy, since these states were underdeveloped and lacked the capital and technology to harvest their vast natural reserves. The foreign dominance of oil production in the Middle East meant that price controls were in the hands of the investing countries rather than the producing countries. Saudi Arabia was still in its formative years, with Ibn Saud barely in control of the loose collection of Arab tribes that he had unified by force under the new banner of a Saudi Kingdom.⁶

American oil companies lowered the purchase price of crude oil to artificially low prices. In July of 1949, oil from the Middle East cost the same as oil from Venezuela with shipping included.⁷ Venezuela had now lost all of its leverage over the American economy, since an equally priced substitute was easily available and in high supply. By 1955, oil production in the Middle East had reached 3.3 million barrels per day, far surpassing

Venezuela's 2.2 million barrels per day.⁸ The oil-based Venezuelan economy was now vulnerable to an American boycott, which had the potential for catastrophic consequences for the Venezuelan economy.

Venezuelan diplomat Juan Pablo Perez Alfonso realized that the only feasible way to counter the American check on the country's oil exports was by pursuing some form of an agreement or an "entente" to unite aligned interests and reduce the ability of foreign oil companies to manipulate prices and pit exporting nations against each other.⁹ In September 1949, Venezuela sent a diplomatic team to visit six strategically important Middle Eastern states: Saudi Arabia, Iran, Iraq, Egypt, Kuwait and Syria. Saudi Arabia was the most oil-rich among the six nations but controlled none of its own oil. The Arabian-American Oil Company owned the venture. American oil companies also had a large stake in Venezuelan oil operations, a dangerous condition for Venezuela. Saudi Arabia, if not co-opted, would pose a large competitive threat to Venezuela. In fact, even by 1949, Saudi Arabia was exporting close to 500,000 barrels per day.¹⁰ Hence, Saudi Arabia became a prime target of concern among Venezuelan emissaries.

Venezuela had increased its oil revenue by taxing exports. The Venezuelan delegation in the Middle East had hoped to impart this knowledge to the leaders of the countries they visited. By giving their oil-producing competitors another way to increase revenue besides ramping up production, they hoped to stem the flood of Middle Eastern oil that was depressing the global price of crude. Abdullah Tariki, an ambitious Saudi who would eventually become the General Director of Oil and Mining Affairs for the Saudi government, became enamored with Perez Alfonso and Venezuela's approach

³ Terzian, *OPEC*, 4.

⁴ *Ibid.*, 11.

⁵ Madawi Al-Rasheed, *A History of Saudi Arabia* (Cambridge: Cambridge University Press, 2002), xii.

⁶ Joseph Kostiner, *The Making of Saudi Arabia 1916-1936* (New York: Oxford University Press, 1993), 186.

⁷ Terzian, *OPEC*, 4.

⁸ Ian Skeet, *OPEC: Twenty-five Years of Prices and Politics* (New York: Cambridge UP, 1988), 2.

⁹ Terzian, *OPEC*, 7.

¹⁰ *Ibid.*, 7-15.

to raising revenues.¹¹ A year after the delegation returned to Caracas, Saudi Arabia instituted a system of taxation modeled after Venezuela's own, culling 50% of the exporting corporation's profits. Kuwait and Iraq followed suit within a year and a half.¹²

Meanwhile in Iran, a labor strike followed by a regime change resulted in a new populist government, whose leadership promptly nationalized the Anglo-Iranian Oil Company, turning it into the National Iranian Oil Company. Britain retaliated and seized all the shipments of Iranian oil that it could, devastating the Iranian economy. The United States and Britain jumped at the opportunity to regain oil rights, and, taking advantage of Iran's instability, organized a coup to replace the leadership with a pro-Western Shah. Iran's orchestrated upheaval spread fear throughout the oil-producing countries, and a flurry of military, diplomatic and economic relations between the Arab nations and Iran ensued.¹³ The Arab league decided to hold an "oil congress" in Egypt in 1959 and invited Venezuela and Iran to participate, with the plan to invite other states "facing the same problems as the Arab countries."¹⁴ Delegates from all attending nations discussed issues in the public proceedings, but a few also met clandestinely outside of Cairo, resulting in a secret "gentleman's agreement." This was the prologue to OPEC, known as the Maadi Pact, after the yacht club where it was signed.¹⁵

Ignoring a stern warning from Venezuela, on August 9th, 1960, Exxon cut posted oil prices between 5 and 14 cents across the Middle East. Within two weeks, Shell, Gulf, Texaco and BP did the same. Shortly thereafter, Tariki from Saudi Arabia and Antonio Araujo, Venezuela's ambassador to Saudi Arabia, met briefly in Beirut and drew up a list of nations who were to be

invited to a meeting to address the oil companies' recent transgressions. By August 25th, the Iraqi Government officially invited Saudi Arabia, Iran, Venezuela, and Kuwait to a meeting in Baghdad that was to take place on September 10th. Shell saw the impending alliance and, in a last ditch attempt at appeasement, raised oil prices 2 to 4 cents across the board. Four days after the Baghdad conference, OPEC became official.¹⁶

Theory

I analyze the Saudi entrance into OPEC primarily using the neorealist theory of international relations, pioneered by political scientist Kenneth N Waltz. Neorealism approaches international relations at a system level, and views all organizations and states as rational unitary entities. It is primarily concerned with how states are politically, economically and geographically arrayed: "How units stand in relation to one another, the way they are arranged or positioned, is not a property of the units. The arrangement of units is a property of the system."¹⁷ In other words, looking at international relations as a system requires abstracting the actors as basic, independent units. The reasons for not considering properties of the individual state are twofold. First, this method offers greater theoretical parsimony, and therefore greater utility as a model. Second, the system level approach is concerned with how the system affects the behavior of the units inside, not how the units operate internally.¹⁸ This approach is based on the assumption that states all share the same basic interest of survival.

Waltz lists the three aspects of the system which we consider: "first by the principle according to which they are organized or ordered, second by the differentiation of units and the specification of

¹¹ Skeet, *OPEC*, 7.

¹² Terzian, *OPEC*, 12.

¹³ *Ibid.*, 16-22

¹⁴ *Ibid.*, 22.

¹⁵ *Ibid.*, 26-27.

¹⁶ *Ibid.*, 30-35.

¹⁷ Waltz, *Theory of International Politics*, 80.

¹⁸ *Ibid.*, 80.

their functions, and third by the distribution of capabilities across units.”¹⁹ Of those, the third is the most important in international politics. Since we view states as being “functionally undifferentiated,” they are stratified by their varying ability to perform similar actions and pursue similar interests. This concept still falls within the framework of a systemic analysis since the distribution of power is a property of the system as a whole.

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Neorealism holds the anarchic international scene as being primarily responsible for the patterns of behavior of states. Anarchy is not necessarily chaos but rather the lack of a central authority or effective governing body between nations. There exists international law, for example, but the enforcement is contingent upon the action of separate sovereign states. Accordingly, every state pursues its own self-interest and is only constrained by its ability to do so and to defend itself from others seeking to do the same.²¹

Anarchy has several important ramifications. First, a state can never know any other state’s intentions with absolute certainty. Neorealism assumes that all states have some measure of offensive military capability, which in turn means that attack from another state is always a possibility. A second assumption is that all states share the goal of survival. Given the first assumption, every state’s impetus is to constantly improve its defenses against attack. If all states are always striving to improve their military capabilities relative to each other, then there is a constantly escalating cycle of militarization—known as the security dilemma. This is the dependent variable of neorealism.²²

One of the ways in which states interact in anarchy is balancing through cooperation and alliance formation to counter the threats posed by other powers. Neoliberal institutionalism helps to explain the mechanics behind external balancing behavior. Robert Axelrod and Robert Keohane confront the issue of international cooperation under an anarchic system by first defining cooperation. Cooperation is not equivalent to harmony; it only requires a partial overlapping of interests. Waltz’s structural paradigm is still applicable when considering the circumstances behind international cooperation. Three “situational dimensions” in particular determine the likelihood of actors cooperating: the mutuality of interest, the shadow of the future and the number of actors.²³

Game theory can help to understand how the degree of mutuality of interests affects the level of cooperation. For example, the prisoner’s dilemma game is a hypothetical interrogation situation which pits players against each other by offering them a choice of whether to remain silent and reduce their sentence through cooperation, or rat on their accomplice in exchange for immunity. The payoff structure makes cooperation unlikely, since the most rational choice is to defect. In general terms, this means that the conflict of interests between the two parties involved is greater than the benefits reaped from cooperation. In the “stag hunt” game, all players must cooperate to catch the stag. A player may divert their attention to hunt a passing rabbit instead, but if any player defects then the stag is lost. There is still a risk of cheating, but the payoff for cooperation is greater than the payoff for defecting, making cooperation much more likely.²⁴ Game

¹⁹ Ibid., 86.

²⁰ Ibid., 91.

²¹ John J. Mearsheimer, *The Tragedy of Great Power Politics* (New York: W.W. Norton, 2003), 188.

²² Ibid., 188-189.

²³ Robert Axelrod and Robert O. Keohane, “Achieving Cooperation under Anarchy: Strategies and Institutions,” in *Neorealism and Neoliberalism: The Contemporary Debate*, ed. David A. Baldwin (New York: Columbia University Press, 1993), 84-87.

²⁴ Ibid., 87-88.

theory is useful in analyzing international relations because many situations can be modeled by a game theoretic payoff scheme.

The shadow of the future, or the concern for future payoffs, also affects the actors' propensity for cooperation. The prisoner's dilemma game is considered only as a one-time game. If the prisoners repeatedly played the game, they would be more likely to cooperate. Defecting in the short run is likely to cause the opponent to retaliate by defection in the next iteration. If future payoffs are valued at all compared to the current payoff, players will want to cooperate, since cooperation is more likely to get them any sort of payoff.²⁵

The final condition which determines the likelihood of cooperation is the number of actors in the system. If there are many players, it obscures several important abilities that states maintain to induce cooperation. If players cannot identify defectors or focus punishment on defectors or do not have sufficient incentive to punish defectors then cooperation will not occur or will quickly break down. The threat of punishment is what deters potential defectors, so actors are unconstrained without it.²⁶

Hypothesis

For this analysis, the dependent variable that I examine is Saudi Arabia's decision to become a part of the Organization of Petroleum Exporting Countries (OPEC). The independent variable is the anarchic international system. The causal logic establishing a link between anarchy and OPEC is Saudi Arabia's desire for oil price stability, and the accompanying economic security and international political and strategic power through control of the majority of the world's oil supply.

These are causal contributors to the dependent variable for several reasons. First, the West's history of exploiting the Middle East's oil resources, especially Saudi Arabia, without regard to economic consequences in the producing countries set the precedent for Saudi Arabia's fundamental mistrust of Western oil consumers. Second, oil is a vital resource for the developed world. Saudi Arabia was already a major producer of oil, but by coalescing all of the biggest exporters into the same group it wielded a very powerful political and strategic tool. Saudi Arabia had a lot of influence within the group itself because of its large market share. "The oil weapon" could bring the strongest economies to a screeching halt.²⁷ By making collective oil pricing and production decisions with the other OPEC members, Saudi Arabia increased its relative power as compared to oil importers. Finally, Saudi Arabia had few other choices. Before its membership in OPEC, Saudi Arabia received a scant fraction of the revenues produced from its massive oil export. The "seven sisters" oil cartel had been the driving financial and technological force behind pioneering Saudi oil, and owned every barrel that it pumped accordingly. The dominant American oil companies held too strong of a grip for Saudi Arabia to attempt to buy its own oil industry, and the state would not survive if it attempted to nationalize, as the case had been with Iran.

The other major oil exporters faced similar problems, so the alliance was very much a marriage of convenience. This hypothesis is empirically testable by first examining individual assumptions for their accuracy in the setting of 20th century Saudi Arabia, and then finding the degree to which neorealism accounts for the behavior of Saudi Arabia through the independent variable and dependent variable. The causal logic should be

²⁵ Ibid., 91-93.

²⁶ Ibid., 94-95.

²⁷ Wilard Beling, ed., *King Faisal and the Modernisation of Saudi Arabia* (London: Croom Helm, 1980), 205.

a coherent progression of ideas if the assumptions, independent variable, and dependent variable prove to be sound.

Analysis

In order to examine the accuracy of neorealist theory in explaining Saudi Arabia's decision to become involved in OPEC, I first test the underlying assumptions of neorealism for their validity in the case of Saudi Arabia. The primary assumption of Waltz's neorealism is that the international system is anarchic. This is also the independent variable, making it a critical part of the theory and necessitating extra scrutiny for logical soundness. Many international organizations formed in the decades leading up to 1960. The UN, NATO, and the Warsaw Pact were all founded in the five years following World War II and marked a new era of international cooperation. This cooperation, however, is quite distinct from a binding world order. First of all, these international organizations were largely defensive in nature and were created to balance a perceived threat. NATO, established in 1949, was the West's response to the threat posed by the still-mobilized massive Soviet military. Not long after, the USSR and the bloc countries established the Warsaw Pact as a check on NATO power. The fact that there were two competing international organizations of a *military* nature undermines the notion of a truly uniting and binding world order in that era. Even in contemporary international organizations, membership is voluntary and the enforcement of regulations is incumbent upon member states rather than a capability of the central organization.

The second critical assumption is that states behave as rational, unitary actors. Treating states as theoretical "black boxes," ignoring the often substantial differences between each state may seem overly simplistic, but fundamentally all states pursue the same goals. State survival is

always the primary objective in any interaction.²⁸ An aggregated view of state behavior shows that states will do what they can to ensure their survival, regardless of regime type and background. Saudi Arabia was no different. Saudi Arabia was tumultuous in 1927, rampant with religious strife. Ibn Saud, in his quest for unification, had invaded the Hejaz region of the Arabian Peninsula. Within Hejaz lie the two holiest sites in the entire Muslim world: the cities of Mecca and Medina. The Wahhabite invaders sacked a number of religious shrines from other Islamic sects, angering visiting pilgrims and the Yemeni Imam Yahya, who threatened war. Instead of following the wishes of his Wahhabi followers and engaging in an almost certainly counterproductive *jihad*, Ibn Saud stood down. An American consular report on the situation explained "As for the relations between Ibn Saud and the Imam, I am persuaded [...] that there is no likelihood of war in the near future. [...] Ibn Saud was pre-occupied with his great work of consolidating his enlarged empire."²⁹ When faced with the question of following religious ideals or preserving the security of the state, Ibn Saud had chosen the latter. A later communiqué remarked, "Ibn Saud, despite any religious convictions he might have possibly longed to inflict upon the conquered, displayed at least a saving modicum of common sense in restraining the passions of his misguided if sincere followers."³⁰ There are numerous other examples of Saudi Arabia's predilection to bargain for security even in the face of fundamental and principled internal opposition. Thus, one can safely abstract the internal machinations of states, even those like Saudi Arabia, while maintaining relative

²⁸ Waltz, *Theory of International Politics*, 77.

²⁹ Mr. James L. Park to Sec. of State Frank B. Kellogg, October 25, 1927, in *Documents on the History of Saudi Arabia*, vol. II, ed. Ibrahim al-Rasheed (Salisbury, NC: Documentary Publications, 1976), 126.

³⁰ Park, *Documents*, 141-142.

accuracy in the generalization that all states seek security first and foremost.

Alone, these assumptions do not seem to have much significance, but considering the fact that there are unconstrained states, all of whom possess some measure of offensive capability and uncertain intentions, there is ample cause for suspicion among states. Add to this the fact that there is no international enforcer of justice to punish unwarranted aggression, and the scene is set for a perpetual security crisis among states.³¹ The neorealist stipulation to this conclusion is that cooperation is occasionally useful in a state's goal of furthering its economic, political, military or social power when state interests overlap.

Saudi Arabia's decision to become a founding member of OPEC is the dependent variable of this model. The North Atlantic Treaty Organization is a useful example of a defensive international institution for comparative analysis. John Mearsheimer offers a compelling analysis of NATO as a neorealist international institution. Western nations threatened by Soviet menacing had a mutual interest in preventing further aggression by the Soviets. NATO, while instrumental in winning the Cold War and preventing a nuclear exchange, "was basically a manifestation of the bipolar distribution of power in Europe during the cold war, and it was that balance of power, not NATO *per se*, that provided the key to maintaining stability on the continent. NATO was essentially an American tool for managing power in the face of the Soviet threat."³²

Given the previous assumptions and the instructive example of NATO, the reason for Saudi Arabia's decision to join OPEC as a consequence of an anarchic international system becomes clear: the need for defense from Western aggression. Ibn Saud signed the oil concession giving oil rights to the

California Arabian Standard Oil Company (Casoc) in 1933, which would later become the Arabian American Oil Company (Aramco) in 1944.³³ Aramco enjoyed almost unimpeded monopoly on Saudi oil until a December 1950 decree demanding half of all oil revenue go to the Saudi Government. The United States-backed coup in Iran was developing roughly concurrently, largely as a result of the Iranians' decision to nationalize their own oil industry. Although Saudi Arabia had won a battle with its 50% tax on oil, the young state had placed its security on the line. The United States now had a motive to orchestrate a regime change in Saudi Arabia. The Saudis needed to find some way to guarantee their security after their aggressive and provocative tax policy.

The need for some form of protective alliance had been established. But why would Saudi Arabia enter into an agreement that forced maximum production quotas and thereby sacrifice its competitive advantage against other oil producing nations? The answer is that it did not. Precisely because Saudi Arabia controlled such massive oil reserves, the state exerted some influence over other OPEC members. Quite simply, it had not given up the oil weapon. Even twenty-five years after OPEC's founding, Saudi Arabia maintained hedges against the power of other OPEC members. It still produced enough oil to pay off all government debt, plus a healthy margin, resulting in a currency surplus and a booming economy, and had a large enough market share to retaliate against any OPEC members who decided to cheat by upping production.³⁴ All the while, OPEC offered the Saudis protection from marauding American or British plots with its powerful political and economic oil weapon, as demonstrated by the 1973 oil embargo. As the Egyptian-Israeli war raged on, Saudi Arabia warned the United States that it would

³¹ Mearsheimer, *The Tragedy*, 188.

³² *Ibid.*

³³ Beling, *King Faisal*, 204.

³⁴ *Ibid.*

restrict the oil supply if the U.S. continued to support Israel. America promptly disregarded this advisory and provided Israel with a huge shipment of arms. Saudi Arabia and the rest of OPEC retaliated by reducing oil production 5% every month, declaring a predicted 17% rise in prices and announcing a complete ban on the shipment of petroleum to the United States. This supply shock resulted in an actual 70% rise in the price of oil. So it was known: if another nation attempted military action or political sanctions, Saudi Arabia could rally the rest of OPEC and crash the offending economy.³⁵

The Saudis also hoped to use the substantial profit from the oil industry to bring Saudi Arabia into the modern world. King Faisal, son of and later successor to Ibn Saud, developed a "Five Year Plan" for modernizing Saudi Arabia. This desire to bring infrastructure, education and economy on par with the West can be recognized as a distinctly realist goal of relative gains. Oil riches, he had determined, were not enough to guarantee Saudi Arabia's future. "Like it or not," he said, "We must join the modern world and find an honorable place in it."³⁶ The Saudi approach to this modernization process was to develop domestic industrial technologies up to par with those in industrialized countries, in the hopes of permanently establishing Saudi Arabia as a modern, developed state with reduced international dependence. Economic diversity was an important long term goal aimed at reducing Saudi dependency on oil exports in preparation for an inevitable taper in production. The plan started with the purchase of massive amounts of capital from the West to streamline oil production and expanded to sending young Saudis to get engineering degrees abroad, bringing technical knowledge and the ability for

technological innovation back to Saudi Arabia.³⁷

The logic linking Saudi Arabia's involvement in OPEC, the dependent variable, to international anarchy, the independent variable, is a syllogistic progression from the previously stated assumptions. If the tested assumptions are correct, then the argument is only a matter of deductive logic, and therefore peerless. The provision that assumptions must be completely accurate, however, is a significant one. The aforementioned tradeoff between theoretical elegance and accuracy becomes significant in this aspect. If the assumptions are not precisely correct, states do not *always* act rationally, and the world is not *completely* anarchic, then any conclusions based on the model are bound to be inherently flawed to some degree. This paper's critical assessment has shown that while not absolute in accuracy, the assumptions made here are valid enough to demonstrate a neorealist model as the most accurate in explaining Saudi Arabia's decision to join OPEC.

Alternative Explanation

Constructivism offers a compelling alternative to neorealism. Briefly, constructivist theory states that countries with similar identities tend to band together and form cooperative alliances specifically because of their shared identities.³⁸ Constructivists do not refute that the international system is anarchic, but rather argue that anarchy is what states make of it according to their identities. A state's identity consists of its common values, morals, culture, language, political traditions, and opinions on world affairs. Identities tell states who they are and who other states are. By extension, identities determine the particular decision-making character of states and their

³⁵ Al-Rasheed, *A History*, 136-138.

³⁶ Beling, *King Faisal*, 76.

³⁷ *Ibid.*, 65-66.

³⁸ Ted Hopf, "The Promise of Constructivism in International Relations Theory," *International Security* 23 (1998): 177.

respective choices of action in various scenarios.³⁹ Constructivism posits that identity and the corresponding interests are variable rather than fixed and identical, as neorealism assumes. This independent variable is the determinant of state interactions, though only indirectly. Identities are complementary to and required for—not identical to—interests.⁴⁰

Given that most of OPEC's founding members were Arab states or at least Muslim and Middle Eastern, there is a strong case for this argument. In a 1978 speech, Sheikh Ahmad Zaki Yamani, the Saudi Minister of Petroleum, identified the inherent link between Arab oil-producing countries and further stated that Saudi Arabia was committed to the Arab cause in that regard.⁴¹ Since state interests are variable and depend on a country's identity, Saudi Arabia had very different interests and goals than European countries or the United States. Nowhere was this more clearly reflected than in the 1973 Yom Kippur War and Saudi Arabia's subsequent campaign to enact the oil embargo. As the Saudi oil minister would articulate five years later, there was a unified Arab opinion on the Palestinian issue due to a shared identity as Arabs and Muslims. The Arabs' negative sentiment towards Israel was not because of any kind of perceived threat, although this would eventually follow, but rather because of the Arabs' sense of indignity at the Jewish people declaring a homeland on territory that the Arabs believed was rightfully theirs. The Americans, who did not share this view, ignored Arab threats and supported Israel with weapons and monetary aid. Saudi Arabia's identity as an Arab state and Muslim nation was a particularly strong influence in the development of the Saudi government and Saudi foreign policy. As one

historian put it, "Just as the critical fact in the Saudi economy is petroleum, so the quintessence of its very being is Islam."⁴² As the birthplace and holy epicenter of the Muslim faith, Saudi Arabia naturally has a civic structure that reflects this heritage. The Kingdom's monarch must be of exceptional piety and devout faith. Sharia law, as prescribed by the Koran, is the law of the land in Saudi Arabia.⁴³ If, as Sheikh Yamani had claimed, Saudi Arabia was inextricably bound to supporting the Arab cause through policy, then it certainly was not a neorealist state. The notion that states forego relative power to pursue other goals contradicts the realist notion of a rational actor.

A constructivist explanation falls short in several areas, however. Primarily, constructivism does not address the inherent problem of uncertainty. The problem of uncertainty underlies every international relationship. A strong economic, military or political partnership between nations reduces incentives for aggression because of the likely probability of termination of any such agreement. As in game theory, alignment of interests also facilitates more stable relations. The United States and Canada, for example, can never be certain of the other's true intent, but they also don't anticipate attack either. Both stand to gain little from attacking the other. However, when interests compete as with OPEC members, the level of trust plummets, and countries eventually start actively preparing for the possibility of armed conflict with one another. Competing interests may be over security, political power, economic dominance, or often resources. India and Pakistan face a continual security crisis, exacerbated by the addition of nuclear weapons. China and Japan struggle for political power. Sudan and South Sudan fight over security, political power, economic dominance, *and* resources. Even if the other

³⁹ Hopf, "Constructivism," 175.

⁴⁰ Alexander Wendt, *Social Theory of International Politics* (Cambridge: Cambridge University Press, 1999), 231.

⁴¹ Beling, *King Faisal*, 204.

⁴² Beling, *King Faisal*, 39.

⁴³ *Ibid.*, 39-40.

states in OPEC were very similar in identity to Saudi Arabia, they still posed a threat because of their competing economic interests and the uncertainty of what they might do to attain their goals, to include overproduction or price sabotage.

Second, identity must have not been that important of a factor in the creation of OPEC since after the divisive 1973 oil embargo, a separate and overlapping Organization of Arab Petroleum Exporting Countries was formed, specifically to allow the Arab nations to engage the Palestinian problem on their own. OPEC's formation may seem like an argument *for* the validity of constructivism, but it instead suggests that identity was not primarily behind OPEC's formation. Constructivism is a very fitting explanatory theory for OPEC, which is precisely why it doesn't make sense to apply it within the context of OPEC. OPEC members include many non-Arab states such as Venezuela and Malaysia. Oil production itself cannot be considered part of a state's "identity" in the sense used by constructivists, as it is merely a result of the distribution of natural resources, not a cultural phenomenon. It would not make sense if OPEC were formed as an Arab organization, only to have a smaller "more Arab" group emerge a few years later, with OPEC continuing to exist in its own right.

Conclusion

This paper shows that neorealism offers the most compelling explanation for Saudi Arabia's decision to join OPEC. Three phases led to this conclusion: first, a brief historical background on Saudi Arabia and the formation of OPEC; second, a basic theoretical groundwork for neorealism as it applies in this case, and finally the application of the two previous sections in an analysis of neorealism's explanatory power. This analysis first reviewed the assumptions necessary for neorealism, looking to see if they were valid at

the time of OPEC's formation. Second, the analysis critically examined the dependent variable—Saudi Arabia's membership in OPEC. The analysis sought to determine whether or not anarchy could be established as the primary independent variable responsible for the established dependent variable. This empirical methodology of verifying the cogency of the independent and dependent variables established the causal logic. Saudi Arabia's behavior is consistent with the realist concept of a rational actor, pursuing state security above all else. In order to leverage greater security, Saudi Arabia entered into an economic alliance with the other oil-producing nations. Oil proved to be an excellent bargaining chip as well as an economic weapon. Western aggression against any single OPEC member could be swiftly punished by the collective action of the cartel.

After the analysis of neorealism, this paper considered identity-based constructivism as an alternative to neorealism. Through the same analytical process, I determined that while constructivism offers valid insights into the high degree homogeneity of OPEC members' identities, it focuses too much on these similarities while neglecting the high degree of uncertainty between members, aggravated by competing economic interests. This uncertainty is important to explain OPEC as balancing behavior, and even to explain Saudi Arabia's balancing behavior within the framework of OPEC. The importance of religious identity in Saudi Arabia cannot be overstated and yet the state ultimately behaved as a rational actor in a neorealist world.

Implications

The significance of these findings extends beyond the realm of academic reflection. If Saudi Arabia, an extreme example of theocratic government, is willing to pursue realist goals by any means

necessary in spite of its ideological leanings, then other less principled states are also likely to behave rationally in crisis situations. Predictive and prescriptive models of international relations become greatly simplified in this crisis-induced homogeneity of objectives. This begs the question: when do states stop acting according to their identities, and enter this adaptive neorealist pattern of rational behavior? Do states require an existential threat before they make the shift, or is the prospect of an economic or security threat enough to coax a counter-ideological action? A recently leaked diplomatic cable from the American embassy in Yemen, an Islamic state, revealed Yemen to have allowed the United States operational access to Al-Qaeda targets inside its borders. The same report suggested that the Yemeni government had turned a blind eye to black market imports, including alcohol, into the country for economic reasons.⁴⁴ Perhaps resources are reason enough to abandon principle.

Further research in this domain could help to better understand what circumstances, if any, consistently lead states to renege on their ideals. If there are no consistent criteria, then how does this threshold vary from state to state, and what determines the necessary severity of emergency? Saudi Arabia faced the prospect of long-term economic stagnation coupled with natural resource depletion and risked its sovereignty by resisting. Some states might require more or less of an impetus to diverge from their traditional norms.

Finally, the greatest barrier to a historical analysis of counter-ideological policy is quantifying what constitutes behavior that is out of line with a state's identity. To do this, a

baseline range for normal state behavior must be determined. Saudi Arabia had scarcely been unified as a state before Ibn Saud signed the oil concession and set in motion the events in question, making a comparison of policy before and after oil was introduced difficult. The tribes of the Arab peninsula had an established culture before their unification but no government to codify norms and value in the form of policy. The normal range of actions for a state is likely heavily influenced by its cultural identity, and this range must be determined via a historical analysis. An attempt to evaluate the values and beliefs themselves would be highly subjective and therefore imprecise. Accordingly, a nation's de facto norms of behavior in international policy may consistently conflict with its cultural norms. Saudi Arabia proves to be a difficult case to analyze in this regard, as researching Saudi foreign policy before the age of oil requires looking at Arabian tribal dynamics, a much lower level of analysis and a difficult target for detailed and reliable research.

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