American Middle East policy: increasing the threat to US Forces in Saudi Arabia?

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http://hdl.handle.net/10945/9694
THESIS

AMERICAN MIDDLE EAST POLICY: INCREASING THE THREAT TO US FORCES IN SAUDI ARABIA?

by

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December 2001

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# American Middle East Policy: Increasing the Threat to US Forces in Saudi Arabia?

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The seeds of the September 11, 2001 terrorist attacks on the World Trade Center and Pentagon were planted over a decade ago when Iraqi tanks rolled into Kuwait on August 2, 1990. The Iraqi invasion set into motion a series of events that intensified US-Saudi security commitments and led to the first ever large-scale deployment of American troops on Saudi soil. A decade after Desert Storm, over 3,500 US troops remain in the kingdom to enforce the southern No-Fly Zone. The September attacks emphasize that our continued military presence and political policies in the Middle East are objectionable to both regional regimes and the larger Muslim community. Deteriorating regional support for Iraqi sanctions and increased international desire for economic relations with Iran make America’s military presence appear hegemonic and self-serving. This thesis explores the unintended consequences, or “blowback,” of US Middle East policy on American forces deployed to Saudi Arabia. It does this by examining how Islamist militant’s ability to attack US military targets within Saudi Arabia increases under Saudi economic reform efforts and our policy of Dual Containment.

**Subject Terms:**

- Islamic Fundamentalism
- Islamists
- Islamic militants
- Saudi economic reform
- Dual Containment
- Iran
- Iraq

**Funding Numbers:**

5.

**Performing Organization Name(s) and Address(es):**

Naval Postgraduate School
Monterey, CA 93943-5000

**Performing Organization Report Number:**

8.

**Sponsoring / Monitoring Agency Name(s) and Address(es):**

N/A

**Sponsoring / Monitoring Agency Report Number:**

10.

**Supplementary Notes:**

The views expressed in this thesis are those of the author and do not reflect the official policy or position of the Department of Defense or the U.S. Government.

**Distribution / Availability Statement:**

Approved for public release; distribution is unlimited

**Number of Pages:**

63

**Price Code:**

Approved for public release; distribution is unlimited

**Security Classification of Report:**

Unclassified

**Security Classification of This Page:**

Unclassified

**Security Classification of Abstract:**

Unclassified

**Limitation of Abstract:**

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AMERICAN MIDDLE EAST POLICY: INCREASING THE THREAT TO US FORCES IN SAUDI ARABIA?

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Submitted in partial fulfillment of the requirements for the degree of

MASTER OF ARTS IN NATIONAL SECURITY AFFAIRS

from the

NAVAL POSTGRADUATE SCHOOL
December 2001

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ABSTRACT

The seeds of the September 11, 2001 terrorist attacks on the World Trade Center and Pentagon were planted over a decade ago when Iraqi tanks rolled into Kuwait on August 2, 1990. The Iraqi invasion set into motion a series of events that intensified US-Saudi security commitments and led to the first ever large-scale deployment of American troops on Saudi soil. A decade after Desert Storm, over 3,500 US troops remain in the kingdom to enforce the southern No-Fly Zone. The September attacks emphasize that our continued military presence and political policies in the Middle East are objectionable to both regional regimes and the larger Muslim community. Deteriorating regional support for Iraqi sanctions and increased international desire for economic relations with Iran make America’s military presence appear hegemonic and self-serving. This thesis explores the unintended consequences, or “blowback,” of US Middle East policy on American forces deployed to Saudi Arabia. It does this by examining how Islamist militant’s ability to attack US military targets within Saudi Arabia increases under Saudi economic reform efforts and our policy of Dual Containment.
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ACKNOWLEDGMENTS

The author would like to thank professors Glenn Robinson and Ahmad Ghoreishi for their insightful instruction and guidance.
EXECUTIVE SUMMARY

The United States has already felt “blowback” from its Middle East policies with militant attacks on the World Trade Center, the Pentagon, the OPM/SANG building, Khobar Towers, the Kenya and Tanzania embassies, and the USS Cole. One can expect further “blowback” from American policy and presence since neither has changed and “anti-American” militant rhetoric remains as fervent and defiant as ever. Consequently, the aftermath of these attacks—like the strikes in Afghanistan—can lead to further reprisals as US officials seek out militant terrorists in an effort to bring them to justice.

A strong Saudi economy and the regime’s ability to co-opt opposition is the linchpin in maintaining the security of deployed American forces. It is likely any political change in Saudi Arabia will result in the emergence of an Islamist, anti-Western regime. Reducing the public sector workforce, trimming subsidies, and increasing undesirable private sector jobs could fuse radical Islamist opposition forces leading to a focused, powerful political adversary.

The real threat our deployed military faces is the role American policy plays in increasing popular collaboration for militant attacks against US forces in Saudi Arabia. While American sanctions will not prompt state sponsorship of terrorist’s attacks against deployed US forces, Dual Containment, coupled with our support for Israel, intensifies regional opposition to our policies and presence. Dual Containment fails to achieve its objectives and increases Arab sympathy for Iraqi and Iranian civilians whom they view as victims of duplicitous American aggression. As countries rush to re-establish economic trade ties with Iran and Iraq, American pressure to continue or tighten sanctions only serves to isolate the United States. Smuggling operations are progressively multiplying making sanctions increasingly irrelevant.

The key to controlling popular collusion in Islamist militant attacks is the Saudi regime’s ability to co-opt or eliminate its opposition. Islamist militants, because of their anti-western ideology and desire to overthrow unjust, un-Islamic regimes, will always be a threat. While America cannot eliminate its support for gulf regimes, we can alleviate pressure on them by reducing our military “footprint” eventually returning to an “over-the-horizon” security arrangement. American forces deployed to the Middle East are at
risk because of militant determination to drive the US out of the Muslim Holy Land. A reduced American military presence in Saudi Arabia would allow us to maintain our commitment to Saudi security, prevent Iraq from threatening its neighbors, and lessen the potential for terrorist attacks. It also prevents Iran and Iraq from using our presence as propaganda to inflame regional opposition.
I. ESTABLISHING THE THREAT

A. FRAMEWORK

The dramatic terrorist attacks on the World Trade Center and Pentagon on September 11, 2001 by Islamic militants announced to America that our pre-eminence in world affairs does not come without a price. Similarly, our strikes against Afghanistan’s Taliban regime and its terrorist training camps remind the world that the US military is a key feature of American foreign policy and holds an asymmetric advantage over most of its adversaries. A military advantage so superior in some cases, it can instigate or trigger terrorist attacks. This research explores the repercussions of American Middle East policy on the US military in Saudi Arabia. It follows the basic premise of “blowback” posited by Chalmers Johnson in his book *Blowback: The Cost and Consequences of American Empire*. In his book, Johnson defines “blowback” as the unintended consequences of American policies.\(^1\) Due to the complexities of foreign policy and the secretive nature of terrorist operational planning, the source and causes of reprisal actions is often difficult to trace. Therefore, this research seeks to establish how internal Saudi economic policies combine with US Middle East policies to increase state and/or popular collusion in terrorist attacks against American forces stationed in Saudi Arabia.

This paper examines how the capability to carry out attacks against US military targets in Saudi Arabia can increase due to Saudi economic reform and the US policy of Dual Containment. The linchpin in maintaining the US military’s security in Saudi Arabia is the Saudi regime’s ability to suppress or co-opt opposition forces within their country. Despite the overwhelming need to reform and privatize their economy, given their growing population and plummeting per capita income, Saudi efforts to implement “real” reform can lead to disastrous consequences. Therefore, any significant economic liberalization efforts only serve to hinder the regime’s ability to maintain internal security which increases the threat to US forces.

The US policy of Dual Containment towards Iraq and Iran is becoming unpopular and unsupported within the region and around the world. This calls into question the

United States’ reason for maintaining their military presence in the Gulf. America claims our military presence ensures regional stability; however, regional and international rhetoric espouses our presence only serves to maintain US regional hegemony. Aligning Islamic militant and state causes is vital since terrorists increasingly need larger explosive devices and increased operational sophistication to counter improved force protection measures.2 Regional terrorists have demonstrated the ability to execute attacks using large explosive devices in the bombings of Khobar Towers, the *USS Cole*, and the American embassies in Kenya and Tanzania. State support of terrorist acts facilitates this type of attack due to superior resources and logistics. As a basis for exploring these areas, this chapter establishes our national interests in the Middle East and the primary threat to our forces.

B. **AMERICA’S MIDDLE EAST INTERESTS**

The Middle East has been a vital strategic region to the United States for the better part of the last half-century. Our interests have included preventing Soviet expansion into the region during the Cold War, ensuring the security of Israel, and guaranteeing access to the region’s vast oil deposits. This area of the world has seen every American President since Harry Truman establish a doctrine or policy defining the strategic relevance of the region to US national interests. President Clinton defined America’s current Middle East interests and laid out two objectives for his administration, support the peace process and contain Iran and Iraq—or “Dual Containment.” President Clinton’s administration saw these objectives as mutually reinforcing.3 In practice, this policy has amounted to securing the safety of Israel and controlling oil resources by supporting and protecting friendly regional regimes. So far, the Bush Administration has followed the same policies as its predecessor and has only spoken about the need to revise and institute “smart, effective sanctions” against Iraq. The Bush Administration, however, has neither outlined nor instituted any policy changes. The question of which interest, Israel’s security or access to oil, takes precedent

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2 Anthony H. Cordesman, *Transnational Threats from the Middle East: Crying Wolf or Crying Havoc*, (Pennsylvania: Strategic Studies Institute, 1999), 72.

is arguable but, for the purposes of this research, the important point is America has committed military forces to ensure the latter.

United States enjoys a strategic relationship with Saudi Arabia that dates back to the Second World War. The Kingdom came to the forefront of US Middle East policy in the early 1970’s under the Nixon administration. Saudi Arabia was the “second pillar”–Iran being the first–in Nixon’s “Twin Pillar” policy that relied on regional powers to solve regional conflicts and prevent the Soviet Union from gaining a foothold in the Persian Gulf. When Iraqi tanks rolled into Kuwait on August 2, 1990, it set into motion a series of events that intensified US-Saudi security commitments and established the United States as the pre-eminent power in the region. With the fall of the Soviet Union, America no longer feared Soviet intrusion in the Middle East and was less hesitant to intervene in the region to protect its national interests. This led to the first ever large-scale deployment of American troops to Saudi soil in over fifty years of US-Saudi security arrangements. More than 3,500 troops and 200 aircraft remain in the kingdom today to enforce the southern No-Fly Zone over Iraq. Several Middle East observers claim this ensures America’s position as the unquestioned hegemon in the region.4 Middle East analyst Gregory Gause asserts:5

*Dual Containment prevents any power from supplanting the United States as the dominant force protecting Saudi Arabia and smaller monarchies from outside threats. It disavows any need for political relationships with Iran or Iraq, and it allows for a larger US unilateral role in managing gulf affairs.*

America’s Dual Containment policy means the United States must maintain a military presence in the Persian Gulf and puts it in the unenviable position as the guarantor of regional stability.6 Stationing forces in Saudi Arabia allows the US to carry out its regional policies and provide security to the Saudi regime from its long feared neighbors, Iran and Iraq. Iraq emerged as the number one threat to Saudi Arabia when it

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invaded Kuwait a decade ago and laid claim to Saudi territory. However, with dwindling regional support for Iraqi sanctions and an increased desire to establish economic relations with Iran, the American military presence, in the Arab mind, appears increasingly hegemonic and self-serving. This perception leads to questions about why the Saudi regime maintains the US military’s presence in Saudi Arabia. The Arab public openly wonders whether America is there to protect Saudi Arabia from Iraq or to preserve the regime.

C. BACKLASH TO US PRESENCE

The United States is a prime target for “blowback” since it is the lone “imperial” power, supports repressive regimes, and is the largest arms dealer in the world. Nowhere is this more evident than in the Middle East. First, the US avoided direct, full-scale involvement in the region until after the fall of the Soviet Union. Prior to that, our commitment focused primarily on preventing Soviet incursions. Second, most Middle East states have repressive regimes with high authoritarianism regardless of whether the ruler is called King, Sheikh, Sultan, President, General, or Ayatollah—and Saudi Arabia is no exception. Lastly, in the last six years, slightly more than 85 percent of all Saudi arms deals involved purchasing US weapons. Attacks on US forces could themselves breed additional “blowback.” It is unknown what repercussions the US faces for its indictment of 13 Saudi nationals implicated in the Khobar Towers bombing or for the Saudi execution of four nationals in connection with the bombing of the Headquarters of the US Army Material Command’s Office of the Program Manager for the Saudi Arabian National Guard (OPM/SANG) that killed five Americans. America’s Middle East policy often involves short-term “crisis management” fixes rather than long-term strategic policies which, by definition, contribute to “blowback.”

7 Johnson, 11.
8 Anthony H. Cordesman, Transnational Threats from the Middle East: Crying Wolf or Crying Havoc, 4.
The American military in Saudi Arabia is particularly at risk because it represents the pre- eminent symbol of American power projection in the region. Attacks on US forces can also substitute for less popular attacks on Mid-East regimes.11 In addition, America is inextricably tied to Israel in the Middle East Peace Process and settlement breakdowns make Americans a target either out of frustration or in an effort to further destroy the process.12 Several American presidents have publicly acknowledged the “special relationship” the US has with Israel which fans the flames of Arab discontent. Arab resentment towards America’s “pro-Israeli” leanings came to a head recently with, former US Ambassador to Israel, Martin Indyk’s remarks stating, “I do blame [Palestinian Leader Yasser] Arafat for resorting to violence…he allowed the situation to get out of control…I hope the Jewish state triumphs over its enemies.”13 This prompted the understandable Arab outcry that American diplomats were “supporters of Israel masquerading as impartial mediators.”14 Simon Karim, former Lebanese ambassador to the United States, said, referring to American policy, “[E]vents are unfolding [that are] playing right into the hands of the ‘bin Ladins’.”15 Middle East Peace Process breakdowns also increase the already mounting pressure on the Saudi regime to end America’s military presence.

Islamists view the stationing of US troops near two of Islam’s holiest sites, Mecca and Medina, as untenable and a corruption of the Islamic faith. American support for Israel, especially in times of crisis, only serves to exacerbate this view. No country in the region represents a significant military threat to United States and the few direct actions between the US and regional militaries, namely Iran and Iraq, have proven calamitous for the regional actors. Therefore, based on historical evidence, the greatest threats to US forces in the region are terrorist attacks perpetrated by Islamic militants.

11 Anthony H. Cordesman, Transnational Threats from the Middle East: Crying Wolf or Crying Havoc, 66.
12 Ibid.
14 Ibid.
D. ISLAMIST THREAT

The World Trade Center and Pentagon attacks are by far the deadliest and most dramatic Islamist militant strikes against America, but they are neither the first nor will they be the last. On November 13, 1995, a car bomb detonated outside the Headquarters of the US Army Material Command’s OPM/SANG building in Saudi Arabia causing 67 casualties including five American military advisors.\textsuperscript{16} It was the first attack against Americans in Saudi Arabia since assailants wounded two servicemen on a shuttle bus in Jeddah in 1991. Several Islamic militant groups claimed responsibility for the attack including the Movement for Islamic Change in the Arabian Peninsula-Jihad Wing, Tigers of the Gulf, and Combatant Partisans of God. On June 25, 1996, a truck bomb, equal in power to 10 tons of TNT, exploded outside Khobar Towers in Dhahran, Saudi Arabia killing 19 US Air Force personnel and injuring 60 others.\textsuperscript{17} Islamic militant groups also claimed responsibility for this attack. US and Saudi intelligence reports indicate these attackers benefited from the cooperation and complicity of Saudi nationals opposed to “infidels” in the holy land. The common thread among these groups is their call for the removal of US forces from the Arabian Peninsula.\textsuperscript{18}

In 1998, terrorists bombed the US Embassies in Kenya and Tanzania, and in 2000, they attacked the \textit{USS Cole} in a Yemeni port. While not occurring on Saudi soil, American intelligence has linked the \textit{USS Cole} and embassy attacks to Saudi terrorist financier Usama bin Ladin whose expressed goal is the removal of US military forces from the Arabian Peninsula. These events confirm the presence of a dangerous militant element in the region willing and able to carrying out attacks against US civilian and military targets. A 1997 Defense Science Board Report for the Undersecretary of Defense for Acquisition and Technology stated, “Historical data shows a strong correlation between US involvement in international situations and an increase in terrorist attacks against the US. In addition, the military asymmetry that denies…the ability to

\begin{itemize}
\item \textsuperscript{18} Cordesman, \textit{Saudi Arabia: Guarding the Desert Kingdom}, 42.
\end{itemize}
engage in overt attacks drives the use of transnational actors (terrorists from one country attacking in another).”¹⁹ Islamic militants attack America because of our western values, for "corrupting" Islamic countries, and for supporting oppressive, secular regimes.²⁰ Militant ideology alone puts US forces at risk; American policy that weakens the Saudi ability to provide security or strengthens external support only amplifies this threat.

The term “Islamic Militants” or “Militantism” separates this specific, unique term from the more common, misused term Islamic Fundamentalist. Any deviation in this research from this term is intentional. The term Islamic Militant in this sense separates active, violent individuals and organizations, the so-called “bomb-throwers” who operate under the guise of Islamic righteousness and resort to acts of terror to achieve their objectives, from mainstream Islamic movements. Mainstream Islamic movements strive to enhance their sense of empowerment in facing repressive regimes they see as increasingly Western and Zionist.²¹ In the words of Hasan al-Banna, founder of the Muslim Brotherhood, “The objective is to create a new Muslim human being brought about through moral and spiritual rearmament, economic development, justice, and free of foreign domination.”²² Most, if not all, of these groups are patently anti-Western and many groups or individuals can transition from mainstream to militantism. Generally, mainstream Islamists seek justice within their own country either through reforming the regime or abolishing it. For our purposes, Islamic militantism refers to individuals and organizations that espouse anti-American ideology, operate under the pretext of Islamic purity, and resort to violence to achieve their objectives. Currently, the most outspoken and apparently most dangerous Islamic militant in the region is Saudi millionaire Usama bin Ladin.

The United States has seemingly linked every attack against Americans in the region in the last six years to Usama bin Ladin or to his al-Qa’ida (the base) organization.  

¹⁹ Johnson, 9.
²⁰ Anthony H. Cordesman, Transnational Threats from the Middle East: Crying Wolf or Crying Havoc, 67.
²² Ibid.
The US also implicated him in the Kenya and Tanzania embassy bombings. Much of bin Ladin's rage against America stems from the Saudi government’s decision to allow the US military into the country. Bin Ladin considers the US presence an “occupation of the holy land” and issued an infamous “fatwa” in 1998 calling on every Muslim to “kill Americans and their allies, civilian and military.” He further states, “It is the individual duty [to kill Americans] of every Muslim who can do it…in order for them to move their armies out of all the lands of Islam, defeated and unable to threaten any Muslim.”

Ironically, Islamic Fundamentalism and Militantism are fragmented ideologies as their causes usually seek to supplant an unjust regime. A brief description of some of the major regional Islamic militant groups supports this assertion.

**al-Gama’at al-Islamiyya (Islamic Group, IG)** – Egyptian Islamic group dedicated to overthrowing Hosni Mubarak’s government and replacing it with an Islamic state. Primarily operates in southern Egypt but has support in Cairo, Alexandria, and other urban areas. They consider Sheikh Umar abd-al Rahman, who is in a US prison for his role in the World Trade Center bombing, their ultimate spiritual leader. Their primary targets are Egyptian security forces, tourists, Coptic Christians, and Egyptian mid and low-level political opponents of their movement. They also have ties to Usama bin Ladin and his organizational networks.

**Hamas (Islamic Resistance Movement)** – Outgrowth of the Muslim Brotherhood whose goal is to establish an Islamic Palestinian State in Israel. Their primary operating area is in the occupied territories with their strength concentrated in the Gaza Strip and a few areas of the West Bank. They attack Israeli military and civilian targets, suspected collaborators, and Fatah rivals.

**Hizballah (Party of God)** – Strongly anti-Western radical Shi’a group dedicated to the creation of an Iranian style Islamic Republic in Lebanon and the removal of all non-Islamic influences from the area. Their primary operating area is the Bekaa Valley, the southern suburbs of Beirut, and southern Lebanon. The US implicated them in the 1983 US marine barracks and 1984 US embassy annex bombings in Lebanon. They

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24 Ibid.

25 Ibid.

are also responsible for numerous kidnappings and detentions of US citizens in Beirut.

**al-Jihad** – al-Jihad has similar goals and operating areas as the IG, but they focus their attacks on high-level Egyptian officials. This organization carried out the 1981 assassination of Egyptian President Anwar Sadat. This group has allegedly recently merged with bin Ladin’s al-Qa’ida network.

**al-Qa’ida, International Islamic Jihad Against Jews and Crusaders, Islamic Army for the Liberation of Holy Shrines** – Some of the organizations and activities led or financed by Usama bin Ladin. Their goal is to attack “enemies of Islam” and they are hostile to Shiites, Middle Eastern secular movements, and western culture. They operate out of Afghanistan but support Islamic militants in Bosnia, Chechnya, Tajikistan, Somalia, Yemen, and Kosovo. Bin Ladin formed the International Islamic Jihad Against Jews and Crusaders in 1998 and it includes al-Qa’ida, IG, al-Jihad, and three other groups. The United States tied Bin Ladin, and his various organizations, to the World Trade Center, Pentagon, OPM/SANG, and USS Cole attacks. The Islamic Army for the Liberation of Holy Shrines also claimed responsibility for the Kenya and Tanzania embassy bombings.

There are also numerous secular, anti-US terrorist organizations, mostly Palestinian groups, operating in the Middle East, but they do not garner the popular support outside their country that Islamic groups do. The organizations listed above illustrate how most movements, while being anti-US, primarily seek to overthrow regional regimes. The only exception may be bin Ladin and his groups, but even he seeks to overthrow the Saudi regime and most of his affiliates come from groups that desire to oust other regional governments. In this regard, Islamic Fundamentalism and Militantism are indigenous or imported (vice exported) causes.

To illustrate this further, US and Saudi officials do not consider Shi’a minority militants in Saudi Arabia a threat without external state collusion, most notably from Iran. Also, Shiite minorities prefer the existing Saudi regime to Sunni militant or fundamentalist opposition groups. Usama bin Ladin’s family emigrated from Hadramawat in Yemen making him “non-tribal” and calling his “Saudiness” into question. Muhammad al-Mas’ari, the leader of the prominent Saudi fundamentalist

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27 Fandy, 5.
28 Ibid.
opposition group Committee for the Defense of Legitimate Rights (CDLR),\textsuperscript{29} is a *khadiri* with no tribal lineage and, therefore, a lower social standing.\textsuperscript{30} Despite the fact he is a Sunni Najdi, Sa’d al-Fiqih, head of the Movement for Islamic Reform in Arabia (MIRA),\textsuperscript{31} is marginal in Saudi society because he has spent most of his time in the Zubair region of Iraq.\textsuperscript{32} Saudi Arabia further fragments indigenous Islamic opposition by either coercive suppression or co-option. In fact, the two leading Saudi fundamentalist opposition groups, the CDLR and MIRA, are headquartered in London. The ability to control Arab opposition forces is dependant on a strong central Saudi economy and important to maintaining the security of deployed US forces.

\textsuperscript{29} Their central vision is the idea that Islam and its values are under attack both locally and globally and that the Saudi government has failed to protect Islam and Muslims.

\textsuperscript{30} Fandy, 5.

\textsuperscript{31} Usama bin Ladin’s former associates.

\textsuperscript{32} Fandy, 5.
II. SAUDI ECONOMIC REFORM

A. THREAT OF REFORM

Saudi Arabia’s economic reform efforts will likely fuse and intensify public opposition to the America’s military presence in the country. The Saudi Arabian government’s program to diversify and liberalize its economy will force Saudi nationals to lose their public sector jobs or take lower paying, labor intensive, private sector jobs. This will worsen the population’s attitude towards the American presence in Saudi Arabia because of popular belief the US military’s role is to preserve the Sa’ud regime. Saudi economic reform may create an organized and fervent political outcry potentially resulting in Islamic militant terrorist attacks on US military targets in Saudi Arabia.

Saudi Arabia controls the world’s largest oil reserves and can single-handedly influence world oil prices; however, falling oil revenues over the last decade forced the Saudi government to undertake economic liberalization (intifah) and reform measures. These reforms included diversification, increased privatization, and the reduction of foreign nationals from the private sector workforce. Economic reform reduces the number of high-paying, non-productive public sector jobs—a perceived right of Saudi citizens—and increases the number of low paying private sector jobs. Private sector jobs largely involve menial labor and thus diminish an individual’s status since one’s social standing is often tied to the type of work one does. As economic reform affects one’s wealth and social standing, popular rhetoric will increasingly become anti-regime and anti-American. An obvious and available scapegoat is the US military stationed in Saudi Arabia since they are seen as a tool of the regime used to maintain its grip on power.

Terrorists have carried out two well-publicized attacks against US forces in Saudi Arabia and economic reform impacting the quality of life for Saudi nationals could spawn increased complicity between these societal elements. These attacks have led to speculation US servicemen are more at risk stationed in Saudi Arabia now than they were fighting Iraq in 1991.33 While this may be an exaggeration, these attacks do confirm the

presence of a dangerous extremist element, often cloaked in Islamic fundamentalist ideology, able to carry out attacks against US military targets in Saudi Arabia. The Saudi regime has successfully co-opted major opposition forces and deterred resistance to their policies by buying their way out of trouble. For the most part, they have been successful at keeping potential enemies fragmented and distracted preventing widespread, organized hostility towards both the regime and the US military presence. Should the regime undertake economic reforms that create a growing group of disenfranchised citizens, these embittered nationals could join forces with violent elements in an organized attack against the regime and their “guardians”—the US military. Given the potential dangers endemic in Saudi economic reform, why should Saudi Arabia give it a second thought?

B. ECONOMIC REFORM IN A RENTIER STATE

A rentier state does not rely on local revenue extraction (taxes) to accumulate wealth but spends capital inflows generated by the sale of a commodity as their primary economic activity. State and local institutions, therefore, emerge not to extract wealth, but to spend it.34 Leaders of rentier states use the inflow of capital from the sale of a resource—generally oil in the case of most Middle Eastern states—to “buy out” their opposition and abstain from taxing their citizens. By eliminating taxation, regimes free themselves from creating a social contract with their citizens against a backdrop of popular coercion.35 The “power of the purse” extends the reach of the state and gives regimes the ability to co-opt social coalitions by convincing them to trade power for wealth.36 Rentier state structures transform the adage “no taxation without representation” into “no representation without taxation.” Due to the centralized accumulation of revenues in a rentier structured economy, massive state intervention in economic activities ranging from employment to price setting is paramount.37 As a result, these regimes view broad based economic reform and privatization strategies as highly suspect and politically destabilizing.38

35 Vandewalle, 8.
36 Ibid.
37 Ibid.
38 Vandewalle, 9.
Political loyalty in a rentier state is not based on an ideological belief in the validity of the system but on the ability of the system to provide for the material needs of its citizens. Governments in rentier states seek rents externally and distribute the proceeds to its populace thus trading popular political participation for financial security. In contrast to states that extract rents through taxation and whose citizens exercise a great degree of popular sovereignty, rentier states make no fiscal demands on their populations and expect popular apathy towards the political process. Since a disproportionate amount of state revenues come from the sale of a single commodity, economic wealth ebbs and flows with the fluctuating market price of this commodity. Citizens of rentier states tie political loyalty to the government’s ability to provide material goods. As a result, regime survival is dependant on the strength of the state’s economy and the government’s ability to maintain control of revenue producing mechanisms. Rentier state regimes, therefore, view economic reform, privatization, and liberalization as a threat to its control over state economic resources that will eventually weaken or destroy the regime’s political hegemony.

Saudi Arabia’s economy fits this profile better than almost any other country. The Saudi monarchy has created a vertical patronage network that provides for the well being of almost every member of society. This network offers everything from public sector jobs to outright financial handouts. In return, the Saudi regime requires popular capitulation with regards to the affairs of state. Providing its citizens with their every need puts an enormous burden on the Saudi economy; therefore, its economy cannot afford to fail because the livelihood of every Saudi citizen fails with it. However, the Saudi economy cannot privatize or diversify because they lack natural resources (besides oil), disciplined legal regulatory regimes, and adequate private or foreign investment capital. A rentier structured economy puts power in the hands of the ruling regime which maintains power by dominating the economic arena. This further complicates reform since privatization and diversification weakens the regime’s monopoly on economic and political power.

Rentier structured political economies demand elaborate government planning efforts that often result in economic stagnation and low productivity. Saudi Arabia’s economic success is solely dependent on and affected by international oil prices.
According to analyst Alan Richards, the core problems of political economies, especially in Saudi Arabia, are restoring or maintaining economic growth, restraining population expansion, creating jobs, unconstrained urbanization, saving water, obtaining food, and halting environmental destruction. The rentier structure of the Saudi economy begets a political economy rife with these problems.

1. **Economic Situation**

Saudi Arabia controls one-fourth of the world's proven oil reserves and will likely remain the world's largest oil producer for the foreseeable future. Oil sales make up about 95 percent of total Saudi export earnings and about 40 percent of the country's Gross Domestic Product (GDP). The country’s economic outlook has improved since 1999 due to the sharp rebound in world oil prices. The expected real GDP growth for 2000 is about 7.6 percent with an estimated 2001 increase, assuming relatively strong oil prices, of four percent. Saudi Arabia needs strong economic growth to keep up with a rapidly increasing (and young – half are under age 18) population and to create jobs for them outside the public sector.

In October 1999, Saudi Oil Minister Naimi stated that Saudi Arabia’s oil policy is based on four facts: Saudi Arabia’s large oil reserves and low production costs, its significant spare oil production capacity, its close linkage between the national economy and the oil industry, and its stable political and economic system. Naimi also stressed the importance of “a stable international oil market” where “wide and rapid swings in prices are undesirable.” Saudi Arabia’s economy is indeed tied exclusively to oil revenues and even with their production capacity, proven reserves, and the upsurge in world oil prices, their dependence on this commodity leaves them vulnerable to market fluctuations demonstrating the need for economic diversity.

2. **Need for Reform**

The Kingdom’s patronage-based welfare state economy is straining at the seams and in dire need of disciplined reform. According to Anthony Cordesman, population

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41 Alani and Rathmell, 4.
growth and dependence on foreign labor may be the two biggest threats to Saudi regime stability.\textsuperscript{42} Saudi Arabia continues to face pressure to diversify its economy through privatization, industrialization, financial reform, and increased foreign investment. Over the past two decades Saudi economic growth has fallen behind population growth, resulting in sharply reduced per capita incomes and high unemployment (some estimates put Saudi unemployment figures over 25 percent).\textsuperscript{43} Due to depressed oil prices throughout much of the 1990s, Saudi Arabia is currently experiencing high domestic debt–around 75 percent of GDP–which it hopes to pay down by 2005–again, assuming oil prices remain strong.\textsuperscript{44}

The Saudi government dominates the industrial sector. It owns the main petrochemical refineries and has 70 percent ownership of the Saudi Arabia Basic Industry Corporation (SABIC).\textsuperscript{45} The government also owns the Saudi Arab-American Oil Company (ARAMCO) controlling 97 percent of crude oil production, all natural gas production, and has a monopoly on all upstream oil development.\textsuperscript{46} The Saudi Industrialization Development Fund (SIDF), which provides concessionary loans for private investment, heavily subsidizes the start-up and operations costs (electricity, water, machinery, and production inputs) of most private industries.\textsuperscript{47} The Saudi government’s attempt to diversify through industrial development has centered on light manufacturing and construction materials (steel plants, fertilizers, domestic/export oriented refineries, and petrochemical complexes). The government creates investment incentives by exempting investors from import taxes on machinery, instituting protective tariffs, providing easy financial terms, ensuring long-term leasing at nominal rates, and, best of

\begin{itemize}
\item \textsuperscript{42} Cordesman, \textit{Saudi Arabia: Guarding the Desert Kingdom}, 71.
\item \textsuperscript{43} USEIA, \textit{Saudi Arabia}, 4.
\item \textsuperscript{44} USEIA, \textit{Saudi Arabia}, 1.
\item \textsuperscript{46} USEIA, \textit{Saudi Arabia}, 1.
\end{itemize}
all, guaranteeing a 15 year supply of crude oil. Slow industrial growth and high production costs keep Saudi industry from being competitive on the world market. Petroleum and petroleum products still account for 40 percent of the GDP, 75 percent of government revenues, and 95 percent of export receipts. The Saudi government has had limited success at industrialization mostly due to the lack of a comprehensive industrial strategy, an undeveloped economic framework, and an inappropriate selection of industrialization projects.

Over the last few decades, Saudi Arabia has committed a substantial amount of time and resources developing their agricultural industry. With little arable land, this endeavor requires heavy government subsidies including covering half the costs of fertilizer and equipment and the entire cost of pesticides and cattle importation. Wheat production is especially important to the Saudi economy because Saudi Arabia considers it a strategic commodity—since the US threatened a wheat embargo in the early 1970s against Arab countries if they imposed an oil embargo on the US—and the government would have to create thousands of public sector jobs if they did not encourage wheat production. Saudi agricultural production serves political rather than economic objectives and survives only with heavy subsides. State subsidies and losses by unprofitable state-owned enterprises are large contributors to Saudi Arabia's huge budget deficit. The government’s challenge is to develop the ability to produce and sell competitively despite limited raw materials and manpower, high labor and management costs, restricted home and overseas markets, limited tariff protection against foreign goods, and inadequate training programs that do not prepare the indigenous population for meaningful work in the private industrial sector.

49 Ahmed, 123.
50 Abdelkarim, 8.
51 Looney, 48.
52 Looney, 51.
53 Abdelkarim, 8.
55 Ahmed, 128.
In an effort to decrease unemployment and reliance on foreign labor, Saudi Arabia, in a program known as “Saudization,” has asked private companies to increase their employment of Saudi nationals by 25 percent over the coming year, and then by 5 percent per year thereafter. The private sector accounts for about 40 percent of Saudi Arabia’s GDP but only five to ten percent of its employees are Saudi nationals. The government employs over 40 percent of the country’s labor force and, with a 25 percent unemployment rate and population growth outpacing GDP growth, the demand on the government to create jobs increases exponentially as its ability to fund these jobs decreases rapidly. The goal of Saudization is to increase employment of its own citizens by replacing 60 percent of the estimated 7.2 million foreign workers in the country. In order to achieve this goal, Saudi Arabia increased the cost of hiring expatriates by mandating compulsory healthcare for foreign workers and raising the renewal fee for certain work visas. They have also made an investment in developing their human capital by creating and improving training programs to prepare Saudi nationals for work in the private sector. So far, integrating local workers into the private sector workforce has proven difficult, if not impossible. Local workers are still more expensive to hire than expatriate workers (often demanding six times as much as foreigners), they have difficulty integrating into the workforce, and they feel they will lose prestige and political influence by accepting private sector work. Also, the Saudi government only issues foreign workers one-year visas, foreigners are not entitled to citizenship, and the employer has few obligations to the worker (the work permit is issued to the company for a specific occupation so the worker has no lateral mobility). In addition to these failures and difficulties reforming the economy, the Saudi government faces other reform challenges.

3. Obstacles to Reform

The most common constraint on economic development in Saudi Arabia is the lack of political will to institute reforms that may lead to economic adversity for its

56 USEIA, Saudi Arabia, 2.
57 USEIA, Saudi Arabia, 2.
58 Abdelkarim, 37.
59 USEIA, Saudi Arabia, 2.
citizens and cause political problems for the regime. Saudi Arabia’s economic reform has progressed slowly due to fears of job losses and resistance from members of the Saudi royal family–particularly Prince Abdullah.\textsuperscript{60} To date, there has not been a single sale of state assets to private control and privatization has largely been limited to allowing private firms to take on certain service functions.\textsuperscript{61} Saudi Arabia has also moved slowly on subsidy cuts, tax increases, and financial sector reforms.\textsuperscript{62} With decreased oil revenues in the 1980s and 1990s, the Saudi government, rather than cut spending, increased borrowing and began running budget deficits. In 1989, the Saudi deficit was 23 percent of GDP; in 1994, it was 75 percent; and in 1995, they managed to lower it to 3.2 percent (mostly due to cuts in security and defense spending, manpower development, and subsides).\textsuperscript{63} However, in 1996, despite moderate cuts in health, social, and municipal services, the deficit increased demonstrating the regime’s unwillingness to impose severe austerity measures on its citizens.\textsuperscript{64} Middle East Analyst, Barbara Conry outlines the reason for the regime’s reluctance to undertake serious economic reforms this way, “[T]he generosity of the welfare state is one of the primary means by which the repressive gulf regime stifles dissent among its citizenry making the necessary cuts in social spending an immense political risk.”\textsuperscript{65} Saudi Arabia also suffers from severe infrastructure difficulties that impede successful industrialization.

Saudi Arabia is a small market country with widely dispersed producers resulting in high transportation costs and limited opportunities for production-based export trade.\textsuperscript{66} Saudi Arabia lacks the components necessary to develop a diversified economy and the capital start-up costs of industry prohibit private sector investment.\textsuperscript{67} There is no

\begin{footnotesize}
\textsuperscript{60} USEIA, Saudi Arabia, 4.
\textsuperscript{61} USEIA, Saudi Arabia, 5.
\textsuperscript{62} USEIA, Saudi Arabia, 4.
\textsuperscript{63} Alani and Rathmell, 11.
\textsuperscript{64} Ibid.
\textsuperscript{66} Looney, 2.
\textsuperscript{67} Looney, 69.
\end{footnotesize}
industrial option open to the country giving it anywhere near the return of oil sector investments.\textsuperscript{68} This hinders the regime’s efforts to expand its private sector and forces it to make “quick fixes” to alleviate its employment problems and prevent hardships for its citizens. As economist Robert Looney puts it, “To develop public sector jobs, it is only necessary to build a room and put a desk in it; developing a job in the modern industrial sector involves importing machinery and finding a skilled workforce.”\textsuperscript{69} Finding or developing a skilled, indigenous workforce is another formidable obstacle the Saudi regime must overcome.

Saudi Arabia has made great strides in improving its adult literacy rate–currently around 62 percent–but most are not educated to compete in the modern world economy. The Saudi education system is heavily Islamic and produces a disproportionate number of Islamic Studies PhDs. So many in fact, most of the regional Islamic governments refuse to recognize their credentials.\textsuperscript{70} Saudis seek jobs with secured high incomes and low productivity expectations. Society does not encourage enrollment in trade schools since they feel this only prepares one for manual labor professions.\textsuperscript{71} The Saudi financial system is almost as unprepared for private enterprise as its education system.

The Saudi financial system cannot support private investment or business ventures and it lacks the regulatory discipline to attract foreign investors. The major criticisms of Saudi private financial institutions are there are too few of them to support economic development; they lack asset control by the Saudi Arabian Monetary Agency; commercial banks focus on lending to stable, developed foreign economies; and they cannot compete with cheap financing from government lending institutions.\textsuperscript{72} The lack of viable financial institutions, regulatory laws, and the fear of change drive foreign and domestic investors to safer economies in the developed world.

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\item \textsuperscript{68} Looney, 78.
\item \textsuperscript{69} Looney, 79.
\item \textsuperscript{70} Cordesman, \textit{Saudi Arabia: Guarding the Desert Kingdom}, 37.
\item \textsuperscript{71} Abdelkarim, 10.
\item \textsuperscript{72} Looney, 112-118.
\end{itemize}
\end{footnotesize}
4. Economic Summary

Given the recent rise in world oil prices and increasing revenues, one should not expect any meaningful economic reform, or turmoil, in Saudi Arabia in the near future. The regime wants to reform and diversify its economy for political, strategic, and economic reasons, namely, to reduce its vulnerability to internal and external threats and to ease the pressure caused by population expansion, increased subsidies, and reliance on a foreign workforce. The infrastructure obstacles are enormous and include a lack of resources, high transportation costs, an under-sized market, and undeveloped educational and financial institutions. The Saudi royal family understands the need to diversify and reform, but they do not have the political security needed to accomplish a serious economic transformation. The regime is unwilling to take measures that cause hardship for its citizens and they have chosen, in the past, to borrow money and run budget deficits instead of instituting economic austerity measures. Saudi Arabia’s ability to borrow during times of economic crisis and quickly repay its debt during economic boons makes it unique among rentier states and keeps serious political opposition in check. However, increasing societal demands on their economy jeopardizes this ability potentially putting the Saudi regime in harm’s way.

C. SOURCES OF DISCONTENT

Extreme sensitivity to American influence in the region results in constant pressure on the Saudi regime to minimize the US military presence. The United States’ presence must be sufficient to deter aggression yet unobtrusive enough to avoid inflaming local populations. The Sa’ud family has always been able to either co-opt their opposition or keep them fragmented enough to prevent any real threats to their authority. Lacking any real political legitimacy, the Sa’ud family keeps tight control over its citizens and they cooperate because their livelihood is in the regime’s hands. In short, they “buy” their way out of trouble. Should the regime become unable to provide its citizens with the cradle to grave welfare they desire, their opposition to the monarchy could become unified and violent. This situation could have serious implications for deployed US forces since they are closely identified with the current regime and anti-

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73 Conry.
74 Ibid.
government protests could target American forces as past attacks in Saudi Arabia suggest.75

The Sa’ud regime suffers from an identity crisis in its rule over the kingdom. There are constant challenges to the legitimacy of the ruling elite and major, polar opposition comes primarily from western educated elites demanding democratic reform and radical Islamic fundamentalists demanding an end to corrupt rule. The regime is very skillful, and so far successful, at placating its internal opposition, but Saudi leaders are aware the US presence can inflame resentful populations. The most broad-based source of discontent among the Saudi populace is the question of regime legitimacy.

1. Legitimacy

Political relationships in rentier states are fragile and inextricably bound to the ruler’s ability to continue the state’s welfare functions.76 As in most rentier states, the Saudi royal family cannot obliterate long-standing local affiliations or social groups that put cultural and religious constraints on their power.77 Saudi Arabia has no written constitution, no political parties, and no elections. The King has supreme authority. His primary political influences are family members and outside of this core constituency there is little opportunity for political participation.78 The dominance of the Sa’ud family has its roots in the 18th century and is a result of the collaboration between al-Sa’uds and the Wahhabi ulama. The fundamental thread holding this diverse polity together and providing legitimacy for the regime is their outward adherence to Islam and their claim to be the protectors of the Muslim Holy Places.79 It is hard to image a nation commanding more of the symbols of Islamic legitimacy than Saudi Arabia—its flag even displays the shahada, or declaration of Islamic faith.80

75 Ibid.
76 Vandewalle, 27.
77 Vandewalle, 10.
78 Alani and Rathmell, 6.
Even though the regime espouses fundamentalist principles, the general population recognizes the discrepancy between rhetoric and actions. After the discovery of oil, the Sa’ud family ensured Najdi tribes, Hijazi merchants, and the Wahhabi ulama of undreamed of wealth in exchange for accepting their political supremacy. The regime then brought the populace into the web of state patronage, weaned them from tribal and clan loyalty, and transformed them into state dependents. The wealth and lifestyle of the Saudi royal family has led to charges of corruption, un-Islamic behavior, and demands for greater political participation (especially in times of economic adversity). This led the regime to seek stability through centralized political control and increasingly autocratic rule.

Despite the formation of the National Advisory Council (majlis al-shura), King Fahd is essentially running a police state. Maintaining they are the “Champions of Islam” may be the Saudi royal family’s claim to legitimacy, but oil wealth is their key to power. Even with popular discontent towards the regime due to its lack of legitimacy, the likelihood of a mass uprising is remote. The Saudi people are, in the end, dependents of the state and rely on regime handouts for their livelihood. Their opposition to the American presence stems from US support for an oppressive regime that provides no legal channels for political discourse or dissent.

2. Liberals

Liberal opposition to the regime comes from western educated elites who call for democratic reforms within the Saudi government. This front advocates increased participation in government but is not a unified, determined threat since it has an enormous stake in the current political situation given their ambassadorial and majlis al-shura appointments. They do have an opposition ideology and stand to lose their status should the Saudi government implement austere economic reform. This could increase liberal hostility towards American forces since they would more than likely see those

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81 Alani and Rathmell, 11.
82 Ibid.
83 Alani and Rathmell, 8.
84 Conry.
85 Alani and Rathmell, 9.
forces as the “custodians” of a regime that suffocates democratic reform and dialogue. In that sense, liberals are prime candidates for co-option by the regime’s most dangerous opposition—the Islamists and Islamic militants.

3. **Islamist Militant Connection**

Religious conservatives are the core of the regime’s support and their claim to legitimacy. They are also their most dangerous detractors and breed its most militant opposition. Islamic revivalists denounce hereditary monarchs as un-Islamic and view the Saudi Royal family as the corrupt custodians of the holy places. The regime’s efforts to act pragmatically and build a modern, industrialized state conflict with Wahhabi Islamic ideals because they are seen as increasing western influence in Saudi Arabia. Dr. Safir al-Hawai, a radical Islamist cleric opposed to the Saudi regime and western influences, sums it up like this, “The west is our enemy forever and fighting them is an honorable duty for every Muslim.” Wholesale economic reforms could potentially boost the power of the religious conservatives by driving unemployed and disenfranchised youths back into the arms of their radical Islamic teachers.

The minority Wahhabi Islamic militants draw support from a burgeoning middle class of unemployable youths who only have their fundamentalist religious education to fall back on in a harsh economic climate. While Wahhabi fundamentalists may be unable to bring down the Saudi government, they are able to destabilize it by withdrawing their support and removing the regime’s claim to legitimacy. This is unlikely from the mainstream Wahhabi ulama because they depend on the regime for financial support resulting in weak, disorganized opposition.

Even though Islamic militantism is a decentralized phenomenon and there are few signs of a cohesive opposition emerging from radical militant movements, they all agree the Saudi regime needs to reform and American forces need to leave. They differ as to the degree of the former—ranging from increasing political participation to overthrowing the regime—but there is no disagreement on the latter. Serious and disciplined economic

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86 Alani and Rathmell, 10.
87 Goodwin, 36.
88 Alani and Rathmell, 17.
89 Alani and Rathmell, 4.
reform in Saudi Arabia requires instituting economic austerity measures. This means fiscal hardship for many resulting in decreased financial support to the ulama (increasing and solidifying their opposition), increased unemployment (driving youths back to their Islamic educational roots), and a reduced public sector workforce (driving newly unemployed liberals to join with the ulama and demand changes within the regime). If these opposition forces consolidate, one common interest comes to the forefront; they are all opposed to America’s military presence in Saudi Arabia.

4. Cost of the US Military’s Presence

One can see the cost of the American military presence to the Saudi regime in the amount of political opposition it causes. The regime recognizes that in terms of internal threats, the presence of Western forces is more destabilizing to the Kingdom than Saddam’s tanks.90 Prior to the Gulf War, King Fahd won the support of the ulama to allow American forces into the country only after his bleak portrayal of the military situation. The Wahhabi ulama view westerners as infidels, crusaders, and enemies of Islam and accepting their entry into Saudi Arabia was one of the most humiliating acts ever accepted by the Wahhabi religious establishment in its 200-year history.91 In announcing their decision, the ulama gave no justification from the shari’ā; they only referred to the principles of necessity. The royal family also pledged they would not grant bases or formally station non-Muslims in the Kingdom.92 The American forces now stationed there are a reminder to the ulama of their humiliation and the regime’s broken promise.

Saudi Arabia views itself as surrounded by enemies and is obsessed with security; therefore, defense spending accounts for 20 to 30 percent of Saudi Arabia's national budget.93 Saudi Arabia is first in the world in per capita military expenditures and they are the leading world importer of high tech weaponry.94 Saudi Defense spending equals

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90 Alani and Rathmell, 16.
91 Ibid.
92 Cordesman, Saudi Arabia: Guarding the Desert Kingdom, 193.
93 Abdelkarim, 39.
94 Ibid.
177 percent of health and education spending combined.\textsuperscript{95} Saudi regime opponents point out defense spending is just another way for America to establish their domination over the country. Between 1992 and 1999 Saudi Arabia signed arms agreements with the United States totaling 24.8 billion dollars out of a total of 28.9 billion dollars spent on all arms purchases.\textsuperscript{96}

Besides their own defense spending, Saudi Arabia shares the cost burden for maintaining US troops on their soil. The Saudi regime spent an estimated 60 billion dollars directly helping fund the Gulf War and they have probably spent the same amount indirectly since then.\textsuperscript{97} In 1997, the US received over 200 million dollars in offset costs from Saudi Arabia. With a monthly price tag of 67 million dollars to enforce the Northern and Southern No-Fly Zones, Saudi Arabia can expect more bills in the mail.\textsuperscript{98} Iraq expert Phebe Marr stated this about the Saudi government’s burden sharing responsibilities, “Looming far larger than either the Iranian or Iraqi threat is ‘sticker shock’ from the costs of defense.”\textsuperscript{99}

The many sources of discontent within Saudi Arabia all have a reason to oppose the American military presence. The Saudi regime has always relied on the “power of the purse” to quiet dissent but that power is steadily eroding and could disappear altogether should the regime implement real economic reform. Fragile regimes, more concerned with internal security than with aggression from their northern gulf neighbors, may conclude the US military’s presence entails risks to internal security that outweighs the security they provide against external aggression.\textsuperscript{100} The mass Saudi population fears US influence and dislikes infidels on Muslim holy land. Western educated liberals stand to lose out under reform and could side with the more radical elements of society.

\textsuperscript{95} Abdelkarim, 46.


\textsuperscript{97} Cordesman, \textit{Saudi Arabia: Guarding the Desert Kingdom}, 134.


\textsuperscript{100} Conry.
against the US presence. The ulama, co-opted and fragmented for now, are ideologically opposed to the western presence and stand to lose financially under disciplined economic reform measures. This loss of financial power could give momentum to radical Islamist elements focused on uprooting the Sa’ud monarchy.

D. DANGER SIGNS

Tensions in Saudi Arabia have not yet spawned large-scale unrest, but anti-American sentiment became tragically clear after the OPM/SANG and Khobar Towers bombings killed 24 US servicemen.101 In the aftermath of the Dhahran bombing, then Secretary of Defense William Perry admitted the dangers US troops face saying, “I believe we have to be prepared for more attacks on our forces not only in Saudi Arabia but throughout the Persian Gulf region.”102 Former US ambassador to Saudi Arabia Richard Murphy characterized the “great” probability of further terrorism as “an inescapable consequence of the role we have assigned to ourselves as the principal guarantor of security and stability in the region.”103

Saudi Arabia remains the dominant political actor among the traditional states of the region and plays a key role in the US strategy for regional influence. With the recent increase in world oil prices and revenue, there is no imminent risk of internal instability in the Kingdom. The Saudi economy is, however, experiencing a population expansion that is outpacing GDP development and straining its patronage based welfare system making the regime look for ways to reform its economy.

The Khobar Towers bombing and the attack on the USS Cole, among others, demonstrates the presence of a violent element within the region capable of carrying out attacks against US military targets. The Saudi regime is able, for the most part, to keep opposition fragmented and suppressed by controlling their financial well-being. This is becoming increasingly burdensome as the cost of maintaining the current economic system increases. As the Saudi government seeks to scale down the public sector workforce, reduce unemployment and migrant labor, and increase private investment,

101 Ibid.
more Saudi nationals will face the choice of chronic unemployment or decreased prestige from working in low-paying private sector jobs. The likelihood of Saudi Arabia successfully transitioning to a private market based economy is remote given their lack of will to institute reforms and the number of infrastructure obstacles they must overcome. Should the regime decide, however, to undertake austere economic reforms, it should signal danger for US forces stationed in Saudi Arabia.

Trimming the public sector, cutting subsidies, and forcing workers into undesirable private sector jobs will consolidate the now fragmented opposition and could lead to a more focused and powerful political foe. The danger for US military forces on the peninsula is they are easily accessible and their removal is the one thing all opposition forces agree on regardless of the reason. The moderate sectors of society stand to lose under any economic reform measures which could cause them to become more active, or at least complacent, in terrorist attacks on American targets. Given what the regime stands to lose through economic reform, it is unlikely the Saudi government will wittingly institute any significant reform programs. However, if the state loses its ability to dispense economic largesse, the social contract may be renegotiated under conditions where “buying out” is no longer possible and an *intifah* inescapable.\(^\text{104}\) If the economic and political situations dictate comprehensive reform efforts within Saudi Arabia, US forces should view this as an indicator of potential danger.

\(^\text{104}\) Vandewalle, 9.
III. DUAL CONTAINMENT

A. POLICY MALFUNCTIONS

Unilateral US sanctions enforcement, coupled with the United States’ role in the Middle East Peace Process, increases Arab opposition to the US military presence in the region. This could increase popular collaboration for militant terrorist attacks against US forces in Saudi Arabia in an effort to expedite their withdrawal and decrease US regional influence. It is unlikely, however, that America’s Dual Containment policy will lead to state sponsorship of terrorists attacks against US forces given the propaganda value this policy provides to these governments. Decreasing international sanctions support makes US political and military actions appear self-serving and contradictory. Iran and Iraq gain an enormous propaganda advantage—which translates into political pressure on regional regimes—from exploiting the sanctions rift between America and the international community.

B. IRAQ

Over the last two decades, Saddam Hussein’s regime has clearly proven to be the most dangerous threat to gulf Arabs and Iranians alike. Iraq’s invasion of Kuwait a decade ago put gulf monarchies on notice that Iraq, under Saddam, was a threat which made them less reluctant to enter into security arrangements with the United States. While America’s military presence provides security for gulf monarchies, it does not enforce sanctions and comes at a significant political price for the Saudi regime. Since UN sanctions are the primary justification for keeping US troops in place, many in the gulf region would like to see them abolished if for no other reason than to eliminate the need for America’s military presence.

Iraq threatens US security policy and national interests (maintaining control of oil resources through friendly allies) in the Gulf. Saddam Hussein brought on the current state of affairs through his own misdeeds; however, over the last decade, the overwhelming opposition to Saddam Hussein’s regime has dwindled and in some cases turned to outward support. Almost all gulf countries say they support lifting sanctions against Iraq. Even Kuwait, the one country most threatened by a re-emerging Iraq, says it supports lifting sanctions. This is only an outward gesture as Kuwait stipulates Iraq must
apologize for invading their country—a concession they know they will never get. One fact is clear, most countries in the region and many outside, namely Russia, France, and China, are anxious to re-establish trade relations with Iraq’s populous, oil-rich market. As more countries clamor to do business with Iraq, hard-line US sanctions policy and NFZ enforcement, the *raison d'être* for the US military presence in Saudi Arabia, becomes abhorrent to regional opposition forces. This section will review United Nations’ sanctions against Iraq, how Saddam maneuvers around sanctions with the help of regional states, and Iraq’s links to Islamic militants.

1. **Economic Realities and Regional Perceptions**

Over the last decade, Iraq earned its share of UN Security Council Resolutions (UNSCR) condemning its actions. The most comprehensive UN resolution in the struggle against Iraq, and the one the United States points to most often to highlight Iraqi disregard for accepted norms of international behavior, is UNSCR 687. The UN Security Council passed UNSCR 687 in April 1991 approving a formal cease-fire with Iraq.¹⁰⁵ It also called for Iraq to renounce and condemn terrorism, repatriate all Kuwaiti prisoners of war, and return ceased and stolen property.¹⁰⁶ In addition, it established a war reparations fund for Kuwait, called for arms and economic embargoes against Iraq, and established a border demarcation line and demilitarized zone (DMZ) between Kuwait and Iraq.¹⁰⁷ Most importantly, Article 22 of the resolution called for the eradication of Iraq’s weapons of mass destruction (WMD) including: chemical, biological, and nuclear weapons.¹⁰⁸ Also, Iraq was to accept intrusive inspections to prevent any further WMD development.¹⁰⁹ This resolution established the most comprehensive and controversial sanctions against Iraq. Preventing smuggling operations into and out of Iraq via Jordan and Turkey is the principal dilemma facing United Nations’ sanctions enforcement against Iraq. United Nations’ border inspectors can only inspect trucks *designated* as part

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¹⁰⁶ Ibid.

¹⁰⁷ Ibid.


¹⁰⁹ Indyk, 17.
of the UN oil-for-food program and have no mandate to review the contents of a vast majority of trucks entering or exiting the country.\textsuperscript{110} Inspectors estimate they inspect one truck in 200 passing through checkpoints in Turkey and one in 20 from Jordan.\textsuperscript{111} Besides the economic necessities of neighboring countries, a decade of failed sanctions has brought on “sanctions fatigue” prompting many countries to re-establish political and economic ties with Iraq.

America is loosing the propaganda war with Iraq as a growing number of Arabs ignore the reality of Saddam’s continued brutality. The United States is progressively becoming the scapegoat for the Iraqi people’s suffering, and Arab states are reducing support for sanctions claiming they unfairly punish the Iraqi people for their ruler’s misbehavior.\textsuperscript{112} Russia, France, and China support this view.\textsuperscript{113} In 1997, UNICEF published a report titled \textit{Report on Situational Awareness of Women and Children in Iraq}. The report stated Iraqi women and children were suffering a high rate of pneumonia, malnutrition, under five mortality, polio, measles, and maternal mortality.\textsuperscript{114} There has been a lot of debate over the validity of this report and its data collection methods; however, the real importance of this report is many in the region \textit{want} to accept the assertion that America, through its hard-line stand on sanctions, is causing the Iraqi people to suffer. This makes the “Arab street” more rebellious and harder to control for many of the gulf regimes.

While most Arab leaders hate Saddam, they prefer to maintain the \textit{status quo} rather than confront him or deal with a new leader in Baghdad.\textsuperscript{115} Typically, their motivation for lifting sanctions is to re-establish economic ties with Iraq’s lucrative market, maintain internal stability, or both. They see that after a decade, sanctions have

\begin{itemize}
  \item \textsuperscript{111} Ibid.
  \item \textsuperscript{112} Gary Sick, “The United States in the Persian Gulf: From Twin Pillars to Dual Containment,” 287.
  \item \textsuperscript{113} Ibid.
  \item \textsuperscript{114} Ellen Laipson, Patrick L. Clawson, Andrew Parasiliti, and Rend Rahm Francke, “Symposium: After Saddam, What Then For Iraq?,” \textit{Middle East Policy}, Vol 6, Number 3 (Feb 1999): 9.
  \item \textsuperscript{115} Alon Ben-Meir, “The Dual Containment Strategy is No Longer Viable,” \textit{Middle East Policy}, (Winter 1994): 69.
\end{itemize}
not brought about the desired changes in Iraq and Saddam’s grip on power is as strong as ever.\textsuperscript{116} Oman, Qatar, and Bahrain have spoken out about the need to bring Iraq back into Arab political circles. In October 2000, Iraq attended its first Arab League meeting in over a decade.\textsuperscript{117} With support for sanctions dwindling, the issue of No-Fly Zones comes to the opposition forefront.

America, not the UN Security Council, established the northern NFZ soon after the cease-fire in 1991 and the southern NFZ in August 1992.\textsuperscript{118} No-Fly Zone enforcement is the reason for the US military’s presence in Saudi Arabia and involves over 200 US aircraft conducting over 1,000 sorties a month at a cost nearing one billion dollars annually.\textsuperscript{119} The original intent of the No-Fly Zones was to protect the indigenous Iraqi Kurdish population in the north and Shi’a population in the south. No-Fly Zone enforcement suffers from deteriorating support and challenges they are American efforts to infringe on Iraq’s sovereignty. Since NFZs do not enforce UN sanctions, many nations call their propriety into question. Today, even the US military questions the way we maintain the northern and southern NFZs.

Military commanders emphasize the inevitability of America loosing a pilot due to Iraqi anti-aircraft fire in the NFZs. Gen. Franks, Commander of the US Central Command, and Gen. Ralston, Supreme Allied Commander Europe, recommended to the Bush administration a sharp reduction in the number of patrols over the NFZs because of the mounting danger that a US pilot could be shot down.\textsuperscript{120} Gen. Franks proposed reducing southern NFZ sorties while Gen. Ralston advocated ending northern NFZ sorties.\textsuperscript{121} The administration feels NFZ enforcement is necessary to prevent Saddam from using airpower against Iraqi minorities and to preclude an Iraqi force build-up that

\begin{footnotesize}
\begin{enumerate}
\item \textsuperscript{116} Ibid.
\item \textsuperscript{118} Anthony Cordesman, \textit{Iraq and the War of Sanctions}, 129.
\item \textsuperscript{121} Ibid.
\end{enumerate}
\end{footnotesize}
would threaten Kuwait. \textsuperscript{122} Brig. Gen. Peck, Commander, 363\textsuperscript{rd} Air Expeditionary Wing, the umbrella wing for all southern NFZ squadrons, adds, “If it is only No-Fly Zone enforcement, you do not have to be so aggressive.” \textsuperscript{123} While protection of US pilots is a paramount concern for these commanders, regional support is also becoming difficult to obtain.

Gen. Ralston’s proposal comes as no surprise given the recent speculation that the Turkish government is reluctant to continue operating the northern NFZ. The NFZ agreement, which is renewed every six months, was last renewed in June but the Turkish Office of Defense Cooperation, a liaison organization between the US and Turkish militaries, quietly predicts the end of the northern NFZ is near. \textsuperscript{124} The United States acknowledges Turkey is suffering economically by supporting UN sanctions and are willing to live with Saddam Hussein in their neighborhood. Ankara, which re-established full diplomatic ties with Iraq in January 2000, maintain they cannot send an ambassador to Baghdad and continue to fly missions over Iraqi territory. \textsuperscript{125} In the south, a reduced number of patrols would allow for a smaller American “foot print” and prevent a large US profile from becoming a lightening rod for domestic discontent within the Gulf States. \textsuperscript{126} The desire to improve their economies has led some countries to re-establish economic ties with Iraq while many more wait in line to do the same. This renders sanctions almost completely ineffective.

2. Increased Trade Relations

Countries around the world are becoming frustrated with America’s hard-line stand on Iraqi sanctions. Europeans are irritated with US Dual Containment policy and feel it goes beyond the dictates of UNSCR 687. This is due to the United States’ insistence that Iraq comply with all UNSCRs, vice complying with just the provisions of

\textsuperscript{122} Ricks, 2.


\textsuperscript{125} Ibid.

UNSCR 687, before they agree to lift sanctions.\textsuperscript{127} Within the region, Arab opinion has turned against sanctions and singles out the US as the sole reason sanctions are still in place. Arab businessmen point out the futility of sanctions enforcement since they are routinely bypassed—some estimates say by as much as $2 billion annually\textsuperscript{128}—by neighboring countries whose economies are in desperate need of Iraqi oil, trade, and capital. Jordan, Syria, and Turkey, Iraq’s financially troubled neighbors, find it increasingly difficult to abide by UN sanctions.\textsuperscript{129} This is due to Iraq’s market potential and their need for cheap Iraqi oil to help cover budget shortfalls. Experts estimate Iraq smuggles about 100,000 barrels of oil per day (bpd)—totaling between $25 and $40 million in monthly revenues—by trucking it through Turkey, Jordan, Syria, and by shipping it through Iranian waters.\textsuperscript{130} Jaques Sarraf, the President of the Lebanese Industrialists Association, points out, “Thirty thousand trucks pass each month between Iraq and Turkey.”\textsuperscript{131} Khaldoun Abu Hassan, former Amman Chamber of Industry Chairman, adamantly states, “Jordan’s loss as a result of sanctions stands at $1 billion annually just in overland and port trade.”\textsuperscript{132} Jordan relies on favorable trade relations with Iraq to make up for budget deficits in their stagnate economy. Jordan’s treasury revenues from Iraqi oil sales alone exceed $330 million annually.\textsuperscript{133}

Saddam negotiated favorable oil deals with Jordan and Syria to get around the UN oil-for-food program and still makes over $10 billion dollars annually selling oil at market prices. Even the US runs an oil sales trade deficit with Iraq—$515 million so far.

\textsuperscript{127} Juster, 106.
\textsuperscript{130} USEIA, \textit{Iraq}, 3.
\textsuperscript{133} Ibid.
in 2001, $6 billion in 2000, and $4 billion in 1999. The increasing need for trade with Iraq and the discontent of the Arab street isolate America in its stand on sanctions. A few years ago, Iraqis blamed Saddam and the US for their misery, today, even in private, they blame America because Iraqis claim the US does not understand that after 10 years, sanctions are pointless. Even some of our staunchest allies inside the region have begun to seek trade relations with Iraq.

Turkey recently reopened a rail link, closed for over 20 years, into Iraq to re-establish trade and commerce. Severed Iraqi trade cost Turkey $35 billion over the last decade. Turkey also has several construction contracts, estimated between $35 and $50 billion, awaiting UN approval to build roads, dams, and refineries in Iraq. Egypt, along with Syria and Tunisia, has signed a free trade agreement with Iraq and Jordan remains Iraq’s main Arab trading partner. Jordan is also studying the feasibility of establishing a duty free zone along their border and Iraqi officials have made increasing economic ties with Jordan a priority. With this much interest from our allies, it is not surprising states typically opposed to US policies are also “beating a path” to Saddam’s door.

Within the region, Syria, whose economy is in dire need of foreign investment, has increased trade relations with Iraq substantially over the last year. As stated earlier, Syria established a free trade agreement with Iraq and trade cooperation is expected to reach $1 billion this year. In addition, Syria re-opened an oil pipeline between the two countries giving Saddam over $500,000 a day in oil revenues with potential revenues

137 Boyd, 2.
estimated at $2 million a day. Analysts consider all other oil smuggling efforts “nickel and dime” operations compared to this. Outside the region, some of the more vocal opponents of continuing the current sanctions regime are fellow permanent Security Council representatives, Russia and France.

France openly opposes sanctions and has flown “humanitarian” flights into Iraq in violation of the international embargo. French companies participate in Franco-Iraqi trade fairs and the French government has shown reluctance to enforce NFZs. Russia is also conducting flights into Iraq without UN approval and is intent on maintaining its long, close relationship. Russian oil companies are eager to preempt their European competitors in the Iraqi oil market and have signed a $3.5 billion deal to rehabilitate Iraqi oil fields. Russia and France are also long time Iraqi weapons suppliers and Iraq owes France $7.5 billion and Russia $8 billion for past arms deals.

As more countries seek to normalize trade relations with Iraq, America’s hard-line attitude toward maintaining sanctions makes it the primary culprit, in the Arab mind, for the suffering inflicted on the Iraqi people. Our most openly supportive allies remain Britain and Israel. Even though many Arabs consider Britain the root cause of much conflict in the Middle East and Israel their mortal enemy, US power and military presence ensure America will be in the forefront of international condemnation over Iraqi sanctions.

3. Saddam and Islamic Militant Support

Saddam Hussein’s regime has always been secular and, one could say, un-Islamic; however, Saddam has championed the one cause uniting Arabs and Islamists—the Israeli-Palestinian conflict. Reports in the Arab press link Saddam to several militant causes—including Hamas and Hizballah—and claim he is providing tens of millions

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144 Juster, 107.

of dollars to finance attacks against US targets in the region. Some reports link Saddam directly to Usama bin Ladin stating the two established “working” ties as far back as 1994. Many reports allege to recount specific encounters between bin Ladin and Iraqi officials. One asserts Iraq’s ambassador to Turkey, Faruq Hidjazi, made it clear to bin Ladin he would always be a “welcome guest” in Iraq. This gesture was supposedly a reward for bin Ladin establishing the International Islamic Front against Crusaders and Jews during the height of the 1998 American-Iraqi confrontation over UN weapons inspectors. One cannot argue the logical connection between Saddam and bin Ladin’s mutual interest in removing the America’s military presence from Saudi Arabia. Iraq has ties to many Islamic militant groups and has provided them with financial and logistical support. For Iraq, the US forces in Saudi Arabia represent a prime target for attack since they enforce the NFZs over Iraq. Usama bin Ladin and his various organizations and associates share this goal with Saddam, albeit on different grounds, and an alliance between these two divergent causes could prove mutually beneficial.

In the past two decades, Iraq has started two wars, fired SCUD missiles into Iran, Saudi Arabia, Bahrain, and Israel, and used chemical weapons against Iran and the Iraqi Kurds; however, Arab rhetoric now blames US policies for regional instability. Islamic Militants share a common goal with Saddam Hussein in seeking the removal of US forces from the Arabian Peninsula. In spite of this, Iraq enjoys dwindling international sanctions support, lucrative smuggling operations, and favorable Arab public opinion; therefore, Saddam would be foolish to support a terrorist attack against US forces in Saudi Arabia. Islamic militants will attempt to carry out attacks against American


147 Anthony H. Cordesman, Transnational Threats from the Middle East: Crying Wolf or Crying Havoc, 68.


150 Ibid.
military targets and Saddam can enjoy the benefits without being involved. By holding America responsible for Iraqi suffering, Saddam is able to portray himself as a victim of American brutality. Reports of a connection between Usama bin Ladin and Saddam Hussein are suspect at best. Bin Ladin is capable of conducting terrorist attacks without external support and has no ideological reason to help Saddam’s secular regime. Saddam’s support of Hamas and Hizballah is unlikely to yield attacks against US targets in Saudi Arabia because these groups are focused on destroying the State of Israel. Saddam’s support for Islamic militant groups serves to increase Arab popular support for the Iraqi cause and highlights America’s “anti-Muslim” role in the Middle East Peace Process.

C. IRAN

Iran is arguably the most influential gulf actor with regards to power and security in the Persian Gulf and regional stability depends on Iranian cooperation. American policy seeks, through embargos and sanctions, to weaken and isolate this “rogue” state making it a pariah in the international community. In the last twenty years, Iran sponsored terrorist attacks, threatened to export its Islamic revolution, and developed a ballistic missile program which buttressed the United States’ accusations of Iranian lawlessness. Over the last decade the US and Iran have made overtures towards normalizing relations, but the only change in US policy has been the establishment of the Clinton Administration’s Dual Containment Policy.

Dual Containment, with regards to Iran, involves ever-tightening unilateral, trade restrictions that are increasingly proving to be ineffective, unsupported, and detrimental to American petrochemical businesses. Iran is the largest market for foreign goods and investment in the gulf region. They have established economic ties with several regional, European, and Asian countries that reject US sanctions because of the lucrative business opportunities the Iranian market presents. With growing international economic interest in Iran, US sanctions do little to cripple the Iranian economy. This section focuses on US sanctions policy towards Iran, the problems of enforcement, and Iran’s links to the militant threat.
1. Iranian Sanctions

Unlike Iraqi sanctions, Iranian sanctions are completely unilateral and unsupported by United Nations’ Resolutions. They represent American efforts to punish Iran’s regime for its international “indiscretions.” During the May 18, 1993 Soref Symposium at the Washington Institute for Near East Policy (WINEP), Martin Indyk, Near East Department Head for the National Security Council at the time and future ambassador to Israel, spelled out President Clinton’s Middle East policy with regards to Dual Containment. Indyk stated at the symposium, “Dual Containment is composed of unilateral and multilateral efforts designed to force Iran to conform to internationally accepted behavioral norms.” Specifically, the policy is designed to make Iran cease its support of terrorism and subversion efforts against friendly governments, halt its violent opposition to the peace process, eliminate its weapons of mass destruction (WMD) program, reduce its conventional arms build-up, and improve its human rights record.151 The policy allows for “authoritative dialogue” with the Iranian government and, in the words of the Clinton Administration, “gives Iran’s leadership a chance to make a strategic choice to change its policies in order to serve Iran’s interests in providing economic growth and political stability.”152 Dual Containment critics emphasize the significance of announcing this policy at WINEP, which Martin Indyk founded in 1985, claiming the institute is pro-Israel and the offspring of the American-Israel Public Affairs Committee (AIPAC).

Since the American Embassy takeover in 1979, the US has resorted to embargoes and sanctions to influence Iran’s policies. Dual Containment is no different and involves a plethora of unilateral and multilateral sanctions that grew increasingly severe between 1993 and 1997. So severe in fact, noted Middle East specialist Gary Sick contends, “These sanctions are more stringent than sanctions imposed against the Soviet Union.”153 The Carter Administration implemented the first American sanctions against Iran which

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did not increase significantly until 1993 with the introduction of the United States’ Dual Containment Policy.

America maintains it does not oppose Iran’s Islamic regime, but it does oppose its sponsorship of terrorism and opposition to the peace process. Dual Containment did not originally oppose trade with Iran. Instead, it sought ways to prevent the Iranian regime from carrying out its “rogue” intentions. The United States’ 1993 sanctions unilaterally banned arms sales, transfers of dual use technologies, and certain exports to Iran. It also banned Iranian imports to the US and adopted diplomatic opposition to all international lending institutions providing Iran financial support.\textsuperscript{154} The ban did not apply to foreign subsidiaries of US companies nor did it prohibit private remittances from Iranian nationals.\textsuperscript{155} Multilaterally, the United States called on its allies to support sanctions by banning arms sales, dual use technology transfers, nuclear cooperation, international financial support, and limiting credit and aid.\textsuperscript{156} Within two years, America would tighten these sanctions to effectively cut off all trade.

Without any significant triggering event, President Clinton, in May 1995, signed several executive orders banning all US trade and trade financing with Iran.\textsuperscript{157} These executive orders banned US companies from buying Iranian oil overseas, prohibited new investment by American companies, barred re-export from third countries of all goods and technologies prohibited from direct export to Iran, and stopped US persons and companies from approving or facilitating transactions with Iran.\textsuperscript{158} Former President Clinton’s executive orders were the outgrowth of his administration’s mid-term assessment of Iran’s political actions. The assessment outlined Iran’s worsening behavior towards the 1994 peace negotiations, namely, its increased sponsorship of terrorism

\textsuperscript{154} Laipson, 2.
\textsuperscript{155} Ibid.
\textsuperscript{156} Ibid.
\textsuperscript{158} Laipson, 2.
directed at the peace process. It also summarized Iran’s increased efforts to acquire WMD technologies and materials.\textsuperscript{159}

The executive orders also satisfied congressional pressure to get tough on Iran and answered European complaints of American hypocrisy in calling for international sanctions while still trading with Iran. Former German Chancellor Helmut Kohl rightly pointed out the United States purchased one-quarter of Iran’s oil exports for sale on non-US markets prompting him to comment, “It is American oil companies, not German, that export Iranian oil to other countries.”\textsuperscript{160} The administration felt these executive orders would give America a greater leadership role among our allies.\textsuperscript{161} Some analysts point to the political timing of these orders–1996 being an election year–stating the only international sanctions support the US enjoyed was from Israel. They go on to state the American-Israeli Public Affairs Committee (AIPAC) sponsored the legislation and President Clinton chose the World Jewish Congress to announce these sanctions two weeks prior to signing them into effect.\textsuperscript{162} Regardless of the reasons, US business was immediately affected as America’s CONOCO oil company was forced to renounce its $1 billion dollar contract to develop the Sirri gas field in the southern Persian Gulf.\textsuperscript{163}

The United States’ again increased sanctions in 1996 with the implementation of the Iran-Libya Sanctions Act (ILSA), popularly known as the D’Amato Act. ILSA imposes mandatory and discretionary secondary sanctions on foreign companies investing more than $20 million annually in the Iranian oil and gas sectors.\textsuperscript{164} The US Congress touted ILSA as a response to Iran’s continued sponsorship of terrorism and passed it by a unanimous 415-0 vote. Congress sees this act as an opportunity to take a tough, public stand against terrorism. Opponents of the act assert its real purpose is to help compensate American businesses for loosing out to foreign companies in the

\textsuperscript{159} Laipson, 3.


\textsuperscript{161} Laipson, 3.

\textsuperscript{162} Laipson, 2.

\textsuperscript{163} Gary Sick, “The United States in the Persian Gulf: From Twin Pillars to Dual Containment,” 287.

\textsuperscript{164} USEIA, \textit{Iran}, 1.
profitable Iranian commercial market. Finally, in August 1997, President Clinton signed Executive Order 13059 reaffirming the prohibition on virtually all trade and investment activities by US citizens with Iran.

On four separate occasions between 1993 and 1997, the United States government acted unilaterally to toughen Iranian sanctions justifying their actions by pointing to Iran’s sponsorship of terrorism and weapons of mass destruction program. American pressure on allies to follow US sanctions—especially the Iran-Libya Sanctions Act—continually meets with resistance and indifference. The US enacted these measures at a time when many believed Iran had curbed its sponsorship of terrorism and agreed to abide by the International Atomic Energy Agency’s (IAEA) guidelines on nuclear energy development. Recently, the US modified its position on sanctions with former Secretary of State Madeline Albright’s March 2000 announcement that the United States would lift certain sanctions on Iranian luxury goods such as rugs, caviar, and pistachios. All other sanctions, she emphasized, remain in effect. Several countries have already invested in Iran’s lucrative market and many more are standing in line to do the same.

2. Sanctions Complexities

The difficulty of sanctions enforcement against Iran is that the US has acted unilaterally to impose stricter sanctions while others seek to take advantage of a potentially profitable market. One would expect difficulty convincing traditionally non-allied and cash strapped nations, such as Russia and China, to support sanctions, but major opposition also comes from our long-time allies in the European Union. Iran now enjoys regional recognition and international political-economic engagement. With unemployment lingering around 15 percent and inflation rates around 30 percent, Iran needs foreign investment capital and hard currency infusions in their economy. Several countries are anxious to fill this investment void because Iran is OPECs second largest oil exporter and their population—approximately 70 million—is almost two times larger than all GCC states combined. Iran controls nine percent of the world’s oil reserves and exports 2.3 million barrels of oil per day. Estimates show their natural gas assets represent 15 to 30 percent of world reserves, and over half their estimated assets are in

unexplored fields. The business and profit potential for foreign oil and gas developers is enormous since this sector is currently under-developed.

American sanctions against Iran have stung their economy but have failed to produce economic hardship. In fact, some point out *mullah* economic mismanagement does more to harm the economy than US sanctions. When CONOCO withdrew its bid to develop Iran’s Sirri gas field in 1995, negotiations began immediately with an international consortium composed of France’s TOTAL, Russia’s GAZPROM, and Malaysia’s PETRONAS gas and oil industries to develop these fields. When our allies supported a ban on providing nuclear technology and development, Iran turned to cash strapped Russia and their Ministry of Atomic Energy (MINATOM) and signed a $940 million dollar deal to complete construction of a light water nuclear reactor in Bushehr. In March 2001, Iran signed a new arms deal with Russia reportedly worth $2 billion over five years effectively abolishing the Russian-American agreement not to sell arms to Iran after 1999. The US State Department threatened sanctions against Russia if they did not abide by the agreement, but Russian Defense Minister Igor Sergeyev and his Iranian counterpart, Rear Admiral Ali Shamkhani, made it clear neither side was in the mood to listen to threats.

America has failed to convince its allies to take similar punitive measures against Iran and sanction success depends on allied support since they cannot succeed unilaterally. Even with allied support, Iran is able to fill its needs by turning to cash strapped countries like Russia and China. Germany, Japan, and Italy are Iran’s main trading partners and Indonesia, India, Brazil, and France are standing in line to do business in Iran. All of them are glad to see America out of such a lucrative market. The United States waived the ILSA provisions against the French petrochemical conglomerate in 1998 citing national security interests, but European pressure to forego

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166 Ben-Meir, 60.


169 Ibid.
sanctions was the real impetus behind the United States’ decision. America, in the face of intense opposition from European and Asian firms, has yet to enforce the ILSA provisions against any country. Hooshang Amirahmadi, President of the American-Iranian Council, states, “The administration will either have to remove [ILSA] or reinforce it because the way it is being handled at the moment is an embarrassment.” Our allies prefer critical dialogue and constructive engagement vice sanctions. Given that Iran owes most of its $12 billion short and mid-term external debt to Japan and the European Community, these countries have no desire to see Iran default on their financial obligations.

American sanctions against Iran are largely ineffective because they lack international support. Many regional and international actors consider US sanctions punitive rather than persuasive and suggest they lack a definable end game. Iran represents a potentially lucrative market and many countries, particularly European and Asia countries, are rushing to do business in Iran and have vested interests in seeing Iran do well. These countries are pleased America has kept US companies out of the Iranian market making US businesses the real losers. While Iran finds alternative markets for its needs, American sanctions, pursued unilaterally, have minimal impact. Russian foreign policy analyst, Sergei Karaganov, sums up the international community’s feeling towards Iranian sanctions when he states, “Cooperation with Iran is all about making money.” Iran has also gained regional recognition and legitimacy thereby reducing some of the fears of its Arab neighbors.

Arab countries of the southern Persian Gulf have always felt threatened by Iran’s size and military might. This was particularly true during the early years of Iran’s

172 USEIA, Iran, 2.
174 Laiison, 9.
176 Glasser, A01.
revolution because of their threats to export the Islamic Revolution worldwide. Over the last decade, the Iranian regime has softened its revolutionary rhetoric and sought appeasement with its neighbors. With Iraq’s emergence as the pre-eminent regional threat and Iran’s interest in regional stability, many Persian Gulf countries are less reluctant to engage Iran politically and economically. Several countries including Turkey, The United Arab Emirates, Oman, and Kuwait have expanded commercial ties with Iran, and Iran enhanced their reputation among Arab Gulf States when they hosted the Organization of the Islamic Conference (OIC) in December 1997.

Hosting the Organization of the Islamic Conference was extremely significant for Iran since it gave them an aura of regional and international legitimacy. Saudi Foreign Minister Sa’ud al-Faysal stated the day after the conference, “The conference’s huge participation reflects the respect for the Iranian people and for the role of Iran, and the great hope for Iran to further improve bi-lateral relations, cooperation, and coordination.” To further expound on the significance of this event in recognizing Iran and its legitimacy, the Conference elected Iran’s President Mohammed Khatami to serve as the conference’s leader for a three-year term. Iran used the conference as an opportunity to show a united front and reaffirm that they were not a threat to any Islamic country. In an effort to stimulate economic growth and investment, Iran increased its role in ensuring regional stability.

Eighty percent of Iran’s international trade and 100 percent of its oil exports transit through the Persian Gulf making cooperation, freedom of navigation, and stability extremely critical for Iran’s economic success. Iran is increasingly engaging its northern Caucasus and Central Asian neighbors. It sees its northern neighbors as a large market for exports, an alternate route for goods to Europe and Turkey, a potential job market to help reduce growing unemployment, and, most importantly, a source of

178 Ibid.
179 President Khatami speaking for the moderate front and Supreme Leader Khamenei speaking for the hardliners echoed this sentiment in each of their speeches at the conference.
international trade to generate hard currency. Iran is actively involved in maintaining internal and regional stability because outward signs of moderation attract foreign investment. Iran is especially sensitive to the US military’s presence in the region and is working hard to remove any justification for maintaining it. Iran is tired of the international community considering it a pariah state and, even with their outward opposition, seeks appeasement with America. The Iranian political establishment realizes US sanctions help maintain the current hard-line regime, but both sides are aware of the difficulties involved in normalizing relations.

The first public signs of conciliation between the United States and Iran were in President Bush’s January 1989 inaugural address when he mentioned Iran saying, “Goodwill begets goodwill. Good faith can be a spiral that endlessly moves on.” He implied America would reciprocate any act of goodwill by the Iranians. Shortly after the inaugural address, President Rafsanjani won the release of the American hostages held by the Hizballah in Lebanon and remained neutral during the Gulf War. Unfortunately, the Bush Administration never overtly reciprocated these acts. America instituted no significant policy changes towards Iran until implementing Dual Containment and was patently non-conciliatory until the 1997 election of Iranian President Mohammed Khatami.

President Khatami came to office with a moderate, reform agenda that the United States received enthusiastically. President Khatami has taken a mollifying approach towards the US and in December 1997 called for a “dialogue of civilizations” and academic exchanges. After President Khatami’s comments, Secretary of State Albright seemed to make a conciliatory overture towards Iran by stating, “As the wall of mistrust comes down, we can develop a roadmap leading to normal relations. We can not

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181 Peimani, 8-10.
182 Laipson, 11.
184 Litwak, 163.
185 Ibid.
186 Litwak, 177.
view every nation through a single prism.”187 The United States is aware too much outward support for President Khatami is counter-productive to his influence and legitimacy, but when conciliatory overtures meet with continued sanctions and hard-line American pressures, it plays into the hands of the Iranian *mullahs* and erodes our sanctions justification.

Khatami’s move to normalize relations with Iran’s neighbors and defuse hostility with the US has met with popular approval internally and externally.188 Conversely, Iranian hard-liners find embattlement and adversity politically useful because it allows them to blame their failures on US sanctions.189 During the December 1997 OIC, while Iranian moderates and hard-liners agreed Iran was no threat to Islamic countries, Supreme Leader Ali Khamenei broke from President Khatami’s conciliatory approach towards the west and emphasized continued confrontation especially with regards to the peace process.190 In general, the Iranian population does not accept the hard-liner’s position but they hold it because it is the foundation of their legitimacy and provides them with a useful excuse to dismiss their economic mismanagement. The US also points to this dissention within the ruling regime and uses it to forego any lessening of sanctions because of the lack of “authoritative dialogue.” With the hard-line *mullahs* wielding political-economic power and the moderate elected officials enjoying popular support, America asks, “Who speaks with one voice for Iran?” More recently, General Powell addressed the Bush Administration’s view of Iran during his Senate Confirmation Hearings as Secretary of State, stating:191

*Change is happening in Iran because the people of Iran are expecting a little more moderation and a little more openness in their lives. Our policies take into account the serious difficulties we have with their*

187 Ibid.
189 Ibid.
190 Litwak, 183.
offensive policies but at the same time encouragement to the people of Iran that the Iranians are not our enemies.

America has followed its appeasing rhetoric with some action–it no longer considers Iran a leading sponsor of state terrorism, designated the anti-Iranian group Mojahedin-e Khalq (MEK) a terrorist organization, and reduced American gulf forces by one-third\(^{192}\)–but it has not taken any significant measures to reduce sanctions. Iran can “end run” virtually all US sanctions and our allies around the world prefer “constructive engagement” with Iran to take advantage of developing economic opportunities. In short, our allies do not support American sanctions. As Iran gains regional prestige and legitimacy because of its diminished ideological fervor and Iraq’s emergence as the GCC’s pre-eminent threat, regional regimes question America’s reasons for continuing sanctions.

3. Militant Attacks

Iran has sponsored attacks against American targets including the Marine Barracks and US Embassy bombings in Lebanon and their alleged role in the Khobar Towers bombing. The basic foundation and ideology of Iran’s regime supports the use of Islamic militantism to achieve political objectives. However, in the past twenty years, Iran has toned down its revolutionary rhetoric and worked to build stability throughout the region. Sponsoring a terrorist attack against US forces in a neighboring gulf state would be counter-productive to Iran’s attempts to ease Arab fears and remove the US military. There is little ideological connection between Iranian Shiites and the predominately Sunni militants, and, like Iraq, Iran benefits from militant attacks without being involved.

While Iran circumvents American sanctions and builds international recognition, continuing sanctions will do little to solicit Iranian sponsored terrorist acts against US targets. President Bush’s renewal of the 1995 sanctions in March corroborates this as America heard little to no response from Iran, the Middle East, or Europe. Current sanctions are widely unsupported and serve to isolate America rather than Iran by keeping American business out of a developing market. Iran’s opposition to the Middle

East Peace Process drives its support for Hizballah, and America's insistence on continuing sanctions makes US policy appear self-serving and contradictory to regional populations. This further confirms, in the Arab mind, the perception of unequal treatment in America’s dealings in the region and could spawn increase popular involvement in terrorists’ attacks against US targets.

D. OUR OWN WORST ENEMY?

After a decade, America’s military presence has become a permanent part of the Saudi security picture. There have been no attacks against US military forces in Saudi Arabia in almost six years, and this can be attributed to increased Saudi internal security and the US military’s “force protection” measures. After the Khobar Towers bombing, the US and Saudi governments moved all 3,500 US troops in Saudi Arabia to Al Kharj airbase in a remote desert area 60 miles southeast of Riyadh. The US compound is a secured area inside the 80 square mile Saudi airbase. All US military flights taking-off and landing at the base utilize tactical procedures to limit their vulnerability to shoulder fired anti-aircraft missiles. These measures have surely thwarted terrorist actions, but should they ever become compromised, these forces become an attractive target for Islamic militant attacks.

As “sanctions fatigue” sets in and many countries become anxious to re-establish trade ties with Iran and Iraq, American pressure to enforce sanctions isolates the United States. Smuggling operations and decreased international support render sanctions almost immaterial while popular propaganda blames regional instability on American sanctions. The American military presence in Saudi Arabia protects the gulf monarchies from Saddam Hussein, and it is unrealistic to think Iraq will stop being a threat to these countries. Iraq maintains Kuwait is still their territory and got what it deserved in 1990.

American sanctions will not prompt state sponsorship of terrorist’s attacks against US forces in Saudi Arabia because, in the end, they fail to achieve their objectives. America’s Dual Containment Policy, coupled with our support for Israel, makes our actions appear biased and intensifies regional opposition to American policies and military presence. This becomes counter-productive to American interests since popular opposition can translate into political pressure on gulf regimes to remove US forces. With escalating popular support, it is unlikely either Iran or Iraq will risk loosing
cooperation by sponsoring terrorist acts in neighboring gulf countries. Conversely, American policy increases popular opposition and could lead to popular support for militant attacks against US forces in Saudi Arabia.
IV. WEDGED BETWEEN ENEMIES

A. CONFLICTING POLICY

America’s policy of ensuring the security of Israel and the continued flow of oil from the Persian Gulf is not “mutually reinforcing.” America’s special relationship with Israel can cause friendly Arab regimes to buckle under the weight of regional and domestic opposition for their cooperation with “Zionist allies.” America’s support for Israel makes Arab regimes question our commitment to their protection. It also increases the very real threat of militant terrorist attacks against US military forces. In militant terms, one cannot be “pro-Zionist” and “pro-Muslim.” Islamic militant ideology, coupled with America’s “hegemonic” presence, puts militants at odds with Americans since they see the stationing of “anti-Muslim” forces near two of Islam’s holiest sites as an intolerable attack on Islam.

American forces in Saudi Arabia are at risk simply because they are seen as the pre-eminent symbol of US “anti-Muslim” hypocrisy. The United States has already felt “blowback” from its Middle East policies with attacks on the World Trade Center, the Pentagon, the OPM/SANG building, Khobar Towers, the Kenya and Tanzania embassies, and the USS Cole. One can expect further “blowback” from American policy and presence since neither has changed and “anti-American” militant rhetoric remains as fervent and defiant as ever. Consequently, the aftermath of these attacks—like the strikes in Afghanistan—can lead to further reprisals as US officials seek out militant terrorists in an effort to bring them to justice. Muslim populations and regimes argue that this is an intrusion into regional domestic affairs and a continued attempt by America to humiliate Muslim societies. American forces in Saudi Arabia are at risk, but how do American policies increase the risk of blowback?

B. SAUDI ECONOMIC REFORM AND DUAL CONTAINMENT

Since the beginning of the Cold War, America has portrayed itself as the champion of democracy and the free-market economy. America is still the chief campaigner for worldwide democratization, political liberalization, and capitalist economic development. In the case of Saudi Arabia, economic liberalization and popular sovereignty would be disastrous for maintaining the United States’ interests and ensuring
the security of US forces stationed there. The Saudi regime’s dominance over their economy is the primary means by which they co-opt or eliminate internal opposition. Anti-American sentiment in Saudi Arabia has not yet produced widespread public unrest, but its existence became tragically clear after 24 US servicemen died in the OPM/SANG and Khobar Towers bombings.

Saudi Arabia is the leading political actor among the traditional Gulf States and plays a key role in America’s regional policy. While there is no near term danger of massive internal instability, Saudi Arabia’s population expansion continues to strain its patronage based welfare system and force the Saudi regime to look for ways to reform its economy. The Saudi royal family, by virtue of its dominance over the means of revenue production, is able to keep opposition disjointed and suppressed. Increased birthrates and stagnate economic growth place amplified demands on their economy making opposition control increasingly problematic. The prospect of Saudi Arabia evolving into a market-based economy is bleak given the number of infrastructure obstacles they must overcome. Reducing the public sector workforce, trimming subsidies, and increasing undesirable private sector jobs could fuse opposition forces leading to the creation of a powerful political adversary that would most likely be Islamist and anti-Western. It is unlikely the Saudi regime will institute any momentous economic liberalization programs given what they stand to lose. A strong Saudi economy and the regime’s ability to co-opt or eliminate opposition are the keys to maintaining the security of deployed American forces.

America’s Dual Containment policy fails to achieve its objectives and serves to increase popular Arab sympathy for Iraqi and Iranian civilians whom they view as victims of duplicitous American aggression. As countries rush to re-establish economic trade ties with Iran and Iraq, American pressure to continue or tighten sanctions only serves to isolate the United States. Decreased international support makes sanctions increasingly irrelevant while Arab propaganda uses sanctions to blame America for exacerbating and prolonging regional conflict. While American sanctions will not prompt state sponsorship of terrorist’s attacks against US forces in Saudi Arabia, Dual Containment, coupled with our support for Israel, intensifies regional opposition to our policies and presence. With escalating popular sympathy, it is unlikely Iran or Iraq will
risk loosing regional and international support for their cause by sponsoring terrorist acts in neighboring states. The real threat to our deployed military is the role American policy plays in increasing popular collaboration for militant attacks against US forces.

**C. MITIGATING THE THREAT**

Indigenous collusion in planning and carrying out terrorist attacks significantly increases the likelihood this type of violence will be successful. Anti-American sentiment is directly proportional to the amount of violence perpetrated against Palestinians in Israel. The quickest means by which to ameliorate Arab opposition is for America to take a more even-handed approach in its dealings with Israel. President Bush’s recent reaffirmation that America supports the creation of a Palestinian state does not change US policy, but it does put friendly Arab regimes in a position to support US strategy. America must also maintain its support for regional monarchies since gulf oil is a vital national and international interest. Any changeover in the ruling elite of these countries will likely bring into power an anti-Western regime significantly impacting our interests in the region.

Islamist militants, because of their anti-western ideology and desire to overthrow unjust, un-Islamic regimes, will always be a threat. While America cannot eliminate its support for gulf regimes we can diminish Arab resistance by reducing our military “footprint” and returning to an “over-the-horizon” security arrangement. The US military presence in Saudi Arabia enforces the southern No-Fly Zone restrictions and functions as a lightening rod for Arab discontent. Discontinuing flights over the northern No-Fly Zone would help Turkey re-establish economic relations with Iraq that would greatly aid its faltering economy. By limiting the aircraft in Saudi Arabia to non-lethal reconnaissance aircraft and unmanned aerial vehicles, the US can monitor Iraqi activity, reduce its military footprint, lesson the threat to US pilots, and allow the Saudi monarchy to refute accusations it supports hostile American actions against its Arab neighbor. The lethal response to Iraqi threats can come from aircraft stationed in Kuwait or carrier-based aircraft in the Persian Gulf (i.e., from “over-the-horizon”).

American forces deployed to the Middle East protect our vital strategic interests in the region and are at risk because of Islamic militant determination to drive the US out of the Muslim Holy Land. This threat will not go away and America will never win the
propaganda battle in the Middle East. Even if we ceased our support for Israel and eradicated the militant threat, our support for Arab governments would contribute to blowback since their citizens consider many of these regimes unjust, un-Islamic, and oppressive. A reduced American military presence in Saudi Arabia would allow us to maintain our commitment to Saudi security, prevent Iraq from threatening its neighbors, and lessen the potential for terrorist attacks. It also prevents Iran and Iraq from using our presence as propaganda to inflame regional opposition. These are only marginal solutions to an extremely complex problem. The real key to controlling popular collusion in militant terrorist attacks is ensuring the Saudi regime’s ability to co-opt or eliminate its opposition. The question is, how long can the Saudi economy sustain this capability?
LIST OF REFERENCES


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