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THE POLITICAL, ECONOMIC, SOCIAL, CULTURAL, AND RELIGIOUS  
TRENDS IN THE MIDDLE EAST AND THE GULF AND THEIR IMPACT  
ON ENERGY SUPPLY, SECURITY AND PRICING

*ISLAM AND ENERGY SOURCES IN THE MIDDLE EAST*

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COMPLETED UNDER A GRANT FROM  
THE CENTER FOR INTERNATIONAL POLITICAL ECONOMY  
APRIL 1997

## I

In 1964 Professor Fayez Sayegh commented in a book on Islam and international relations that after extensive research that he could "produce no catalogue of influences exercised by Islam upon the statesmanship and policy-making process of contemporary Muslim leaders in world affairs." [Proctor, 1964, p. 71 } While that lament may have been somewhat overstated in 1964, the condition he described certainly no longer exists. The specific topic of this paper is directed at assessing the influence that Islam has produced on the production and distribution of oil and gas in the Middle East. It is not concerned, except peripherally, with regional conflicts such as the Arab-Israeli conflict, Iran-Iraq War, or Gulf War, although many of these issues have been addressed, at least rhetorically, in religious term.

This study is based upon the following assumptions:

1. The major dangers to American energy interests in the Middle East that might arise from "the Islamic threat" would come from a) violent attacks or the threat of such action by Muslim groups targeting our personnel or facilities in the region, b) the curtailment of the operations of American energy firms in avowedly Islamic countries put under sanctions by the US for their perceived involvement in "terrorist" activities, or, c) the weakening or overthrow of governments friendly to our interests by Islamically oriented organizations.
2. There is nothing intrinsic in the Islamic religion that presents a threat to oil and gas production and distribution, but elements of that religion can and have been used by individuals and groups antithetical to those activities.
3. Where states self identify themselves as "Islamic", the danger to the production and distribution of energy differs as to whether they are friendly or unfriendly to Western states and particularly to the United States. In the first instance problems arise from the Muslim groups who see the government in control to be "un-Islamic" in some fashion which and may endanger the present leadership. In the second instance, the danger to oil and gas interests arises primarily from reactions by Western states, and particularly the

United States, to alleged actions by unfriendly Muslim governments, particularly the support of "terrorist" activities.

4. Islam is used by groups that perceive themselves as exploited by governments that are perceived as politically, economically, and religiously oppressive. This is particularly dangerous to foreign oil and gas interests if they are identified with the allegedly oppressive regime.

What follows is an analysis of the last three assumptions and their implications for the possible aforementioned dangers to U.S. energy operations. Later case studies will be presented to provide the empirical foundation. Consideration will also be given to possible warning signals to watch regarding the "Islamic threat."

Most scholars of Islam would argue that there is nothing intrinsic in Islamic doctrine that endangers the production and distribution of oil and gas by Muslims or non Muslims. However, Islam, like other religions, can be and has been employed by partisans to support or attack a wide array of political and economic positions. Thus, in the past Ibn Saudi received religious support for the involvement of foreigners in Saudi Arabia's oil industry on the basis of an Islamic injunction for the ruler to look after the public good. Other positive arguments have been made by the Saudis and others for the protection of Islamic interests through security cooperation with non Muslim states. However, there are also other interpretations of Islam which have been used by opponents to the involvement of non Muslim and particularly Western interests in the oil industry of Muslim states. These are rarely stated in terms of stark anti-Christian criticisms, but relate primarily to three core areas, anti-capitalism in general, non Muslim control of natural resources and the domestic economy of Muslim states, and the injection of "un-Islamic" values and activities into Muslim societies. In themselves, these aspects of Islamic thinking are not necessarily catalysts for anti-foreign action. However, they have regularly been a foundation to Muslim intellectual opposition to Western interests and have been used by radical Muslim groups as the basis for violence based movements.

Many Muslim scholars and political activists have vigorously attacked the capitalist system and used Islamic interpretations of radical socialism to call for eliminating or strongly limiting the activities of foreign oil companies in the Muslim world. Most contemporary Muslim writing does not accept most of the basic economic tenets of radical Marxist rhetoric such as the confiscation of property without proper recompense and generally does not criticize wealth if properly used. Rather, the major thrust of current Islamic economics stresses Islam as an alternative to capitalism and communism and the need to articulate a new foundation for economic well-being. However, those leading this movement have also emphasized the importance of private property and global cooperation while at the same time calling for a greater equality and social harmony. Thus, the radical fringe interpreting Islam as totally antithetical to foreign economic cooperation with Muslim states tends to be small and isolated from mainstream thinking. This has not deterred them from violent acts in the name of Islamically based anti-capitalism. Muslim criticism of the involvement of Western firms in the extraction of oil and gas in the Middle East has fallen into two patterns. At an intellectual level most Muslim scholars see the ownership and exploitation of natural resources as a public trust that must be safeguarded for the future. This view, which is one of the basics of contemporary Islamic economics, is obviously open to a wide range of interpretations and in most cases has provided no serious impediment to involvement of Western firms in energy activities in the region. It has provided a religious basis for the regulation of foreign interests, but, in reality, religion has not been very important in determining regulatory policy.

The more dangerous reaction has come from the opposition Muslim groups in oil producing countries to Western involvement in the extraction of natural resources. This has been interpreted on a variety of grounds. At its most elemental this has been an attack upon imperialism and Western dominance of Muslim societies. The most publicized expressions of those views by Muslim groups has been in Algeria and pre-Revolution Iran, but similar criticisms have been part of the rhetoric of nationalist elements throughout the Third World. In the Middle East this position has been closely entwined with the view that the wealth derived from oil and gas is being employed by the Muslims

own government to weaken or destroy Islamic groups and activities. Thus, in the aforementioned Algerian and Iranian cases there has been a perception of cooperation between foreign non Muslim governments and firms and a domestic political leadership which is antithetical to true Islamic interests.

Finally, throughout the twentieth century Muslim scholars and activists have warned of the pernicious influence of Western culture and values. While generally not attacking modern technology per se, they have seen the involvement of the West in their societies as weakening the fundamental Muslim values. For example the noted Egyptian Muslim activist and founder of the Muslim Brotherhood, Hasan al-Banna, wrote of:

The failure of the social principles on which civilization of Western nations has been built. The way of Western life - bounded in effect on practical and technical knowledge, discovery and invention, and the flooding of world markets with mechanical products - has remained incapable of offering to men's minds a flicker of light, a ray of hope, a grain of faith, or of offering anxious persons the smallest path towards rest and tranquillity... the materialistic life of the West could only offer him as reassurance a new materialism of sin, passion, drink, women, noisy gatherings, and showy attraction which he had come to enjoy. [Donohue and Esposito, p. 79]

As we have seen in many Muslim countries, this criticism of Western influences becomes intrinsically entwined with attacks on the life style of the domestic political leadership of oil producing states. Thus, the values and activities of the rulers of the Shah's Iran and present day Algeria and Saudi Arabia were and are the targets of Muslim critics demanding fundamental changes of those societies.

As we have noted previously in this paper, these religious views, while not a serious impediment to energy activities in themselves, do provide an Islamic foundation to more serious attacks on foreign firms and oil producing governments. However, rhetoric in itself is not necessarily a sign of immanent action. Given cultural proclivities toward hyperbole, strong statements are not always accompanied by violent reactions to foreign

firms. It is also important to note that Islam may be employed as a reason for policies in a wide range of cases where other factors are the real bases of action. Thus, in the Iran-Iraq War religion was raised by both sides as an explanation for their involvement in the conflict when most outside observers would see far more secular reasons. At the same time, caution is particularly warranted when specific governments or firms are the targets of emotional religiously based rhetoric by action oriented groups.

## **II**

In order to understand the impact of Islam on energy in the Middle East it is important to analyze the differing religio- political environments in which our energy activities interact with the domestic scene. There are two major arenas in which Islam can or could effect adversely energy production and distribution:

1. Governments under the control of "Islamic" leadership that have generally unfriendly relations with the West and particularly the United States.

2. Other states in the region that range from primarily secular to avowedly

Islamic regimes that have maintained generally friendly relations with the West.

The first category includes countries where the declared ideological core is one defining the state system as Islamic and their overall policies have been hostile to the United States - Libya and post-Revolution Iran.. The second group has important differences. It also includes avowedly Islamic states such as Saudi Arabia and the Gulf States. As well, there are those governments that are now or have been perceived by significant percentages of their populations as maintaining "anti-Islamic" policies such as present day Algeria and pre-Islamic Revolution Iran. All the other countries in this group have experienced some opposition from Islamically oriented groups, but not to the point of endangering the existence of that state. Interestingly enough, most of these nominally Islamic countries do not have major oil resources, with the exception of Algeria and Iraq. We will first turn our attention to the avowedly Islamic states that have tended to

maintain unfriendly relations with the West and particularly the United States in recent years.

With regard to Iran and Libya, it is important to underscore the point that the governments of these states have not been uniformly hostile to Western oil and gas interests. They continue to export petroleum resources to a wide range of Asian and European countries. Thus, in the mid- 1990s Iranian trade with the European Union was reportedly \$893 million dollars and with Japan total trade was over \$290 million dollars. European trade with Libya in 1994 was \$810 million dollars and Japan's share was more than \$337 million dollars in 1995. [Christian Science Monitor, June 5, 1996] Prior to American prohibitions of economic interaction both also were prepared to cooperate with U.S. firms in at least an indirect fashion. In the case of Iran, one report claimed that in 1993 the United States sales to Iran tipped \$800 million dollars and that we purchased Iranian oil through foreign subsidiaries totaling four billion dollars. [Middle East, May 1995, pp. 18-19] Thus, although there were initial worries that the Iranian Revolution would lead to a major curtailment of oil supplies to the West, a variety of reasons, including the need for hard currency, has resulted in oil policies that have not been totally inimical to Western needs. Iran and Libya were also prepared to deal with the United States, at times indirectly, even when the religious rhetoric referred to us as the "Great Satan." This does not mean that European firms have not been cautious in their dealings with these two "pariahs." United Nations sanctions on Libya have led to more care in trade relations among some European states. Thus, while UN sanctions have not included oil, they have targeted certain equipment and the UN has frozen Libyan assets overseas.

The same pattern of continued regular trade in crude and refined products, even on a limited scale, is not true today regarding American energy relations with these two states. In the past, both have been prepared to deal with American firms, for example the unfulfilled Iranian arrangement with Conoco. The major danger to American energy firms dealing with these states has been directly related to allegations that the Libyan and Iranian governments have been responsible for "terrorist" activities beyond their borders. These charges have led to reactions by the American Congress and President which have resulted in serious repercussions to United States energy firms wanting to operate in these

two countries. The pattern of American policies is all too familiar, but to briefly describe what has happened:

Relations between Washington and Gadaffi have remained difficult for a long time, but have not been necessarily tied to Islamic issues as such. It is important to note that, while Libya has consistently spoken in terms of Islamic unity and presented itself as a model for the Muslim world, its external political activities have been far more wide-ranging. Libya has been accused of supporting dissident groups as varied as the Sinn Fein in Ireland, the Red Army Faction in Germany, Sandanistas in Nicaragua, Basque separatists in Spain, the Palestinians in Israel, the Japanese Red Army, FSLN in El Salvador and Idi Amin in Uganda. Rhetorical or financial aid to these groups has apparently been based on the one hand upon a desire to foster Islamic elements such as the support of Amin and the Palestinians, and on the other on the Libyan effort to undermine foreign enemies. Obviously such actions have brought demands for retaliation from the political leaders in the United States.

Anti-Gadaffi moves by the U.S. accelerated under President Reagan for a variety of reasons including the perception of Libya as a Soviet client and Libya's support of groups not compatible with American interests in places like Israel and Nicaragua. This resulted in both military and diplomatic moves during the early years of the Reagan administration. With regard to our oil interests, the first move was a ban on both the importation of Libyan petroleum products into the United States and the export to Libya of many high tech goods. These actions were not widely supported by American business interests in Libya. In 1986 all trade with Libya was banned. By that time the biggest American oil company operating in the country, Occidental, has divested itself of almost all of its interests there, although other companies are still struggling to regain their assets.

Differing from Libya, Iran's foreign policy motives appear to have been driven by a more clearly Islamic agenda. This does not mean that there have not been important security goals that have also worried Washington such as Teheran's desire to increase its military position by up-dating its equipment, including missile purchases and the possible development of nuclear and chemical weapon capabilities. Iran's wish to be the dominant



player in the Gulf region and opposition to the Israeli-Palestinian peace effort fostered by the U.S. have also run counter to American interests. Teheran has usually presented these moves in the guise of protecting both the new Islamic state and Muslim interests in the region. Yet, the most violent confrontation between the U.S. and Iran, the military actions in the Gulf during 1987 and 1988, had nothing to do with Islamic issues as such.

However, the rationale for American efforts to curtail Iranian oil development and export is more directly related to Washington's identification of Iran as the major supporter of "terrorist" activities in the Middle East and elsewhere in the world. Beginning with the U.S. Embassy hostage issue in 1979, Iran has been accused of acts against international norms including bombings of the American embassy and Marine barracks in Lebanon in 1983, kidnapping of foreign nationals in Lebanon, support of Shi'i dissidents in Lebanon and the Gulf, assassination attempts in the Gulf and a range of other "terrorist" acts. After a truck bombing attempt against the American Embassy in Kuwait, Iran, that country was declared a "terrorist" state in 1984. By the 1990s the Clinton administration had proclaimed that Iran was the foremost sponsor of terrorism in the world and stated that the U.S. would employ all its diplomatic and economic weapons to curtail Teheran's ambitions.

Iran has been a target of a wide range of American sanctions over the years, although these have rarely led to similar actions by European and Asian states, often severely limiting their effectiveness. One case of agreement among the Western powers was the embargo on trade during the hostage crisis, although Iran made up some of its losses through expanded trade with the Soviet Union. It can be argued that, until 1996, the primary result has been to curtail U.S. firms seeking to operate in Iran. The 1984 declaration of Iran as a "terrorist" state led to statutory sanctions prohibiting weapons sales, opposition of all foreign loans to Iran, and the banning of all assistance to Iran. In 1987 all American importation of goods from Iran was prohibited. These actions dried up our exports to Iran during the 1980s while for a period imports increased, although not to pre-Revolution levels. . The most recent American actions have been the 1995 expansion of U.S. sanctions against Iran to include a ban on all American trade and investments, including the purchase of Iranian oil by U.S. companies and the 1996 legislation

requiring the President to impose sanctions on foreign companies that invest at least \$40 million dollars in Iranian or Libyan energy industries. In the case of Libya oil exports would count toward the total. The 1995 act led to the loss of American investments which was quickly replaced by increased European involvement in the Iranian oil industry. The 1996 American actions naturally led to strong negative reactions from our Asian and European partners, who have threatened appeals to GATT and possible retaliation and we have yet to see the long-term implications for Iran. We also need to consider whether any diminution of petroleum exports because of sanctions will lead to further pressure on Saudi and Kuwaiti resources and the long-term maintenance of reserves in Iran and Libya.

There has, in fact, been considerable difference of opinion as to the impact of these sanctions on their targets. In 1995 the CIA Deputy Director reported to the Senate Banking Committee that the sanctions in place at that time would have no long term impact on Iran. As of 1996 there were signs of an increased number of buyers of and investors in Libyan oil and Iranian oil field development had largely dried up for other reasons. On the other hand, there appeared to be an at least initial negative impact on the prices of Libyan and Iranian crude and there is evidence showing difficulties in obtaining spare parts in both countries as well as long term maintenance problems. As of late October 1996 Washington had not formulated sanctions regulations or given the job of enforcement to a specific agency - in all likelihood the State Department. [Petroleum Intelligence Weekly, October 28, 1996]

Thus, the coming to power of an avowedly Islamic government, even one rhetorically anti-Western, does not necessarily mean that it will not follow a pragmatic international energy policy. The need for capital, often to purchase arms that might be inimical to Western interests, has ultimately led to pragmatic efforts to develop foreign customers for its petroleum products. However a second early warning for American energy firms operating in the Middle East arises when an Islamic government is perceived as actively supporting "terrorist" activities beyond its borders. These acts have rarely directly infringed upon Western energy personnel or equipment. The only serious attacks on petroleum facilities came during the Iran-Iraq War and did not relate to Islamic issues. The danger here is obviously the negative reaction of the American government which

has sought to develop sanctions against the offending government, thereby curtailing U.S. firms interested in operating in the targeted country. The emphasis upon sanctions in the Middle East has also limited the number of countries that can supply crude to the United States and possibly the West which could have far-reaching security implications in the future.

### **III**

We now turn to those states that have maintained friendly relations with the West. The major issues here are the degree to which these governments may be destabilized by Islamically oriented domestic opposition and when the means employed by these groups involves violent attacks on the personnel and facilities of oil producing and distributing operations. In order to understand the implications of these dangers we will assess the situations in Algeria and the Gulf region. These will allow us to return to the other assumptions addressed at the beginning of this paper.

However, prior to analyzing these case studies, it is important to put the danger of violent acts against the energy industry in the Middle East in perspective. There is no doubt that extremist Muslim groups have carried out such activities against their perceived enemies. Assassinations, kidnapping, hi-jacking, bombing, et al have all been employed by Muslim radical elements across the region. However, one must ask how important these have been to oil and gas interests.

The impact of such acts can be analyzed on two levels, direct and indirect. The seriousness of actual sabotage of facilities and attacks on personnel of the industry by extremist Muslim organizations must be described as limited. Certainly we have seen cases of sabotage in Algeria by Muslim elements and allegedly by Shi'i dissidents in the Gulf and there have been assassinations of government oil administrators elsewhere (excluded from this category are the deaths and destruction related to the Iran-Iraq conflict and Gulf War, both of which were often defined in religious terms). However, as a general rule Muslim radical groups using violence have not directly attacked the energy industry.

At the same time indirect costs can be high. The potential of acts of violence, reinforced by the limited reality of such acts can and has raised the costs of doing business. This has been particularly true with regard to such expenses as added security, insurance, and pay to personnel in danger zones. We can now turn to our cases.

## **Algeria**

Algeria presents us with a classic example that illustrates key factors that need to be addressed when considering the negative impact of Islamic activism on energy production and distribution, including:

1. Islam can be a means of identification for oppressed elements of a population.
2. A ruling political elite that is perceived as "un-Islamic" is particularly vulnerable.
3. Close identification of such an elite with a foreign country is dangerous to both that elite and energy companies perceived as aiding that elite.

It is not my intention here to go into all the complexities of the growth of the Islamist movement in Algeria and the government reactions thereto, but rather to concentrate upon aforementioned aspects important to energy supply.

## **Islam and Perceived Repression**

Both outside observers and Muslim activists have given support to the view that the rise in Islamic assertiveness and identification in Algeria during recent years has been reinforced by reactions of the population to perceived economic and political repression. Post-independence Algerian governments tended to be increasingly identified with an inefficient and often corrupt administration, leftist ideological orientation, and an over-reliance on oil and gas revenues for financing state activities. Although the legitimacy of the regime was largely based upon the revolution against France of 1954-1962, that foundation was eroding and by the late 1980s over 60% of the population had been born after the revolution.

Corruption had become almost endemic in the government and higher positions were increasingly seen as opportunities to gain personal wealth. Large state corporations were frequently tied to particular ministers through personal and financial relationships as government and financial elites recycled within a relatively small group of men. The one party system had atrophied after decades of rule.

There was also a growing gap between the rich and poor. Little attention has been given to agricultural development alienating a significant portion of the citizenry. The oil shocks of the 1980s was particularly serious for the heavily energy dependent economy of Algeria and further impoverished many urban dwellers. Negative reactions to this situation was escalated by reports of the manipulation of large oil funds by government administrators and politicians. Of particular importance has been the high rate of unemployment among the youth. Thus, when the riots and demonstrations spread across the country in the late 1980s the people were protesting corruption, food shortages, high inflation, unemployment and poverty. [New York Times, October 16, 1988]

It was in this environment that the Islamists exploited the situation both by underscoring the deficiencies of the regime and presenting themselves as the true traditional solution to the political, economic and cultural ills of the society. They argued that Western development models had failed and that Islam was the only true path. This rhetoric was reinforced by the activities of Muslim welfare organizations who sought to fill the gaps left by the government. To counter this movement, thousands of Muslim activists were arrested and many killed after trial or in killings while they were imprisoned. The brutality of government treatment brought violent reactions from elements of the Islamist community.

The employment of Islam as a rallying cry for the disaffected in Algeria would probably not been as effective if it had not been for the fact that the ruling elite was perceived as religiously and culturally disconnected from the masses. The party that ruled Algeria in the post-independence years had ideologically proclaimed itself as socialist within an Islamic context, but in reality little attention was given the religious basis during its decades of rule. Marxist rhetoric was characterized by the Islamists as atheist.

Perhaps more importantly, there developed a serious cultural chasm between the elite and masses as the former tended to be bi-lingual in French and Arabic while the latter were largely educated only in Arabic. Purely Arabic speakers did not tend to be as well educated as their bi-lingual counterparts and found it difficult to obtain the better jobs. [Ruedy, 1992, p. 228] Arabic speaking students began to become increasingly aligned with Islamic education and causes leading to growing friction between the differing cultural platforms of the Francophile elite and Arab speaking Islamists. An example of such differences that received considerable public attention was the issue of the role of women.

Ironically, given the long and bitter war for independence with France, these differences were reinforced by the increasing perception and reality of French government support for the Algerian regime against the Islamists. Thus, foreign non Muslim, and some would say anti-Muslim , interests were seen as supporting the domestic enemies of Islam in Algeria both through arms and financial support given the Algerian government.

The Algerian case is not one that shows the danger of an immediate takeover of a friendly government by Islamic extremists at this time. If a free election had been allowed in 1992 there is a debate as to how the fragmented Muslim leadership would have treated foreign energy interests. Certainly the American government was sufficiently fearful that it supported the voiding of the elections while calling for reforms by the military. There was also the danger that a radical Muslim regime would foment "terrorist" acts at home and abroad, leading to U.S. government reactions detrimental to the American energy industry as took place in Iran and Libya. Others have argued that the vital need for foreign capital would have required continued cooperation with Western energy interests and may have diminished the violence that followed the rejection of the electoral system at that time. At any rate, the Algerian military, with the cooperation of foreign governments was able to effectively turn back Islamists efforts to gain power.

Rather, the Algerian crisis has displayed continued violent attacks by Muslim oriented groups against both government and oil industry personnel and facilities. This is the only case of major sabotage and assassination efforts targeting the energy industry involving

radical Muslim organizations. While these activities have not halted continued foreign investment in energy activities in Algeria, they have increased the cost of doing business.

### **Bahrain**

Bahrain exemplifies the Sunni-Shi'i tensions that are seemingly endemic to the region. This case also shows how these sectarian differences have been reinforced by economic and social factors leading to the political destabilization of governments friendly to the West. However, it is not an example of how conflicts of this nature can successfully overthrow such regimes, although it underscores the possible violent nature of such conditions. It is difficult to assess the exact percentage of Shi'is in Bahrain, since the last census detailing such information was held in 1941. Current estimates are that they compose approximately 70% of the population. [Lawson, 1989, p. 3] However, it is not a monolithic group with both the Sunni and Shi'i communities divided by internal doctrinal differences. The Sunnis and Shi'i populations do vary in terms of power relationships. The Sunnis compose the administrative, political and commercial elites while the Shi'is are primarily drawn from peasants and industrial workers. The latter generally receive a poorer education and the social and municipal services provided them tend to be inferior to those available in Sunni neighborhoods. Sunnis have also been given preference in employment and the civil service and Shi'is have not been allowed to hold sensitive posts in the internal security and defense forces. This coalescence of sectarian and class identification has been a major factor in inciting polemical unrest in the country.

Shi'i opposition has been both reformist and revolutionary, with the more radical Islamic Action Organization and Islamic Organization for the Liberation of Bahrain being almost exclusively Shi'is. Shi'is were thus involved in demonstrations from 1979 to 1981 supporting the Iranian Revolution in Iran, the Palestinian cause, and against subsequent government efforts to contain such activities and the arrest their leaders. In 1981 and 1982 the authorities charged that saboteurs were planning to attack government buildings and officials with the aid of Iran. More recently Shi'i and Sunni leaders banded together in 1994 in a petition calling for the restoration of the 1973 Constitution and the return of

civil rights. The economic orientation of this unrest can be seen in that section of the petition which stated:

We are facing a crisis with dwindling opportunities and exits, the ever-worsening unemployment situation, the mounting inflation, the losses to the business sector, the problems generated by the nationality (citizenship) decrees...[ quoted in Esposito, 1996, p. 23]

At the end of 1995 three clerics who had signed the petition were arrested, sparking further demonstrations in Shi'i villages. The regime's reaction to the unrest reportedly led to 20 deaths, the imprisonment of 3,000 to 5,000 and hundreds of injuries. This was followed by the deportation of religious leaders and the arrest of another 1,000 opponents. Amnesty International charged torture and extra-judicial killing. On its part, the government has claimed that there has been a Shi'i plot to overthrow the regime supported by Iran. It also released a number of detainees, allowed the return of some exiles and reshuffled the cabinet. It should be noted that the rhetoric of the 1994-1995 demonstrations was more in terms of the need for reform while that of 1979-1982 took place during the Iranian Islamic Revolution and was influenced by those events. As well, complaints were not only from the Shi'i community, although the government has attempted by keep the Sunnis quiescent by emphasizing the Shi'i and Iranian connection to its opposition. However, the economic and social conditions of the Shi'i community and harsh government reactions to political unrest has increased sectarian identity and differences. Few expect this to lead to the substitution of a fundamentalist Shi'i regime, particularly with the apparent willingness of the Saudis to provide military support to Bahrain's authorities. Nor has there been attacks on the energy industry as in Algeria.

### **Kuwait**

Kuwait also presents a pattern of Sunni-Shi'i tension with similar economic, political, and cultural inequities between the two communities. Again, the exact percentage of the Shi'i population is somewhat unclear, although it is considerably below that of Bahrain. It has grown from approximately 1,000 at the beginning of the century to about 30,000 in



the early 1950s to approximately 25% of the nation now. [Crystal, 1990, p. 40] Like Bahrain, the Shi'is have generally been found in the lower economic levels of society and their immigrant status has limited opportunities in comparison with the Arab and older Kuwaiti population. However, there has been an important traditional rich element of the merchant class composed of Shi'is. The civil service and internal security and military forces have also been dominated by Sunnis. Shi'i did participate in the old National Assembly, although redistricting kept their numbers down. They are also part of the newly elected legislature.

While tensions had existed previously, it was the Iranian Revolution that gave greater emphasis to sectarian differences as elements of the Shi'i community supported Khoumeini and the Kuwaiti government sought to control the Revolution's influence in the country. The spark that set off strong reactions from the authorities was a series of bombings in 1983 involving Shi'i and implicating Iran. This led to arrests of both Sunni and Shi'i Islamists and subsequent violent efforts to achieve their release, including the hijacking of airliners. In 1987 radical members of the Revolutionary Organization-Forces of the Prophet Muhammad were arrested and charged with planting explosives at state run oil facilities, acts which were condemned by other Shi'i leaders.

During the 1980s, Kuwaiti Shi'is were targets of official efforts to control their activities through arrests, exile, tightened quotas at Kuwait University, increased surveillance, decreased job opportunities, and efforts to further limit positions in the police and military. [Crystal, 1990, p. 107] In addition, there were attacks on Shi'is by militant Sunnis during this period.

The Iraqi invasion of Kuwait brought general support for the nation from a wide array of Islamic elements. The post-occupation years saw renewed activities of Islamist groups, but the movement was fragmented. The 1992 general elections saw the emergence of a variety of Sunni and Shi'i organizations, but these blocs received only 25% of the vote. While supporting a greater reliance on the Sharia, they showed little agreement on specifics and implementation. As a general rule they have showed a willingness to cooperate with the government.

Absent external instigation, these Sunni-Shi'i tensions in the small states of the Gulf should be viewed as having only a limited impact on the energy industry. There is no doubt that they can cause political unrest and as such can be costly in political capital and even security measures. There have also been minor attacks on petrochemical facilities blamed on Shi'is. However, there are also important factors that limit Shi'i capabilities to influence domestic politics and that make them vulnerable to government efforts to control their activities. Their lower economic status, restrictions on job opportunities, poorer education, restrictions on places in the civil service and military, and internal fragmentation, all present problems.

The domestic Shi'i connection to Iran, either real or perceived, has positive and negative aspects. It has given the community a greater sense of identity and pride as well as more material aid that has come from Iran since the Revolution. However, the negatives have probably been even greater. The Revolution and Iranian aid to overseas Shi'is has galvanized local governments to formulate even stricter security codes and limits to opportunities. It has also probably made Sunni Islamists more willing to cooperate with their governments against a common opponent. However, the greatest sectarian dangers to the energy industry in the Gulf States comes from Iranian support to radical elements in the Shi'i communities in the area. This as the potential for violence similar to those supported by Iran in the early 1980s. As long as local Shi'is perceive themselves as oppressed by Sunni led governments and Iran sees a potential in exploiting these conditions, this situation bears watching

### **Saudi Arabia**

To many, Saudi Arabia is both the ultimate prize and enigma. There has been considerable speculation as to the ultimate stability of the Saudi regime ranging from relatively objective, if critical analysis [Wilson and Graham, 1994] to vitriolic attacks. [Aburish, 1994] Given the basic question of this study, we need to assess the extent to which Islamic issues may be a factor in destabilizing the government in Riyadh, although there have also been problems of sabotage of petrochemical facilities. The target of this analysis means that we need to strip away from our assessment those primarily

nonreligious factors that might be de-stabilizing. These include such possible issues as divisions within the royal family, recent financial problems, traditional regional differences, and the large temporary foreign labor population. It is recognized that these conditions can destabilize the government, giving openings for sectarian opponents, but they have little religious importance in themselves. For example, the economic downturn has been a factor in the high unemployment rate among graduates of religious colleges, perhaps numbering 150,000 in 1992. Their discontent with their condition has been a factor in leading them to demand both economic and social justice and stricter enforcement of Islamic values.[Doumato, 4, p. 7, 1995]

We have seen developments exacerbating dissatisfaction among elements of the Islamic community of Saudi Arabia in recent years, but we need to question their importance to the continued stability of the regime. We can, however, divide reasons for actual and potential religious opposition to the government into four factors that at times overlap; 1) Shi'i minority complaints, 2) demands for political reform, 3) criticism of Saudi reliance on the United States and the West, and 4) calls for fundamental religious change.

The Shi'i population of the Kingdom is only about 15% of the total, many of them residing in the oil producing provinces. They display the same economic and social characteristics of their counterparts in Bahrain and Kuwait and were also involved in pro-Iranian activities after the Islamic Revolution. The Council of Ulama of Saudi Arabia has termed the Shi'i apostates. At the same time, the development of the oil industry in areas where they resided did lead to the growth of middle class and intellectual elements that were increasingly unhappy with their place in society. Rioting in Shi'i centers in 1979 and 1980 led to severe reprisals with a number of participants killed and arrested. This was followed by a two pronged policy of up-grading the infrastructure in Shi'i areas and developing increased surveillance and control. There are severe penalties for having pro-Iranian tapes, literature and even pictures of Khoumeini. Subsequent to the Iranian riots in Mecca in 1989 there were two explosions in the Jubail petrochemical complex. ARAMCO then froze Shi'i hiring, thereby increasing an already serious unemployment situation. However, since the Gulf War, there has been an at least temporary accommodation between the Shi'i community and the Saudi government. What the

actions among the Shi'is might be in the future if Iran decided on foreign adventurism remains unknown but a potential problem

This is not the place to go into the complexities of efforts to reform the Saudi regime. Suffice to state here, there has been a rise in demands for greater human rights and democratization of the regime, particularly since the Gulf War. Those calling for such changes have been both secular and religious, at times both joining together to petition for change. Thus, in 1991 some 500 Islamists presented a memorandum for economic and political reform, followed in 1992 by a decidedly more conservative petition of 102 scholars and shaykhs. In 1993 an organization called the Committee for the Defense of Legitimate Rights, composed of a spectrum of reformists including religious conservatives and younger religious college graduates demanded human rights and other political reforms. It was suppressed but turned up again as an exile organization based in London. Although the religious establishment has generally supported the government, discord has continued in mosque based sit-ins and petitions throughout the Kingdom.

Some of this opposition from religious sources has been reinforced by the perception that the Saudi government has become overly reliant on the West. The presence of large numbers of Western troops, particularly women, on Saudi soil during the Gulf War further exacerbated the situation and was seen as endangering traditional values. There has also been considerable opposition to what is perceived as excessive costs of military cooperation with the United States. However, this was only part of demands that the government move away from alliances with non Muslim states and perceived pro-American foreign policy. Muslim clerics have severely criticized what they see as Saudi government support of the Israeli-Palestinian peace process and have addressed memorandum to that affect to the regime. In the words of the Dean of Islamic Studies at Umm al-Qura in Mecca, "If Iraq has occupied Kuwait, America has occupied Saudi Arabia. The real enemy is not Iraq. It is the West." [Caesar, 1990, p. 762]

A final stream of religious discontent has come from religious conservatives who believe that the government has strayed from its religious base. They have objected to what they see as efforts to increase the rights of women, social and educational policies, efforts to

control the overly zealous religious police and critical clerics, corruption and nepotism in the royal family, the presence of un-Islamic media, interest based banking, and a wide range of Western "un-Islamic" influences on society and the government. There has not been consensus as to solutions, beyond a general demand for a cleansing of the system of the "un-Islamic" aspects of life that have come with modernization, although there is agreement on the need for more participation and accountability..

The religious opposition to the Saudi regime ranges from those who seek reforms within the system to those who want fundamental change. In themselves they cannot bring the regime down, although they can provide a religious foundation to those seeking change. Perhaps the most serious problems are the inroads of more radical Islamist influence in the university educated population and the armed forces. However, the regime has shown its ability to employ a wide range of tools of control from the arrest of large numbers of opponents, bans on public speaking, assembly, and association, the suppression of critical clerics, the elimination of jobs of critics, and even the execution of some religious spokesmen. By 1995 the public voice of the Islamists had been quieted, although that year also saw the bombing of the National Guard training site in the name of Islam and the elimination of the House of Saud.

### **Summary and Conclusions**

We can now return to the assumptions noted at the beginning of this paper. Assessing the three possible dangers of the "Islamic threat" to our energy interests in the Middle East.:

1. There have been attacks on petrochemical facilities and personnel in the area implicating Islamist elements, primarily in Algeria and to a lesser extent in the Gulf. Outside of Algeria, these have not been major, although it must be recognized that the actual and potential threat has costs in terms of insurance, security, and maintaining needed personnel. Given the plethora of small radical Islamist groups and the Iranian - Shi'i connection in the Gulf, outbreaks of this nature may very well continue into the foreseeable future at least a low level. We must also ask the question as to whether

attacks such as that against the American military at Khobar could also target oil installations.

2. The major problem to our energy interests arising from those Islamically oriented governments now hostile to the United States, i.e., Iran and Libya, primarily comes from American reactions to perceived "terrorist" activities sponsored by those states. By this we mean the sanctions established to punish and force policy changes in Iran and Libya. There is considerable debate as to the long-term impact of these sanctions on their targets, but they have had a negative impact on American firms seeking to do business with these states. Even if the American administration would seek to limit the implementation of these sanctions, the politics of this in Congress makes their elimination improbable unless there are significant changes in perceptions of Iranian and Libyan actions.

3. Islamist activities in other petroleum producing countries in the Middle East have been destabilizing factors and will continue to be so. To this point governments in the region have found the means of limiting their power through a combination of efforts to meet some demands and strict security measures. However, two factors must be constantly monitored. Radical and even moderate Islamist influence on the population has been reinforced by severe economic, social and political inequalities in many states in the region. Unless these conditions are ameliorated, we have to expect continued tension and foreign energy firms must be aware of their perceived role in supporting regimes considered inimical to Islamist interests. Secondly, the Shi'i of the Gulf region not only fall into that category of oppressed populations, but there is the added element of Iranian involvement. While the repression is largely home grown, the refusal or inability of local governments to deal with these problems makes them vulnerable to external influences. provides Future moves by the government in Teheran to increase its influence in the region can have serious repercussions in the Shi'i communities in the Gulf states and Saudi Arabia.

Finally, as we have stressed, there is nothing intrinsic in Islamic doctrine that is inimical to our energy interests. However, in polities where severe inequalities exist Islam provides a powerful alternative and means of coalescing opposition to governments

perceived as opposed to Islamist interests. Foreign energy firms must recognize that they can be seen as partners of the alleged "un-Islamic" oppressor.