CHAPTER V
Granting aid to another country is basically a political decision and as such, therefore, a nation's aid programme is first and foremost a tool of its foreign policy. The historical record of foreign aid provided by traditional donors has amply proved this point. Among the objectives they have tried to achieve through aid, thus serving as its primary motivations, most important have been those in the realms of security, politics, ideology, and economics.

For example, during the 1960s major Western aid donors viewed underdevelopment and poverty in the Third World as being against their own security and political interests, since underdevelopment and poverty tended to destabilise societies, promote radicalism, and create opportunities for the West's competitors to gain influence in these countries and thus to weaken the Western position within overall East-West competition.

Yet to emphasize that, over the last three decades, aid has essentially been used to achieve a wide range of national 1.

objectives, is not to imply that the traditional aid donors have never been concerned with the recipients' social and economic development. On the contrary, for several reasons especially in the recent past this objective has played an important role. However, with regard to OPEC Gulf countries this objectives, to a considerable extent have been affected by their own security perceptions.

Thus not ideological implications but security considerations have been the most influential factor in determining the aid policies of the number of oil producing West Asian donors. This fact has derived from the essential characteristics of these countries, which creates special security problems for them. The most important of these characteristics have been the following:

(a) they are small, with fabulous wealth that has enticed the envy and greed of their neighbours and other outside powers.

(b) their non-oil resources are meagre;

(c) they have small indigenous populations, a fact that has put severe limitations on their ability to develop viable military forces.
(d) they have large non-indigenous populations which, together with their religious divisions, could be a source of subversion and domestic unrest;

(e) given the conservative nature of their governments, in the past they have had - and still do - legitimacy problems with large segments of Arab opinion;

(f) the institutional capacities of their governments are not fully developed; and

(g) geo-strategic conditions have not been favourable; they are located in a zone of great power rivalry and thus have been highly permeable to outside forces. Moreover they have faced far stronger neighbours vying for regional leadership, a situation that has created an unstable regional environment for them. Also, some of these countries have been openly coveted by some of their stronger neighbours.

The combination of these factors has created special security problems for these countries, the most important of which have been direct or indirect military take over attempts by their larger and stronger neighbours; a deteriorating regional environment as their being located in a zone of great power rivalry over the base facilities in the Indian Ocean; and
internal subversion by radical Arab and other forces, in some cases using immigrant populations.

Thus since the very early days of its independence in 1961, Kuwait has faced such a threat from Iraq, which laid claim to its territory. Although this claim did not go beyond words and was warded off by the sending of 6,000 British troops to Kuwait. Other Persian Gulf countries have not had the same traumatic experience as Kuwait. But they have also been potentially vulnerable to such threats.

The other major threat to these countries has been a deteriorating regional security environment. In fact, this has meant that the predominance of hostile forces in regions of interest both immediate and more distant would be hazardous to their security and would thus have needed to be prevented. Since these countries have lacked the military potential to deter these forces, they have essentially relied on aid to neutralize and pacify existing hostile forces; to moderate - as far as possible - the positions of hostile forces; and to strengthen existing moderate and friendly forces. The West Asian countries have applied this strategy in their immediate region -

2. Since the Iranian revolution, Iranian inspired religious subversion has also become quite threatening.

3. As far as Kuwait was concerned, the following statement is instructive: 'In spite of General Kassim's arrogant response, the rest of the Arab States agreed to recognize the Sheikdom as an independent state and Kuwait was admitted as a member of both the Arab League and the United Nations. The price of these Pan Arab mercies, however, was a share in Kuwaiti oil revenues'. David Holden, Farewell to Arabia, (Faber & Faber London: 1966), p. 169.
the Persian Gulf - in the Arab world, and in their peripheries.

Extensive aid given by the OPEC Gulf countries to the Arab confrontation states - as well as to such radical states in the Gulf region as south Yemen, and to such peripheral states as Pakistan, Somalia and Sudan - has all been justified in terms of the above factors.

Moreover, at the global level the Gulf countries have essentially viewed their security interests as being linked to those of the Western world, although they have proclaimed non-alignment but in fact like Kuwait - and have followed a even handed policy towards the East - West conflict. Thus, through this aid they have tried to strengthen western positions in the above mentioned regions.

As with other OPEC Gulf countries, security considerations have paramount in determining Iran's aid policies. In fact, Iranian leaders were quite candid in admitting that the ultimate purpose of its aid programme was to complement its overall security policy. Iran's views of threats to its security and thus its security needs, have essentially been determined by its geo-strategic considerations and historical experience. The most consequential aspects of Iran's go-political conditions have been its territorial contiguity to a great power (Russia/Soviet Union)

4. See for example, the Shah's interview with Blitz, represented in Keyhan Internation, 21 July 1976 P.4
and its location in a zone of great power rivalry. This situation in turn had caused Iran (and still does) to be subjected to pressures and military incursions by its great power neighbour, as well as by the extra-regional competing great power — historically Britain and now the United States. Also, Iran had suffered as a result of occasional collusion between the competing powers and had several times even faced the danger of partition because of such collusion. By the time of the 1973 oil revolution, the negative aspects of Iran's geostrategic conditions had been somewhat lessened, largely because of changes in the international system, plus internal changes both in Iran and in its great power neighbour, the Soviet Union. Yet Iran's basic security dilemma remained the same since not all systemic changes served Iran's security interests. Consequently

5. For a study of the impact of Iran's geostrategic condition on its foreign policy see: Shahram Chubin and Sepehr Zabini: The Foreign Relations of Iran, Angeles (University of California Press, Los Angeles 1974).

6. In fact, some of the systemic changes created more uncertainties for Iran. For example, while the end of the cold war and on the onset of detente had somewhat eased Soviet pressure on Iran, it had also increased the danger of great power collusion at Iran's expense. The Shah had also increased the danger of great power collusion at Iran's expense. The Shah had expressed the fear that the Super Powers might interpret detente as a tacit agreement to choose their 'hunting grounds' elsewhere. For a detailed analysis of this aspect of Iran's security dilemma, see Shahram Chubin 'Iran's Defense and Foreign Policy' in A. Amiris and H.H. Twitchel (eds) Iran in the 1980s, (Tehran: Institute for International Political and Economic Studies, 1978), pp. 309-27.
Iran's primary security objective was the reduction of the negative impact of Soviet Power on Iran's regional environment. In 1973, there was no threat of direct military attack against Iran from its neighbours - given its friendly relations with Pakistan and Turkey and its reasonably good relations with Afghanistan. Iran's essential problem in regard to these countries was the possibility of changes in regimes through subversion or internal turmoil - in Pakistan, for example. The only potential source of direct military attack was Iraq, because of the long history of animosity between Iran and Iraq and the latter's military capabilities. But in 1973, such a threat was less credible in view of Iraq's domestic problems - notably the rebellion by its Kurdish population. Nevertheless, Iraq was still a primary source of threat to Iranian security, since during the 1970s it had become a major source of subversion in the Persian Gulf - and indeed throughout the West Asia.

7. The Indo-Pakistani war of 1971 that resulted in Pakistan's dismemberment and during which the Soviet Union has supported India - Pakistan's dismemberment was followed by a wave of internal unrest and the growth of separatist movements in its North Western Province and Baluchistan. Baluchi unrest was very disturbing to Iran, given its own population. The Iranians were particularly worried by evidence of direct or indirect - (Through Iraq) Soviet involvement in these Pakistani events. The Iranians feared that the rebel movement in Baluchistan, with Soviet and Iraqi help, could lead the separation of this Province from Pakistan and thus remove a buffer area on Iran's eastern border. (For a detailed treatment of Soviet and Iraqi involvement in the Baluchi separatist movement see: R.M. Burrell and A.J. Cottrell, Iran, Afghanistan, Pakistan: Tension and Dilemmas, (Sage Publication California, 1979), PP. 7-8.)
Moreover, Iran was worried about Iraqi designs on other Gulf countries, especially Kuwait — designs that, if successful, would have led to the installation of more radical regimes that would have been more hostile to Iran, thus causing its security environment to deteriorate. Consequently, beyond the threat from the Soviet Union and to some extent from Iraq, Iran was primarily preoccupied by regional subversion, focused on the Persian Gulf.

On the other hand since 1973, with the three fold increase in oil prices Saudi Arabia has emerged as the largest OPEC aid donor. During 1975 and 1976, she even ranked as the second largest global donor after the United States and is most likely to maintain large scale foreign aid over a long time. Yet despite tremendous wealth Saudi prospects for creating a diversified economic base are not promising. Also, despite large amounts spent on military hardware and training, her capacity to develop military forces sufficient to defend itself and to maintain regional stability is still in doubt.

Thus, as with Iran, Saudi Arabia's security needs have had the greatest impact on its aid policies. The linkage

8. Other OPEC countries have either terminated their aid programmes beyond a minimum, as in the case of Iran, or may have to do so in the future. Only Kuwait and UAE are other candidates for a sustained foreign aid programmes in the future.
in Saudi thinking between security and aid has been even closer than was the case with Iran, for the following reasons:

(a) The nature of Saudi leaderships whose 'most fundamental value is security, both in its internal and external manifestation ...' 9

(b) The country's resource base, which makes problematical the development of other elements of power - such as military forces - thus putting a high premium on the judicious use of financial power to achieve its security objectives.

However in comparison with OPEC's other Persian Gulf members Saudi Arabia's geo-strategic situation and the nature of its alliances have provided it with a more favourable security environment, particularly concerning certain types of threats. Unlike Iran, for example, Saudi Arabia is not contiguous to a great power and thus has not been directly subjected to expansionist or other great power pressures that could emanate from such a position. Nor is Saudi Arabia sandwiched between larger and stronger neighbours as are the smaller Gulf countries.

Combined with other factors such as Saudi Arabia's size and difficult terrain, this situation has greatly reduced 'the

danger of a direct all-out attack on Saudi Arabia, without of course completely excluding it.

Of even more significance is the nature of Saudi Arabia's alliance with the United States - an alliance which is quantitatively different from, for example, the one that existed between the United States and Iran. The high degree of identity

10. Theoretically however, at least two of Saudi Arabia's neighbours - Iran and Iraq - could launch a direct attack against it. Given its territorial contiguity, Iraq is in a better position to do so, whereas Iran would have to depend on amphibious operations, unless it first attacked through Iraq and Kuwait. In the past Egypt's massive military intervention in North Yemen demonstrated its capacity to come very close indeed to Saudi borders, and of course there is the possibility that under certain circumstances Israel might attack Saudi Arabia. For example, Israel might want to punish Saudi Arabia for its financial assistance to the confrontation states and its role in the oil embargoes. Israel's past intrusions into Saudi air space have demonstrated its capacity to do so. The impact of the American factor makes such an attack unlikely. See R. P. Tahtin National Security Challenges to Saudi Arabia, Washington D.C. American Prize Institute Washington D.C. 1978) PP. 4, 5 and P. 24.

11. The foundations of Saudi-American relations are generally believed to have been laid at a meeting between President Franklin D. Roosevelt and King Abd-al-Aziz in 1943. But US interests in Saudi Arabia originated earlier in the second world war when US came to appreciate the importance of the oil for its future war fighting capacity. The following statement by then US Secretary of Defense James Forrestal illustrated the extent of American interest in Saudi Arabia. Warning of American need for oil in the next 25 years, he said: 'I don't care which American companies develop the Arabian reserves, but I think most emphatically that it should be American.' See William B. Quandt, Saudi Security in the 1980s (Brookings Institute, Washington D.C. 1981) P. 48. Beginning at that time Saudi American interests grew closer together and by late 1960s, as one expert has put it, there developed a coincidence of interest between the U.S. and Saudi Arabia on almost every issue except on 'Israel.'
of U.S. Saudi interests guarantee a US response to any direct attack on Saudi Arabia, as indeed experience has indicated. This situation in turn has eliminated direct military attack as a credible security threat to Saudi Arabia. The most serious threats to Saudi Arabia's security thus have emanated from those factors that adversely affected regional environment of interest to it, and have increased the danger of internal instability and subversion.

From the Saudi perspective, these factors have been radicalism of all shades - but particularly that of the left - and Zionism. In fact, the Saudis have seen a direct link between these two factors, at least concerning the events in the Arab world and even to some extent in the Islamic World. From the Saudi perspective, one particularly disturbing consequence of this linkage is that it has led to the growth of anti-western - particular anti-American feelings and has drawn to some extent some Arab and Islamic countries towards the Soviet Union.

12. For example during the Yemeni civil war in 1963, the United States sent military aircraft to Protect Saudi Arabia against possible Egyptian attack. More recently after the outbreak of Iran - Iraq war, the United States sent its Airborne warning and control system to Saudi Arabia.

13. As revolution, Soviet influence and secular ideologies grew in the Arab world, many studies concluded that were it not for Israel .... the Soviets never would have gained a foot hold in Egypt, and without the Soviet in Egypt the Middle East would a far safer place for conservative regimes such as Saudi Arabia William B. Quandt Saudi Security, op.cit No. 11, P.4.
THE INDIAN OCEAN REGION

Map No. 3

Thus as highlighted, the political issues of the petroleum exporting countries of the Red Sea and the Persian Gulf have been affected to a great degree by their economic links, with the inside and outside powers of the region. Hence, the importance of Red Sea, the Persian Gulf and that of the Indian Ocean is obvious not for only the littoral countries of the region, but for the region as a whole.*

Here the terms 'Red Sea region' and 'Persian Gulf region' may be used in at least three different senses and at three different points on a scale. The links between the two regions become generally more evident as the scale increases. The connections are as follows:

(1) The Seas themselves: In the Red Sea this includes the Gulf of Aqaba and the Gulf of Suez in the North, and extends South to the narrow entrance at Bab al-Mandab. The Persian Gulf extends to the strait of Hormuz.

(2) The Seas themselves, with adjacent land areas clearly associated with them in terms of Physical geography (for example, coastal low lands or drainage basins) or human geography (for example, coastal settlements and their spheres of influence).

(3) The seas themselves, with their coastal states and certain areas beyond which may be regarded as part a border geo-strategic region. Thus, for example,
Somalia and the Peoples Democratic Republic of Yemen (PDRY) are invariably seen as part of the Red Sea geo-strategic region while Afghanistan and the Baluchi areas of Pakistan often feature in strategic discussions about the Persian Gulf region.

A geo-strategic region can be defined as one in which the strategic thinking of the local states or the super powers (or both) tends to be dominated by certain geographical facts which are perceived to have political and military significance. In the Persian Gulf region this obviously means the production and transportation of oil, while in the Red Sea region it means the passage of commercial and military ships. There are clearly other geo-strategic influences that have affected both the regions respectively such as the hydropolitics of Nile Valley or the rivalry between Iraq and Iran. Thus the neutrality and stability of both the regions will largely depend on American-Soviet


activities in the Indian Ocean. Both countries are engaged in serious talks aimed at reaching an agreement 'on the general terms of an accord limiting naval activity in the Indian Ocean.' Unquestionably, an American-Soviet Agreement in the Indian Ocean will restrain their rivalry in the Red Sea. It may also put an end to the emerging polarisation of the Gulf powers.

Characteristics of the Red Sea and the Persian Gulf - Both have a large number of coastal states, half of which are totally dependent on the Red Sea or the Gulf for access to the oceans of the World. As the given statistics of the two seas in the table shows:

<table>
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<th>Table No. 3</th>
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<tr>
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<tr>
<td>1. Costal states</td>
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<tr>
<td>2. Arab Coastal States</td>
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<tr>
<td>3. States with no other outlet to the sea</td>
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<tr>
<td>4. Length of coast line</td>
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<tr>
<td>5. Length (North South)</td>
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<td>6. Breadth (East-West)</td>
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<tr>
<td>7. Maximum depth</td>
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<td>8. Water Depth</td>
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<tr>
<td>9. Offshore oil production (180:b/d)</td>
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<tr>
<td>10. Offshore gas production (980; Cu.(+perday)</td>
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<tr>
<td>11. Major Ports</td>
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<td>12. Minor Ports</td>
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The geo-strategic importance of both seas depends largely upon their constricted outlets. The Persian Gulf is connected to the Indian Ocean via strait of Hormuz, which is some 40 km at its widest point. The Red Sea has access to the Mediterranean via the Suez Canal and the Indian Ocean via Bab al-Mandeb which is some 16 km at its widest point. It does not matter too much how vulnerable these 'narrow 'water ways' really are; it is enough to say that they are generally believed to be vulnerable. Their vital role in international shipping is well known. About 27 percent of world oil production in 1981 came from oil fields within 500 km of the Gulf, most of which was lifted by tanker for transportation via the strait of Hormuz. The Red Sea is equally important to shipping, although for different reasons. In 1981 approximately 200 million tonnes of mixed cargoes transited the Suez Canal, and it can be assumed that a similar quantity passed through the Red Sea and Bab al-Mandab; equivalent to approximately 6 percent of world Sea borne trade.

From the beginning of the late fifteenth century, thus, the European powers have sought to control the area whether the Gulf or the Red Sea. Albuquerque - Portuguese admiral who was by far the greatest of all the colonial adventurers in the West Asia - succeeded in reaching the mouth of Persian Gulf and

19A. For detailed study of the Straits see Appendix I
controlling the strait of Mormuz. He insisted, however, that real success would be achieved only if the Portuguese effectively blocked the entrances to the Gulf and the Red Sea. This clearly shows the historical connection between the two parts of the region.

Control of the Red Sea was regarded important by several powers, particularly Great Britain in its concern for the imperial route to India (as well as to establish African colonies). In 1770 the British tried to open up direct communications between India and Britain. Italy, in its ambition to establish an African empire, governed Eritrea from 1889 to 1941, and its efforts to extend its influence across the Red Sea to the Yemen and Saudi Arabia gave the British cause for concern for many years. The Ottomans, also realising the strategic economic importance of the area as a whole, extended their hold over most of the region. It thus came under the influence of desperate elements of the Ottoman legal system.

Historically, trade from the east reached the West Asia by way of the Persian Gulf or the Red Sea. Trading colonies


21. Ibid. P. 120

established along the coasts bear witness to the prosperity of this trade. As is well known, thus, the future political issues of the region as in the past will be affected to a great degree by their economic links, which will in turn be determined in part by the structure of world politics. The growing inter-dependence and integration among nations has become one of the basic phenomena of international relations. Hence, the importance of the Red Sea and the Persian Gulf littoral states comes as a natural result of strategic as well as economic dimensions.

Super Power Rivalry - Rivalry between the United States and the Soviet Union in the West Asia goes back to the 1950s. The United States Post-war policy of 'containment' of Soviet influence in the region failed, however, as Egypt (1955), Iraq (1958), Syria (1958) and the PDRY (1968) sought arms and assistance from the Soviet Union. Super Power confrontation spread to the Horn of Africa in 1963, when Somalia sought Soviet Arms to fight Ethiopia. United States influence in Ethiopia was extensive until the revolution of 1974 led her to the adoption of strongly Pro-Soviet Policies. In 1978 Somalia broke with the Soviets and received United States aid in return. These events are simply well known, but they have severe geo-strategic implications for the Gulf and the Red Sea, for example, for the deployment of Superpowers navies in Indian Ocean region, and for the Rapid Deployment Force (RDF).

The Soviet navy appeared in the Indian Ocean for the first time in 1968. It has political and military tasks assigned to it which may take ships into the Gulf or Red Sea from time to time. The Soviet naval presence in the Indian Ocean is actually quite modest, including on average seven surface warships, three submarines and eighteen support ships. During times of crisis considerably larger numbers of ships can be deployed. The Suez Canal is occasionally used for the transfer of Soviet ships to and from the Indian Ocean, from the Black Sea and Mediterranean. Political influence in the Red Sea States has given the Soviet Navy access to strategic port facilities in Aden and on Socotra Island (The PDRY), on the Dahlak Islands and Massawa (Ethiopia), and in the Gulf at Basra and Um Qasr (Iraq), although the latter have not been used since 1979. Aden is the most advanced naval base and includes repair facilities and submarine Pens. The significance of all these facilities has probably been over stated in the west, but they are often seen as evidence of the Soviet capacity to interfere with the vital shipping lanes associated with the Red Sea and the Gulf.

The US Navy already has the use of port facilities in a number of friendly Red Sea and Gulf States including Bahrain, Oman (Muscat and Salalah) and Somalia (Berbera and Mogadishu).


25. For example, Robert J. Hanks, the Cape Route: Imperiled Western Lifeline (Institute for Foreign Policy Analysis Cambridge, Mass., 1981).
Negotiations for the use of Ras Banas in Egypt, however, were suspended in 1981. The linchpin of the US Military and Naval presence in the Indian Ocean is at Diego Garcia, a small island leased from Britain but claimed by Mauritius. Only the northern half of the Red sea is farther from Diego Garcia than the Gulf, a distance of 3,500 km. The United States has a powerful naval presence in the Indian Ocean currently comprising one carrier task force, including six warships and thirteen support ships. In addition four or five warships are also located permanently in the Gulf. There are also US nuclear submarines operating in the Indian Ocean. The US navy has assumed combatant postures on a number of occasions in recent years when political events onshore have seemed to call for a demonstration of power in the Red Sea off the YAR in 1979 and in the Gulf of Oman in 1980, for example. The idea of a US mobile force capable of deployment anywhere in the world goes back several years, but the RDF was evolved in 1979 largely in response to the Iranian revolution. Its declared function is to prevent the interruption of oil supplies to the West from the Gulf region. This might involve the occupation of oil fields, the protection of a friendly power during the domestic upheavals or securing the strait of Hormuz. It is also presumably intended to be able to repel 'any attempt by any outside force to gain control of the Persian Gulf' as stated by President Carter in 1980 - the outside force meaning the Soviet Union.

26. IISS; op.cit. No,24, P. 16.

27. Fred Halliday points to the willingness of Western Powers to intervene in Middle East States to maintain the status quo. See Fred Halliday, Arabia without Sultans (Penguin Books, Harmonds Worth, 1974), P.802.
This is not the place for an analysis of the RDF. Its political and military aspects have been called into question often enough. It is sufficient to emphasise that, while it may be primarily designed for intervention in the Gulf region, it cannot be isolated from the Red Sea for at least three reasons. First, the needs of Western Security might be thought to require intervention in the Red Sea region in support of a friendly regime, or to secure Bab al-Mandab for example. Secondly, the RDF could be challenged by the Soviet Union, perhaps on behalf of a local ally. In such circumstances, the Red Sea would inevitably become part of the theatre of conflict to secure lines of communication, or to neutralize Pro-Soviet forces. It should be remembered that the Soviet Union has the equivalent of an RDF stationed in Tashkent, units of which have conducted joint manoeuvres with PDRY forces; in 1978 huge quantities of military equipment were airlifted to Ethiopia from stores in Southern USSR. Thirdly, RDF deployment presupposes logistical support from the Red Sea region, whether or not the Soviet Union is involved. The RDF implies the immediate despatch of a small force from the Diego Garcia base, where equipment and supplies are pre-positioned. This would require access to bases and facilities in friendly states. Access agreements for bases have already been reached with several Red Sea regional governments, including, Egypt, Somalia, Djibouti, Morocco, Sudan, Oman, Kenya and Israel.

In January 1983 the RDF was apparently transformed into a new command, the US Central Command (Centcom), responsible for the protection of US interests in 19 states from Morocco to Pakistan and thus embracing the Red Sea. The number of troops available was also reported to have been greatly increased, perhaps to as many as 400,000 from the previously quoted 220,000. If the RDF concept continues to carry this kind of importance, much US policy in the West Asia will be geared to the preservation and maintenance of access facilities and bases, geographically dispersed in both the Red Sea and the Gulf.

Thus nearly in all littoral and hinterland countries of the Indian Ocean the Super Powers have acquired certain interests - economic and political that have affected even in peace times their objectives and aspirations as is witnessed in the following countries.

**Saudi Arabia** - As with other OPEC donors, Saudi political interest has remained essentially been an extension of its
security needs. Saudi Arabia's essential political interests have been: (1) combating radicalism and subversive forces within its immediate security environment, the Arab world and their periphery; (2) preventing the spread of Soviet influence both in regions of direct interest to it and globally. (3) preservation of a rough balance of power within the Arab world that would exclude the overwhelming predominance of any single Arab power; and (4) the enhancing of Saudi influence and prestige in the Arab world, the Islamic world and internationally.

Thus, thwarted, Saudi Arabia has a strong interest in preventing the hegemony of any single Arab state in the

31 For example, Saudi diplomacy on the Arab-Israeli conflict focused on changing the attitude of the Arab countries, the European, and the United States - encouraging to adopt a more Pro-Arab posture, principally through use of financial leverage. Later in November 1981 Saudi Arabia even presented a peace plan named after the then Crown Prince Fahd. Also, on several occasions the Saudis have tried to mediate in intra-Arab conflicts, including that between Morocco and Algeria over Sahara.
region. Needless to say, under conditions of rough balance, Saudi Arabia could use its financial assets to increase its influence and leverage, and hence its capacity to shape events. As a result over the last three decades the Saudis have shifted their regional alliances and sometimes even using non-Arab West Asian Countries to secure this objective.

Given Saudi Arabia's resource base, its development potential, its security needs, and its special links with the United States, a high degree of convergence has also developed between its economic interests and those of the West. As a result, Saudi Arabia has not pushed for acceptance of the developing countries demands to the extent it could, although it has given their support more than any other OPEC countries.

32. See William B. Quandt; op.cit. No.11, P. 34. However, failing to become the centre of the Arab world, the Saudis would like to establish their uncontested influence in Arabian Peninsula, the Persian Gulf, and the Red Sea - approaches to Saudi Arabia.

33. For example during the 1950s when the Hashemites became stronger and ideologically different in the West Asia; the Saudi cooperated with Nasser's Egypt despite their disagreements. Later, the Saudis overcome their dislike for the Hashemites and supported Jordan against Egypt. They even joined politically Iran to fight Nasserism. The recent reversal of alliances has been the friendly relations between Saudi Arabia and the Ba'athist Iraq.
Volume of Saudi ODA - As noted earlier since 1973 Saudi Arabia has become one of the largest economic aid donors, as the table illustrates. Saudi Arabia's Official Development Assistance (ODA) has shared many of the characteristics of aid provided by other OPEC countries, including the following:

Table IV: Volume of Saudi ODA* (US million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Commitments</th>
<th>Disbursements</th>
<th>Percentage of GNP</th>
</tr>
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<tbody>
<tr>
<td>1973</td>
<td>568.2</td>
<td>304.9</td>
<td>3.75</td>
</tr>
<tr>
<td>1974</td>
<td>1,287.6</td>
<td>1,029.1</td>
<td>4.56</td>
</tr>
<tr>
<td>1975</td>
<td>2,790.1</td>
<td>1,997.4</td>
<td>6.01</td>
</tr>
<tr>
<td>1976</td>
<td>2,802.6</td>
<td>2,315.8</td>
<td>5.77</td>
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<tr>
<td>1977</td>
<td>--</td>
<td>2,400</td>
<td>4.30</td>
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<tr>
<td>1978</td>
<td>--</td>
<td>1,500</td>
<td>2.32</td>
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<tr>
<td>1979</td>
<td>--</td>
<td>2,300</td>
<td>3.00</td>
</tr>
<tr>
<td>1980</td>
<td>--</td>
<td>3,000</td>
<td>2.60</td>
</tr>
<tr>
<td>1981</td>
<td>--</td>
<td>5,798</td>
<td>4.77</td>
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</tbody>
</table>

34. Prior to this period, Saudi aid (which began in 1967 following the Khartoum agreement) consisted of the following: Egypt, Jordan, and Syria (1967-74), $1,263 million; North Yemen (1970-3), $400 million; Sudan (1972-4), $52 million; Somalia $29 million (interest free loan); Niger, $2 million (Grant); and Uganda $15 million (interest free loan). Source: Annual DAC Review 1974 Reproduced from Case Studies: Iran and Saudi Arabia Shireen Hunter, OPEC and the Third World (Croom Helm, London, 1984), pp. 134-35.

35. Source: Annual DAC Reviews, France, 1979-82; Reproduced from Shireen Hunter, op.cit. No.34 P.135.

* ODA, or Official Development Assistance, is defined in OECD Publications as "grants or loans undertaken by the official sector, at concessional financial terms (if a loan, at least 25 percent grant element, using the conventional discount rate of 10 percent) with the promotion of economic development and welfare as main objectives. It has been argued that this definition may not be suitable for assistance from OPEC countries where a higher discount rate should apply. See the OPEC Aid Record, Shihata & Mabro from Other Face of OPEC, Ibrahim F.I. Shihata (Longman, London, 1982) pp. 40-41.
High Geographical Concentration: During the period under discussion, Saudi Arabia's economic aid has been highly concentrated in Arab countries of major interest to it in terms of foreign and Security Policy. Pakistan and Indonesia, located in two other area of Saudi interest, have been similarly favoured. Until 1978, therefore, Egypt was the largest recipient of Saudi aid, a relationship that ended when President Sadat signed the peace treaty with Israel. For similar reasons of Saudi foreign policy interest, other principal recipients of Saudi aid have included Syria, Pakistan, Jordan, Sudan, North Yemen, and Indonesia. Most of these countries have received aid in the form of general budgetary or balance of payments support — which as noted above, is tangible in terms of military support — in addition this aid is tied to specific projects and disbursed through the Saudi Fund for Development (SFD).

Beyond, Funds provided to specially favoured countries, the geographical scope of Saudi aid provided through the SFD has been much broader, though of lesser volume. This type of aid, after all, has demonstrated Saudi Arabia's commitment to the social and economic advancement of the developing countries, and has been the 'prestige' entry for Saudi Arabia in the aid field. Thus it has touched a broader clientele.

High Level of Concessionality: Compared with Iranian aid, for example, the concessionality of Saudi aid has been much higher, reflecting Saudi Arabia's greater financial surpluses beyond its own development and other internal needs. This practice has been
reflected in a larger percentage of grants within total Saudi ODA. The following table gives some indication of the concessionality of Saudi ODA, as well as the level of concessionality of loans provided by the Saudi Fund for Development.

<table>
<thead>
<tr>
<th>Year</th>
<th>Percent of grants in Total commitments</th>
<th>Percent of grant Element in ODA Loans</th>
<th>Percent of Grant Element in Total ODA</th>
</tr>
</thead>
<tbody>
<tr>
<td>1974</td>
<td>79.7</td>
<td>51.7</td>
<td>9.2</td>
</tr>
<tr>
<td>1975</td>
<td>46.1</td>
<td>43.1</td>
<td>69.3</td>
</tr>
<tr>
<td>1976</td>
<td>56.8</td>
<td>47.7</td>
<td>77.4</td>
</tr>
<tr>
<td>1979</td>
<td>--</td>
<td>--</td>
<td>62.1</td>
</tr>
<tr>
<td>1980</td>
<td>--</td>
<td>--</td>
<td>86.7</td>
</tr>
<tr>
<td>1981</td>
<td>--</td>
<td>--</td>
<td>75.9</td>
</tr>
</tbody>
</table>

Yet these figures did not present the whole picture concerning the concessionality of Saudi ODA, and thus the following observations are necessary. Not surprisingly, the most concessional of Saudi Arabia's aid efforts - mostly provided in grant form - have been directed towards a handful of countries that, like the geographical concentration of Saudi aid, have been important to it in security and political terms.

In sum, therefore, Saudi Arabia has used foreign aid - both economic and military, through paying for arms - to try enhancing its security and to achieve national-political goals. But concerns such as the developmental impact of aid or achievement of Third World goals have had a minimal impact on Saudi Policies, in part because of its own relative lack of experience in dealing with developing countries very different from itself, and in part reflecting the deeply 'political motives' for its aid. This situation has also resulted from Saudi Arabia's military weakness, internal contradictions, and external dependencies, as discussed earlier.

2. Iran - For many years, Iran's political objectives have been essentially determined by its security needs. Thus, the reduction of Soviet and Iraqi threats and the fight against regional subversion were also important Iranian political objectives. Furthermore, Iran was concerned about some aspects of systematic change. It feared that this might increase the risks of great power collusion at Iran's expense, and it wanted
to forestall this development if it could. Also, Iran wanted to increase its capacity for autonomous action, to have a greater impact on the evolution of regional events, and to enhance its international prestige and standing.

By 1973, Iran's pursuit for these objectives had led it to develop a foreign policy whose basic objectives were the following:

(a) to minimize the great powers' presence in the region of the West Asia/Persian Gulf and the Indian subcontinent, and their penetration of inter-regional affairs;

(b) to resolve intra-regional disputes in order to eliminate as far as possible the resort by regional countries to the super powers for maintenance of their security or restoration of their rights;

(c) to promote moderate forces and to create incentives for moderate behaviour; and

(d) to present regional alternatives to problems of regional security and economic development.

Iran's methods for achieving its policy goals were essentially pragmatic, flexible and non-doctrinaire. The lack

37. In fact, some Iranian proposals for regional cooperation, such as that for an Indian Ocean common market, were inspired by functionalist thinking like that in Europe during the 1950s and 1960s. Moreover, Iran judged other countries essentially by their attitude towards it and its interests rather than by their ideology. In fact, to have friendly relations with countries with different social, economic, and political systems became a tenet of Iran's so-called National Independent Policy. Iran's extensive relations with socialist countries and its friendly relations with the PRC illustrate Iran's pragmatic and non-ideological foreign policy.
of any particular ideological focus in Iran's foreign policy - in addition to a sense of political pragmatism - derived from its Ethnic and cultural characteristics did not always work in Iran's favour. In fact, despite its growing military and economic Power, by 1973, Iran felt isolated - a feeling that contributed to some of its policy choices, including that of foreign assistance. This attitude has been natural given to

38. For example, unlike Arab members of OPEC or even Venezuela and Nigeria, which were subject to pressures of Latin American and African Solidarity-Iran's foreign policy did not have to respond to any special pressure deriving from Ethnic or religious considerations. Even Islam - which is a potent force in Iran-under the secular regime of the pahlavis did not play an important role, even though Iran had occasionally used it in its relations with Arab countries. However, Iran did not have any illusions about the impact of Islam. In fact, the Shah complained that the Arabs put more emphasis on their Arabism then Islam and say 'we Arabs' and not 'we muslims'. See the Shah'S interview with Der Spiegel reprinted in Keyhan International, 7 January 1974, P.4.

39. For example, Iran's Policy of expanding its relations eastward in Asia was prompted by a desire to break up this isolation, as the following statement illustrates: Bound by the USSR to the North and blocked by the Arab-Israeli conflict to the West, Iran is looking east in search of new friends, partners, and areas of economic and political activity. Amir Taheri, 'Policies of Iran in the Persian Gulf Region in Abbas Amirie (ed, The Persian Gulf and the Indian Ocean in International Politics, (Institute for International political and Economic Studies, Tehran, 1975) P. 262 See also Shaul Bakash, Iran is looking Eastward, Keyhan International, 10 April 1974, P.4.
Iran's limited financial resources for its huge developmental needs - compared to those of Arab members of OPEC. In fact, while promising Iranian participation in aid plans for the Third World, the Shah constantly emphasised that Iran could spend its last penny on its own economic development.

For the same reason Iran - together with Algeria and Venezuela but unlike the Persian Gulf Arab countries - supported and even suggested international schemes for aid, since limits on financial surpluses argued against aid large enough to justify bilateral programmes. These donors could not on their own reach most of the developing world with foreign assistance. Yet they could hope to attain influence in the Third World through multilateral aid programmes. And it was only when prospects faded for establishing such a fund because of Arab opposition, Iran embarked on its individual aid programme. However, Iran still did not emphasise the theme of 'aid', but rather talked about economic cooperation. Iran's thinking is clearly illustrated by the facts that it did not establish a 'Development Fund' like most other OPEC countries, and that its aid programme was headed by the 'Organization for Investment, Economic and

40. See Keyhan International 5 January 1979, P. 4.

41. For example in an interview with 'The Daily Telegraph', the Shah said: Let's set up a completely neutral International board that will study the needs of the developing countries and then put orders quite impartially to the industrialized countries, Reprinted in Keyhan International 9 Feb 1974 P. 4, see also Finance Minister, Amouzegar's interview in Keyhan International "How the Fund will Work" 12 March 1974 P. 4. On Arab opposition, see Keyhan International "Aid Fund Needs Arab Support, 11 April 1974, P. 4.
Technical Assistance of Iran, as part of the Ministry of Finance. Principal characteristics of Iranian aid during its short life time to some extent bore a resemblance to that of other OPEC members, except for volume trends, as has reflected in Iran's particular needs.

The volume of Iranian aid has followed a down-ward trend, illustrating the impact of both falling oil revenues and political change, as indicated in table VI.

Table VI: Volume of Iran's ODA ($ US Millions)

<table>
<thead>
<tr>
<th>Year</th>
<th>Disbursement</th>
<th>Percentage GNP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1974</td>
<td>739.4</td>
<td>1.59</td>
</tr>
<tr>
<td>1975</td>
<td>936.1</td>
<td>1.79</td>
</tr>
<tr>
<td>1976</td>
<td>807.3</td>
<td>1.22</td>
</tr>
<tr>
<td>1977</td>
<td>315.5</td>
<td>0.38</td>
</tr>
<tr>
<td>1978</td>
<td>333.4</td>
<td>0.40</td>
</tr>
<tr>
<td>1979</td>
<td>25</td>
<td>0.03</td>
</tr>
<tr>
<td>1980</td>
<td>3</td>
<td>na</td>
</tr>
</tbody>
</table>

High Geographic Concentration - Iran's bilateral aid has been highly concentrated in a few countries. For example, in 1974 and 1976 Pakistan accounted for 94 percent and 82 percent of Iran's bilateral aid respectively. In 1975, India was the largest recipient of Iranian aid followed by Egypt.

In addition to India and Pakistan, which held special strategic, Political and Economic significance for Iran other principle recipients fell roughly into the following categories:

1. Those West Asian countries that had a history of hostile relations with Iran and with whom Iran wanted to improve its relations, as well as to encourage moderate tendencies. Egypt and Syria fall in the category.

2. Friendly African countries in the stability of whose regimes Iran was interested - notably Morocco and Tunisia.

3. Other neighbouring countries with which Iran wanted either to strengthen further its relations or to induce some changes in their policies. Afghanistan and Turkey are in this category.

Even though for this purpose Iran initially favoured multilateral channels for aid - as its proposal for an International Fund illustrates - when its suggestion did not lead to results, it channelled the bulk of its aid bilaterally. For example, Iran did not contribute to IDA, to regional development banks or to the Islamic Development Bank. Its multilateral contributions were limited to UN Agencies and the UN Agential Account.
Table VII: Iran's ODA Contribution to Multilateral Organisation (disbursements in $ US million)

<table>
<thead>
<tr>
<th>Year</th>
<th>IFAD</th>
<th>UN Agencies</th>
<th>IBRD</th>
<th>IMF</th>
<th>Arab Agencies</th>
<th>OPEC Fund</th>
<th>Total</th>
<th>*GNP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1973</td>
<td>1.5</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1.5</td>
<td>0.01</td>
</tr>
<tr>
<td>1974</td>
<td>22.5</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>22.5</td>
<td>0.05</td>
</tr>
<tr>
<td>1975</td>
<td>5.5</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>5.5</td>
<td>0.01</td>
</tr>
<tr>
<td>1976</td>
<td>5.6</td>
<td>1.7</td>
<td>-</td>
<td>-</td>
<td>54.6</td>
<td>61.9</td>
<td>0.10</td>
<td></td>
</tr>
<tr>
<td>1977</td>
<td>5.4</td>
<td>1.8</td>
<td>-</td>
<td>-</td>
<td>2.7</td>
<td>10.0</td>
<td>0.01</td>
<td></td>
</tr>
<tr>
<td>1978</td>
<td>41.6</td>
<td>0.4</td>
<td>1.9</td>
<td>-</td>
<td>13.7</td>
<td>57.6</td>
<td>0.08</td>
<td></td>
</tr>
<tr>
<td>1979</td>
<td>4.6</td>
<td>1.9</td>
<td>-</td>
<td>-</td>
<td>14.3</td>
<td>20.8</td>
<td>0.03</td>
<td></td>
</tr>
<tr>
<td>1980</td>
<td>0.4</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>28.7</td>
<td>32.7</td>
<td>0.04</td>
<td></td>
</tr>
<tr>
<td>1981</td>
<td>0.4</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>0.4</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
</tbody>
</table>

These contributions, in turn, somewhat changed the ratio of multilateral to bilateral aid in total Iranian ODA. Thus, according to official Iranian figures, in 1976 multilateral commitments accounted for 56.2 per cent of Iran's official Development Assistance (ODA), and OECD figures put the multilateral disbursement for that year at 10 per cent of Iran's ODA.

43. Source: OECD, *Aid from OPEC Countries* 1983, op. cit; No. 34 P. 119.

44. Ibid, P. 119. There is, however, some discrepancy between official Iranian estimates of the concessionality of Iranian ODA and those of the OECD. For example, Iranian sources put the overall grant element of Iran's ODA at 45 percent and 76 percent for the years 1975 and 1976.
Low Concessionality - The terms of Iranian aid were among the hardest of the OPEC donors, although the overall terms of Iranian ODA improved somewhat by 1976 because of large Iranian contributions to the OPEC Special Fund. Iran extended very few grants as opposed to loans and - although the interest Iran charged on its loans was not much higher than OPEC average - in view of their short maturity their grant element was low.

Softer terms seem to have applied to general balance of payment support loans extended to countries Iran deemed particularly important, as well to loans it extended for the purchase of Iranian goods.

In short therefore Iran's capacity to extend financial aid helped it realise some of its basic national goals, such as bolstering friendly countries and expanding its ties with the Indian sub-continent. However, in view of Iran's relatively limited financial resources, the nature of its interests, this assistance did not result in a situation of political dependency on the part of the recipients. Even in regard to countries such as Pakistan - in which Iran had significant (but by no means pre-dominant) influence, the influence derived more from Iran's military strength, its geographic proximity and its regional conditions than from aid relationships.

45. For example the interest charged on a $500 million Iranian oil credit to India was 2.5 percent; and the $47 million loan to Egypt to purchase Iranian made buses was interest free. See DAC Review, 1975, p.136 and MEES, Vol. XX(I), No. 23, March 26, 1979, p.1.
3. Kuwait - Until 1978 Egypt was the principal recipient of Kuwait's aid. After the cessation of aid to Egypt following the Camp David agreement Syria became principal recipient of Kuwaiti aid followed by Bahrain, Jordan, and Lebanon. Other important recipients of Kuwaiti aid have included the two Yemens and Somalia. In addition as early as in 1953 Kuwait extended aid to smaller Gulf Sheikhdoms now members of the UAE and the Yemens and Oman. Since 1966 this type of aid has been dispensed through the General Board for the South and Arabian Gulf. Most of this type of aid has been for health, education and other social services. Between 1966-9 the Board had given $14.6 million in aid. However aid through this channel increased considerably between 1975-81.

It is important to note that the bulk of Kuwaiti aid in grant form has gone to the Arab confrontation states, the Palestinians and a few other states. Regarding the distribution of Kuwait's multilateral ODA, the bulk of it has been extended through Arab organisations, followed by the OPEC fund, the world Bank group and the IMF. The UN agencies have received the lowest share.

4. The UAE - UAE aid has also been highly concentrated geographically in the Arab countries. In addition to grants to the confrontation states, according to OECD figures 81% and 95%

46. For details see Organization for Economic Cooperation and Development (Paris). Aid from OPEC Countries, 1913.
of the Abu Dhabi Fund's loan commitments for 1978 and 1979, respectively, were to Arab countries. In 1980, too, almost ninetenths of bilateral grants benefited the Arab countries. Grants for non-Arab countries were small, with the exception of Pakistan. In the case of Abu Dhabi, too, multilateral ODA has constituted a small share of total ODA, particularly if contributions to Arab/OPEC institutions are excluded. Among multilateral organisations with broad membership, UAE aid has been more evenly distributed among the UN agencies and the World Bank Group. Among the regional banks, the UAE has contributed to the African Development Bank.

5. Qatar - Since 1977 most of Qatar's aid has consisted of grants to confrontation states. Qatar's aid also has been highly concentrated on the Arab countries. The share of multilateral ODA has not been very high in Qatar's total ODA, and most of it has been to Arab institutions. In addition, unlike other Gulf countries she seems to lack a coherent development strategy and a well planned aid policy which would take into account the principal needs of the developing countries.

The level of geographical concentration of Iraq's aid has also been very high. For instance, according to UNCTAD, in 1974, 94 per cent of all Iraqi bilateral aid went to four countries - India, Lebanon, Sudan and Syria. OECD sources, however, have cited Egypt as the principal recipient. Since 1978, Jordan, Syria and the West Bank have accounted for the bulk

47. Ibid.
of Iraqi commitments. But in terms of disbursements, the situation has been less clear. For instance, it is unlikely, after the outbreak of the Iran-Iraq war and Syria's support for Iran, that any funds have been disbursed to Syria. Among non-Arab countries, India has been the principal recipient of Iraqi aid.

Iraqi aid beyond that to confrontation states has been largely tied to the purchase of oil. But the share of aid tied by project has not been very high. As far as multilateral ODA is concerned, most of Iraq's contributions have been to Arab agencies.

In general the oil rich Gulf countries have used aid with considerable success to achieve both their collective and individual objectives. For example, at a Pan-Arab level Arab aid has played an important - although by no means determining role in enhancing Third World support for the Arab cause against Israel. The net effect of this situation, in turn, has been a dilution of Arab influence and prestige among Third World countries, and hence a reduced rate of efficiency of Gulf aid.

Thus the characteristics of regional subsystems to which key OPEC members belonged have played an important role in determining their behaviour towards a number of important issues, including that of reforming the international economic system.
Moreover for reasons elaborated earlier, their goals of achieving Third World objectives have been subordinated to the more immediate objectives of persuading developed countries to change their policies more in favour of their interests.

In sum, one comes to the conclusion that solution to the problems of West Asian oil rich countries are no less complicated than the difficulties themselves. Simple answers are not readily available. Military force, by itself offers no single alternative. Nonetheless, without the clear ability to use such relevant force, and the manifest will to do so, it is almost certain that no solution will be discovered, given the threats which hang over this critical region today. Answers, if they are to be found, must be sought primarily in the field of patient negotiation. Inflammatory rhetoric will serve no useful purpose.