2

Core and periphery: the international system and the Middle East

The Middle East has been profoundly shaped by the international system, or more precisely, the great powers, which dominate its developed 'core'. The nineteenth-century expansion of capitalism and imperialism into the region reflected a combination of superior Western technological, market, and military power which penetrated and eventually reduced the Middle East to an economic periphery of the core and imposed a very flawed Western state system on it. Even after independence, Western capitalism continued to penetrate the Middle East: the region's strategic transit routes, oil resources, the creation of Israel, a Western bridgehead, and the relative power vacuum issuing from regional fragmentation – all continued to draw in external powers.

Leon Carl Brown (1984: 3–5, 16–18) has argued that the Middle East became a *penetrated system*, one subject to exceptional influence and intervention from the outside but which could not be fully subordinated or absorbed. Fred Halliday (1988) observes that, from the time of the Eastern question, great power competition over the Middle East has been more enduring than in any other Third World region. As Brown stresses, local players have always tried to manipulate such rivalry for their own agendas. But equally, imperialism's fragmentation of the region into rival states often harbouring irredentist grievances against each other, its implantation of client elites and new class structures against local resistance and the creation and military enforcement of the state of Israel, have kept the region divided and dependent on external powers. Moreover, when there has been a hegemon on the world scene, it has tended to dominate the region on behalf of a relatively united 'core'. The first of these hegemons, Great Britain, came near to imposing an imperial order in the Middle East (Brown 1984: 112–39). After the interval of bipolarity, in which the Arab world attained considerable autonomy, the sole American hegemon has returned to its attempt to establish a Pax Americana in the region. The result, according to Barry Buzan (1991), is that the Islamic Middle East is the only classical civilisation that has not managed to re-establish itself as a significant world actor since the (formal) retreat of Western empires.

As Sadeq al-Azm has noted, the Arabs and Muslims, viewing themselves as a historically great nation and bearers of God's true religion, find it hard to accept their domination by the West (*Arab Studies Quarterly*, 19:3, 1997, 124). As such, external intervention and its often damaging consequences has stimulated an on-going reaction manifested in nationalist and Islamic movements, in the rise of revisionist states, and in the attempts of regional states to assert autonomy and to restructure dependency relationships. To many Arabs and Muslims, the struggle with imperialism, far from being mere history, continues, as imperialism reinvents itself in new forms. The Middle East has become the one world region where anti-imperialist nationalism, obsolete elsewhere, remains alive and where an indigenous ideology, Islam, provides a world view still resistant to West-centric globalisation. This dynamic explains much of the international politics of the region.

The age of imperialism and the imposition of the Middle East states system

The first major expression of Western expansion into the region was the growing threat to the Ottoman Empire, ultimately ending in the transformation of the regional system from a universal supranational empire to a system of states ostensibly meant to represent separate nationalities. While local rulers were by no means passive in this process, they were increasingly likely, in the face of superior Western power, to become victims or clients rather than autonomous actors.

Ottoman Turkey: from supranational empire to defensive modernisation

The Ottoman system was the antithesis of the European nation-state system. It was a patrimonial empire headed by a Sultan-Caliph whose rule was legitimated by the implementation of the Islamic law, the outward sign of the supranational Islamic *umma*. The ruling elite's multi-national origins reflected the universalistic aspect of the state: Greeks were prominent in the bureaucracy; Mamluks (slave soldiers) of Christian origin rose to top military and political office, while in the provinces Turkish landed notables and Arab religious leaders (*ulama*) linked state and society. The quarters of trading cities, peasant villages, tribes, and a mosaic of religious minorities were self-contained communities enjoying autonomy under their own leaders. The empire embraced Christians in the Balkans, Turks in Anatolia, and Arabs in the Fertile Crescent, Egypt, and North Africa.

Ethnic nationalism was a foreign concept. While semi-independent territorial states sometimes emerged in the provinces when the imperial centre weakened, since the boundaries of such units fluctuated with the power of the time, there was usually little popular identification with them. Rather, people identified themselves as Muslims (or members of a minority 'millet'), and as inhabitants of some sub-state 'little community'. They were regarded by the rulers as *ra'aya* (flocks) to be both protected and fleeced, not politically active citizens ready to defend a nation. Foreign policy was 'imperial': the Ottomans regarded the West as *Dar al-harb* – the sphere of war – against which the Sultan waged *jihad* (holy war) in continual expansion. However, once a balance of power was established with the West, 'normal' diplomatic relations between sovereign states emerged (Ahmad 1993: 15–23; Keyder 1987: 7–23; Mansfield 1991: 23–34).

By the 1700s, the Ottoman Empire was in decline. Its economy was being enervated by Western economic encirclement and penetration. In capturing the East–West trade routes, the West diverted the economic surplus on which Ottoman civilisation had been built; subsequently, the penetration of Western manufactures undermined traditional industries (Bromley 1994: 46–85; Issawi 1982: 138–55; Owen 1981: 3–9, 92). Western military encroachment was constant, beginning with Russian advances on the northern frontiers. Internal disintegration, which allowed local Muslim warlords to carve out semi-independent principalities – most notably Muhammed Ali in Egypt – was hastened by the rise of nationalist movements among Christian minorities in the Balkans, beginning with the Greek war of independence, spreading thereafter to the Slavic peoples.

The Ottoman response to this threat was 'defensive modernisation'. Reforming sultans and viziers promoted selective change, chiefly military modernisation – enough to reinforce without disrupting the traditional order. But military modernisation required or led to broader changes: bureaucratic centralisation, improved tax collection, conscription, the modern education to train modern officials. The result was the rise of a small modern middle class affected by Western ideas of nationalism and democracy. Military officers, as the first to be educated and entrusted with the mission of Ottoman defence against the West, made up the vanguard of the early modernising nationalist groups. Middle-class opinion came to see the survival of the empire as dependent on a constitutional system, which would allow creation of a citizenry with political rights, hence a stake in the defence of the empire. At the turn of the nineteenth century, the Young Turk Movement, looking for radical solutions to reverse the empire's decline, led the Revolution of 1909 which forced a constitution and parliament on the Sultan.

Ultimately Ottoman modernisation failed. The costs of modernisation led to foreign debt giving Western bankers leverage over the Ottoman state. This took an extreme form in semi-independent Egypt where the Muhammed Ali dynasty's debt led to British and French control over Egyptian finances and eventually the British occupation of the country. In the remaining Ottoman domains, debt repayment became a heavy drain on the economic base of the empire. At the political level, the reformers failed to create a new participant community. With the bulk of the masses still encapsulated in 'traditional' communities, they were handicapped by a narrow social base and soon split between 'democrats' and 'authoritarian-nationalists' who believed democracy would only empower traditional leaders. The modernisation of political identity – the construction of an identity that could mobilise the empire's diverse groups against the external threat – proved an insurmountable task. The first attempt – to replace Islam with Ottomanism, a secular loyalty that cut across ethnic and religion diversity – was limited in appeal to the educated Muslim elite; it failed to attract the Christian minorities who were turning to ethnic nationalism while for the Muslim masses, alienated by the taxes and conscription imposed by the modernisers, it was no substitute for identification with the Islamic *umma*. Ultimately, the Young Turk elite turned to linguistic-based nationalism – Turkification – but this was incompatible with a multi-national state and, fatally, it split the two main – and predominately Muslim – peoples of the empire, the Arabs and Turks. This allowed the British to engineer the World War I Arab revolt that contributed to the collapse of the empire (Ahmad 1993: 23–45; Bromley 1994: 53–5; Brown 1984: 21–81; Keyder 1987: 25–69; Mansfield 1991: 35–84, 114–35, 149–66).

Formation of the post-Ottoman successor states

The collapse of the empire opened the way for the establishment of a Western-style states system in the region: boundaries were drawn, for the most part by Western imperial powers, but indigenous forces attempted to fill the vacuum as well and their success or failure put Middle Eastern states on very different paths.

In the Turkish-speaking Anatolian heartland of the empire, Mustafa Kemal Ataturk, a military hero of the collapsed empire, revived the Young Turk movement and the remnants of the Ottoman army and bureaucracy and initiated a relatively successful adaptation to the Western nation-state system. Ataturk nationally mobilised the emerging Turkish nation to fight off Western and Greek designs on Anatolia. He then invested the vast nationalist legitimacy won in this war of independence in the establishment of a secular Turkish national republic. Identity was based on a combination of ethnicity/language (Turks) and territory (residents of Anatolia) (Ahmad 1993: 46–71; Owen 1992: 26–31). In the absence of an indigenous bourgeoisie, Ataturk launched statist economic modernisation that laid the foundations of economic independence. He defended Turkish autonomy in foreign policy by playing off the great powers, Bolshevik Russia, Britain, France and Germany while avoiding entanglements in their rivalries (Keyder 1987: 71–115). In Iran, Reza Shah Pahlavi attempted to imitate Ataturk as a nationalist modernizer, although Iran was less developed and subject to the rival influences of Russia and Britain which controlled its oil.

In the Arab world, no smooth adaptation to independent statehood was possible. Only in the Arabian peninsula did Arab independence survive: in the northern mountainous part of Yemen and also in the arid heartland and Hijaz where an indigenous state-builder, Ibn Saud, used Islamic identity to forge a new state. Elsewhere, the Arab world fell victim to creeping conquest and occupation. The piecemeal dismemberment of the Arabic-speaking

Ottoman realms by the British and French, begun decades before World War I, with Algeria (1830s), Egypt (1880s), Tunisia (1881), and Morocco (1912), was crowned by the post-war establishment of 'mandates' in the Fertile Crescent.

In the process of imperial competition and boundary drawing, the Arab world was fragmented into a multitude of small states that were bound to be politically and militarily weak. This was all the more so because these states fitted very imperfectly with indigenous identity. While some such as Egypt and Morocco had traditional roots, others were seen by people as artificial: notably in historic Syria, which was dismembered into four ministates – Syria, Lebanon, Palestine, and Jordan. The natural post-imperial loyalties were still those most familiar from the Ottoman era, that is, to the small group (tribe, sect, village) or to Islam rather than to the newly created territorial states, few of which were regarded as nation-states by their inhabitants. It was in Palestine, however, that imperialism left its most enduring mark. There, Zionist settler colonialism under British imperial auspices sparked a struggle over the land, leading eventually to the uprooting and peripheralisation of the native Palestinian population. The collapse of the (Ottoman) state that had embodied the Islamic *umma*, discontent with the new 'artificial' boundaries, and the colonisation of Palestine spurred the emergence of the Arab nationalist movement which preached the doctrine that the Arabs (roughly defined as Arabic speakers) constituted a nation entitled to an independent state or, if several states, that these ought to be grouped in an Arab national confederation. Arabism would provide a solution to the modernisation of identity in the Arab core of the region but it was, of course, at odds with the Western states system being imposed there.

The imposition of the state system was paralleled by the fragmentation and more thorough incorporation of the regional economy into the world capitalist system as part of the 'periphery': the role of the new states in the world division of labour was that of primary product exporters and importers of manufactured goods. Thus, Egypt became a plantation producing cotton for Europe's textile industries; later began the exploitation of local oil reserves by Western Multinational Corporations (MNCs) to fuel industrialisation in the West (Amin 1978). At the same time, imperialism completed the formation of an Arab ruling class. Private ownership of land accorded to urban notables and tribal chiefs consolidated a large landed magnate class while turning formerly independent peasants into tenants. A 'comprador' class of international traders was enriched as middlemen between the West and the local economy. Limited modernisation – the spread of urbanisation, infrastructure, education, and the most rudimentary industrialisation – left traditional society relatively untouched outside the big cities (Amin 1978: 1–50; Ayubi 1995: 86–99; Bromley 1994: 62–85).

State apparatuses were also implanted in the new states. A political elite recruited from the new upper classes wavered between collaboration with imperialist power and leading independence movements against it. The personnel of the military and bureaucratic machinery needed to establish order were recruited from and expanded a state-dependent middle class. The legitimacy of the new ruling elites depended on their ability to win full independence from their imperial patrons, but everywhere they were either perceived as clients of imperialism or were in one way or another discredited by nationalist failures: in Egypt it was the failure of the Wafd to get the British out, in Syria, the loss of the Palestine war which discredited the first-generation ruling elite. In essence, imperialism both created and then helped de-legitimise the new state establishments almost from their birth (Ayubi 1995: 99–133; Owen 1992: 8–23).

The first reaction against this deformation of the region was the rise of rival ideological movements each offering different solutions to its multisided crisis: the national problem, the legitimacy crisis and the challenges of economic backwardness and dependence. Liberal nationalism, which first dominated elite circles (1900–1920s), advocated the adoption of the Western formula – secular democratic states, capitalist economies – as the key to national strength; but, embraced chiefly by the new upper classes, it declined as their failures cost them ideological hegemony. Reacting against liberalism was an Islamic resurgence in the 1930s, beginning with the rise of the Muslim Brothers in Egypt which insisted that a return to Islamic practices held the key to strength; but the movement failed to achieve hegemony among the rising educated middle class. Simultaneously, communist and socialist movements captured the loyalties of many intellectuals and parts of the small industrial working class. In the first decades after World War II, as regional states won political independence but failed to achieve political strength, the Arab nationalist movement was captured by the new middle class, radicalised, and turned against the ruling dynasties and oligarchies. This Pan-Arabism, combining a more radical and illiberal nationalism with demands for Arab unity and populist social reform, achieved ideological hegemony among both the new middle class and mobilising sections of the masses (Hourani 1970; Khadduri, 1970; Sharabi 1970).

The fragility of upper-class-based regimes and the Arab nationalist mobilisation of the middle class against them ushered in two decades of political instability (1945–67) expressed by military coups and the rise of radical parties. The military overthrew monarchies and oligarchies across the region but, except in Nasser's Egypt, could not consolidate stable states until the 1970s. Lacking traditional or democratic legitimacy, these precarious republics sought it through Arab nationalist ideology, pursuing Pan-Arab unionist projects, challenging Western influence, and championing the Palestine cause. However, the failure of unity schemes and the 1967 defeat by Israel shattered the ideological hegemony of Arab nationalism, depriving the populist republics of a secure basis of legitimacy. This prepared the way for the revival of an alternative supra-state ideology, political Islam, which, like Arabism, conditioned regime legitimacy on defence of regional autonomy against Western domination.

De-colonisation and the Cold War

De-colonisation and the bi-polar Cold War between the USA and the USSR transformed the terms of international penetration in the Middle East. To be sure, given the exceptional concentration of Western interests there – oil, transit routes, and the protection of Israel – the Western great powers had no intention of leaving the region in the wake of Arab political independence. The Cold War actually raised the stakes as the USSR was perceived to challenge the West's regional interests. Indeed, the Cold War began when the Truman Doctrine, responding to Soviet pressures for a share of Iranian oil and access to the Turkish straits, extended Western protection to these states. Thereafter 'containment' of Soviet communism's 'threat' to the region drove the United States (US) and Western policy. In this contest, oil, Israel and 'containment' were intimately linked: the Soviets had to be denied control of Middle East oil through which they could strangle Western Europe but

Western support of Israel inflamed pro-Soviet sentiment in the region and increased the threat to oil.

As direct imperialist control in the region faltered after World War II, nationalist movements and regimes sought to fill the gap and exploit Soviet power as a counter to the West. In these conditions, the Western powers had to find new, subtler ways of protecting their interests than hitherto but, at least initially, their efforts proved largely counterproductive. The unfolding of the relation between the great powers and the region during the Cold War will be explored below through an analysis of the two main regional attempts to restructure a more equal relation with the 'core', namely: (1) the rise and fall of Nasserite Pan-Arabism, and (2) the rise and containment of OPEC.

The Arab nationalist decade and the retreat of the West (1956–67)

By the early 1950s, most Arab states were nominally independent. But they remained subordinated to the old imperial powers owing to the continued rule of client elites needing Western protection from domestic threats and the economic dependency of the region on the West. Moreover, the ex-colonial powers retained the ability to intervene militarily if their interests were threatened, facilitated by their possession of bases in and treaties with many regional states. The British and French sought to retain their bases and, as the perceived Soviet threat increased, the US joined them in an effort to establish a new pro-Western regional order: the Tripartite Declaration of May 1950 guaranteed the Arab–Israeli status quo and made arms deliveries conditional on an Arab–Israeli peace, while the project for a regional security organisation – what would become the Baghdad Pact and Central Treaty Organisation (CENTO) – aimed at harnessing regional states to the containment of the Soviet Union.

The first watershed in the contest between great power dominance and regional autonomy was the rise of Gamal Abdul Nasser who challenged Western control over the area in the name of Arab nationalism. Nasser's starting point was his drive to throw off British domination of Egypt, in particular its continued military presence in the Suez Canal zone. The West needed Egypt if its Middle East security arrangements were to be accepted and Egypt first tried to use this leverage to negotiate a British evacuation. However, influenced by the rise of the non-aligned movement, Nasser came to view the proposed anti-Soviet pact as a neo-imperialist effort to establish indirect Western control. It would entangle the region in the Cold War and possibly make it a battlefield, as it had damagingly been made in the previous two world wars. Egypt was also alienated by the West's refusal to sell Egypt arms needed for security against an activist Israel or provide aid unless it made peace with Israel and joined the proposed pact (Gerges 1994: 21–5). As such, Egypt put forth an alternative to the West's plans, a project for a collective Arab security pact within the framework of the Arab League.

Nuri al-Said of Iraq led the pro-Western forces which believed the West too strong to resist and that Western alignment could be traded for aid and concessions on Israel. Chafing at Egyptian domination of the Arab League, aware of the proximity of the Soviet 'threat', and, seeking to capitalise on his close British connection, Nuri proposed that Arab security be realised through links to the West and to the 'northern tier' of Turkey and Iran. Egypt would, however, accept no such alignment as long as British forces remained in the Suez Canal zone and Nasser insisted the Arab states collectively reject pro-Western pacts unless they could be made compatible with decolonisation and a settlement with Israel involving major Israeli concessions on borders and repatriation of the Palestinian refugees. The Arab League agreed and stipulated that no alliance should be concluded outside the Arab collective security pact. When Iraq joined the Baghdad Pact without winning Western support against Israel, it was perceived to have broken Arab ranks (Maddy-Weitzman 1993: 147–54; Barnett 1998: 103–20).

Ironically, the British-led Western drive to create the Baghdad Pact invited, rather than contained, Soviet penetration (Evron 1973: 129–72). Since the Soviets' interest in 'leaping over' the wall of Western 'containment' coincided with that of the emerging Arab nationalist regimes seeking to evade pressures to join the pact, Moscow was willing to provide generous economic aid and arms to substitute for that which the West was making conditional on treaties, bases, and an Israeli peace (Telhami 1990: 58–62). The catalyst of an emerging new alignment between Moscow and Arab nationalism was Israel's 1955 raid on Egyptian positions in Gaza; this was perceived in Cairo as punishment for its obstruction of the pact and came at a time when Egypt was being denied Western arms while French supplies to Israel threatened to upset the balance of power.

Egypt, therefore, successfully sought arms from the East – as well as new markets for its cotton for which prices in the West were declining. This opened the door to Soviet penetration of the region. The Czech arms deal was decisive in swinging the region against the Baghdad Pact since it demonstrated the option of obtaining arms other than through Western alignment. The breaking of the Western arms embargo, seen as a great victory over imperialism in the Arab world, began Nasser's rise as a Pan-Arab hero. It put pro-Western regimes under such enormous pressure from domestic nationalist sentiment orchestrated from Cairo that conservative elites in Jordan and Lebanon did not dare join the Baghdad Pact despite their desire for Western protection, and Arab nationalists came to power in Syria (Barnett 1998: 115–20; Cremeans 1963: ch. 6; Gerges 1994: 21–5; Walt 1987: 61–2).

The US Under Secretary of State Dulles, seeing the world in starkly bi-polar terms, viewed small powers as natural clients and Arab non-alignment as creating a power vacuum the Soviets would fill. Although Dulles tried to distance the US from European imperialism and recognised that support for Israel was a major liability in winning over the Arabs, he did not appreciate the extent to which Arab fears of Israel and desire for real independence were more important to rising nationalist opinion than any remote Soviet threat (Brown 1984: 176; Gerges 1994: 50–1). He wavered between an impulse to punish Egypt for its obstruction of Western plans and fear that this would drive the country into Soviet arms. Although he entertained the notion that Nasser might be a credible alternative to communism who could be enticed away from a Soviet alignment with economic aid, in the end he opted to punish him for obstructing the pact by withholding aid for the building of the Aswan High Dam. In this way, Dulles unwittingly unleashed a chain of events that unravelled Western control of the region. Nasser's response was to nationalise the Suez Canal and claim the transit dues to finance the Dam. This reinforced the view of Britain and France that Nasser was a mortal threat to their remaining positions in the Arab world. The nationalisation of the Canal unleashed such a tide of Pan-Arab support that even the pro-Western Arab states were forced to applaud it in front of domestic opinion. Nuri warned that Nasser's appeal was putting the stability of the Iraqi pillar of the pro-Western order at risk and France was alarmed by Nasser's encouragement of rebellion in Algeria. A sign of the new post-imperialist climate was

British realisation that Western public opinion would not accept a reoccupation of Egypt; but the Hitler analogy that British Prime Minister Eden applied to Nasser convinced him Egyptians would welcome Nasser's removal in a quick strike and allow a friendly leader to be put in power. The British–French–Israeli tripartite invasion failed in part because the superpowers opposed it: the Soviets threatened war while the US, fearing it would endanger the pro-Western states that guarded the oil and turn the Arabs to the Soviets, applied economic pressure on its allies. The outcome transformed the region. Nasser was now the unrivalled hero of Arab nationalism, Egypt and Syria, now recipients of Soviet arms and aid, were de-aligned from the Western camp, and the remaining influence of the old imperial states was destroyed. The colonial era was decisively superseded by a new bi-polar era that allowed greater independence to small states (Barnett 1998: 123–9; Cremeans 1963, ch. 6; Gerges 1994: 47–71; Ionides 1960: ch. 8; Love 1969).

As Britain's influence collapsed while Nasser's burgeoned, Washington perceived a growing threat of collaboration between Nasserism and communism. The US responded with the Eisenhower Doctrine, which offered support to Middle Eastern states supposedly threatened by communism but was, in fact, the doctrinal justification for an American attempt to contain Arab nationalism. The Jordan crisis of 1957, the doctrine's first test, provided one model for confronting Nasser's attempts to roll back Western influence in the Arab world. In that crisis, the elected Arab nationalist Nabulsi government and its military allies initially forced King Hussein into the pro-Egyptian camp and threatened to curb royal power. However, the Arab subsidies needed to substitute for the Western ones that kept Jordan aligned with the West, were not forthcoming. King Hussein's royal coup against his own government had US support, Israel warned it would intervene against any Arab threat to Jordan, and Jordan's Western subsidy was restored. Jordan's client status was starkly exposed but the episode showed that nationalist opinion could be defeated by a combination of external support and royal dictatorship. Jordan's restoration of its Western alignment was paralleled by growing Saudi alarm at a similar pro-Nasser mobilisation of nationalist opinion in Arabia. This allowed the US to sponsor a new 'King's Alliance' pitting Iraq, Jordan and Saudi Arabia against republican Egypt and Syria (Cremeans 1963: ch. 7; Gerges 1994: 79–90; Ionides 1960: ch. 16; Walt 1987: 67–71).

The Jordanian approach did not, however, prove effective when applied in Syria. Washington, alarmed at the potential of communism there, gave backing to conservative politicians and encouraged Turkish and Iraqi pressures and plots against Syria's nationalist government. However, the USSR warned Turkey, Nasser sent token troops to bolster Syria, and aroused nationalist opinion further marginalised Syria's remaining conservative politicians. Even conservative Arab governments disassociated themselves from US policy and the Saudis intervened with Washington to dampen the crisis. Soviet support for Syria in the crisis raised the prestige of Syrian communists and Syria's Arab nationalists, feeling caught between Western and communist pressures, turned to union with Egypt for protection from both. Hailed as a Pan-Arab achievement across the region, the United Arab Republic (UAR) strengthened Nasser and threatened remaining Western influence. Thus, Western intervention amidst bi-polarity had proved counterproductive, actually strengthening unfriendly nationalist forces and weakening pro-Western elites. Abd al-illah, Regent of Iraq, warned that Arab nationalism was so strong it would sweep the pro-Western states away if no countermeasure were taken. Dulles feared the UAR would expand and take in Jordan, Lebanon, Saudi Arabia and Iraq, creating a single Arab state ultimately under Soviet influence; if the supply of oil fell under the control of such a nationalist state, the threat to Western interests would be acute (Gerges 1994: 79–96; Mufti 1996: 82–9, 100–2; Walt 1987: 67–71).

The first test of the UAR's potential as the nucleus of a Pan-Arab concert came in the 1958 Lebanon crisis in which President Chamoun accepted the Eisenhower Doctrine in the hope of embroiling the US on his side in an intra-elite struggle in which his rivals got Egyptian support. Then, in a major turnabout, the 1958 Iraqi revolution, sparked by the Hashemite regime's close identification with the West, brought down the pillar of the pro-Western order in the region. Rather than protecting the Hashemite regime, its adherence to the Baghdad Pact, combined with its failure to challenge the Iraq Petroleum Company concessions, inflamed domestic opinion against it and Iraqi army units dispatched to prop up the Jordanian monarchy turned on their own government. The new revolutionary regime's first acts included withdrawal from the Baghdad Pact and a demand for changes in the oil concession (Barnett 1998: 133–6; Gerges 1994: 38–9; 101–35). The US considered military intervention but the new leaders assured the West its oil interests would be secure (Alnasrawi 1991: 74). At Nasser's request the Soviets conducted manoeuvres in the Caucasus to deter US intervention; Washington could see no credible alternative leadership which could be readily ensconced against an aroused public and the attempt to do so could bring a risky showdown with the Soviet Union (Gerges 1994: 116; Walt 1987: 75). However, convinced that all pro-Western regimes were endangered, the US landed troops in Lebanon while British paratroopers reinforced King Hussein's regime. Bi-polarity had only partially constrained the capacity of the West to project military power: if the Iraqi revolution indicated that restoring client regimes was deemed too risky and costly – at least when vital interests were not threatened – propping up client states was still possible and cost-effective.

The West's declining control over events in the Middle East nevertheless left it temporarily chastened. Dulles observed that you could not stand in front of the Arab nationalist tide, only contain its threat to US interests until such time as events deflated it (Mufti 1996: 180–93). In fact, this soon happened as the Iraqi revolutionary leader, Abd al-Karim Qasim, challenged Nasser's Arab leadership and the two strongest nationalist states turned into bitter rivals. The failure of Iraq to join the UAR dashed Pan-Arab expectations and, together with the stabilisation of pro-Western governments in Jordan and Lebanon, checked the Pan-Arab tide that had hitherto seemed so irresistible (Walt 1987: 75–9). Ironically, this check to Nasser's regional ambitions enhanced his ability to manipulate global bi-polarity. Soviet backing of Qasim precipitated a quarrel with Nasser who saw this as imperialist meddling in his sphere of influence. While Cairo and Moscow needed each other too much to let this proceed very far, it nevertheless revived American interest in Arab nationalism as a possible barrier to communism. Nasser exploited this to acquire US aid, especially food aid vital to Egypt's burgeoning population. Althogether, between 1954 and 1965, Egypt exploited superpower rivalry to extract over $1 billion in economic aid from the two sides. Their competition gave Egypt a new freedom from overt dependence on or constraints from either superpower (Gerges 1994: 129–30; Walt 1987: 160;).

The outcome of this decade of struggle for the Middle East was the emergence of a much more autonomous Arab states system than hitherto. The West failed to mobilise the area against communism because the Arabs, even conservative Arab states, saw the security threat to be less from the East, than from Israel, regional rivals or the West itself. Nasser's Egypt managed not only to block the West's attempts to harness the region through an anti-Communist alliance but was able to nationalise a strategic Western-controlled transit point, the Suez Canal, and precipitate a wave of Arab nationalism that forced a rollback of Western bases and treaties across the region.

It was bi-polarity that provided the conditions for this success. Without Soviet countervailing power, the Suez invasion would probably not have been aborted and Nasser would have been overthrown. But his survival, seen as a successful challenge to Western imperialism in the Arab world, endowed him with legitimacy at home, thereby consolidating the Arab world's strongest state at a time when the other Arab regimes remained weak and dependent. This enabled Nasser to use Arab nationalism to mobilise the Arab masses against their own rulers, making it very risky for the West's regional allies to overtly stand against him or for the West to again militarily intervene against Egypt. The West and its allies were, thus, forced to compete with Nasser on the plane of ideological struggle where they were no match for him; indeed, overt identification with the West became a grave political liability for the West's clients. Nasser's unique trans-state appeal forced the relative unification of the formerly fragmented Arab world against external influence. Then, in a sort of virtuous circle, his Pan-Arab stature, making Egypt the pivotal Arab state, boosted Cairo's ability to exploit superpower rivalries to win aid and influence in world capitals (Gerges 1994: 35–40). This combination of regional unity and core rivalry maximised the Arab world's autonomy and stature in the international system.

Bi-polarity similarly provided the shelter in which a new crop of Arab nationalist regimes subsequently arose. The Cold War enabled these states to extract the resources from the superpowers, especially the USSR, needed to entrench themselves politically and to dilute their economic dependency on the West. The end result was a pattern of superpower alliances with ideologically compatible Middle East regimes that replicated Cold War divisions. The region was polarised into pro-Western states (Israel, Turkey, Iran, conservative Arab states) and pro-Soviet ones (radical Arab nationalist states). Given Cold War competition, even in unequal patron-client relations between a global superpower and a regional power, the 'tail' frequently 'wagged the dog', the smaller state exercising influence over the larger which needed it as part of global rivalries, especially if the client could threaten to switch sides (Evron 1973: 129–39; 159–61, 173–91; Gerges 1994: 21–40, 245–51; Walt 1987: 162–3, 171).

In this new era, aid, trade and diplomacy eclipsed military intervention as the means by which competing powers tried to maintain their influence in the region. Although intervention did not entirely cease – there were eleven cases from 1956 to 1973 – the checks each of the two superpowers placed on the freedom of action of the other made intervention the instrument of last resort. Given the importance of arms for security in a high-conflict region, arms transfers increasingly became their favoured substitute instrument of influence. The West initially tried to condition delivery of arms on Arab acceptance of a Western alliance and Israel. Once the Soviets broke the Western arms monopoly, the relation between arms suppliers and recipients became less asymmetric. Thereafter, the Soviet Union's willingness to provide arms to client states became its single most important instrument of influence. However, although Egypt and Syria were relatively dependent on the USSR for arms and support against Israel, this translated into no durable Soviet domestic influence: Sadat's 1972 expulsion of the Soviet advisors showed how much Egypt merely sought to use the USSR for its own agenda (Rubinstein 1977). Much the same pattern characterised American deliveries to Israel.

The West, for its part, increasingly relied on alliances with states of the non-Arab periphery to counter the Arab radicalism in the core of the region. In the 1950s Turkey played this role, pressurising radical Syria, while in the 1970s, the Shah of Iran acted as Western gendarme in the Gulf, notably intervening in Oman to suppress a Marxist rebellion. But it was Israel which proved to be the most durable, albeit ambiguous, surrogate for Western power in the region. The exceptional network of support – virtually strategic depth – which Israel enjoyed for its assertive regional role, repeatedly inflamed anti-Western sentiment in the region. Nevertheless, Israel came to be regarded by the US as a 'strategic asset'. US policy was to keep Israel militarily superior to any combination of Arab states and, in return, Israeli power was used to deter challenges to Western interests such as the Arab nationalist threats to Jordan.

Israel came to serve American interests in more subtle ways, too: after its 1967 conquest of Arab lands, the inability of the Arab states to recover their territories with Soviet arms made them increasingly dependent on US diplomacy to do so; this gave the US its opening, through Sadat's Egypt, to the Arab heartland, enabling it, after a long period of declining influence, to restore much of its contested power in the region.

The 1967 war and the revival of Western influence

The 1967 Arab–Israel war was the initial precipitant of a chain of events that brought a revival of Western power in the Middle East. The war had its own regional causes but was facilitated by American reaction to Nasser's growing success. Nasser's ability to use bi-polarity to shield his ambitions declined as he pushed his challenge to Western interests further without securing sufficient Soviet protection. First, Egypt had long propagated the principle that Arab oil was for all the Arabs, not the patrimony of the client sheikhs and Western oil companies (Cremeans 1963, ch. 8); the 1963 Egyptian intervention in Yemen to support the republican revolution and Egypt's support for radical nationalism in British Aden and the Gulf region seemingly gave practical teeth to this doctrine. It was seen as a threat to Saudi Arabia and to Western control of Gulf oil and ended a brief period of amicable Egyptian–US relations in the early 1960s. In the period when Arabism seemed irreversible and communism the greater threat, Washington had been willing to experiment with a tilt toward Arab nationalists but ultimately as the aims of Arab nationalism proved incompatible with Western interests, particularly control of oil, the US turned against it. President Johnson cut off US food aid and Nasser, perceiving an imperialist counter-offensive, responded by stirring up anti-US radicalism in the Middle East and Africa and seeking a closer Soviet alignment (Evron 1973: 58). This prepared the way for Washington's complicity in Israel's 1967 strike at Egypt (see chapter 7). Once the scale of the Israeli victory became apparent, the US saw it as an opportunity to destroy or gravely weaken Nasser, strengthen conservative states, force Arab acceptance of Israel and resurrect US influence in the region. Israel's emergence from the war as a regional great power suggested a strategic alliance with it might be a viable basis on which to rest American Middle East policy (Gerges 1994: 230–1; Parker 1993: 3–35).

As Israel's strategic value in US eyes soared, Washington deferred to Israeli insistence on making withdrawal from the territories it occupied in the war conditional on Arab acceptance of Israel and of territorial adjustments in its favour; as such, the great powers did not, as in 1956, impose an Israeli withdrawal from conquered Arab territories. While Israel was now in a much stronger position to resist any such superpower pressures, the 'loosening' of the bipolar system and muting of superpower competition in the Third World, had also made the US less concerned at offending the Arabs (Evron 1973: 175–6). Indeed, the US began to supply Israel with increasingly sophisticated weapons which would allow it to keep control of the territories (Walt 1987: 105–8). As the US overtly took sides with Israel, the Arab nationalist states were pushed into greater dependency on Moscow. The Arabs' need for the Soviets allowed Moscow to acquire a strong regional presence by the early 1970s, including advisors, bases, treaties, and naval power projection. Thus, the 1967 war opened the door to an increased military dependency of regional states and growing superpower penetration.

After 1967, Nasser was keen to manipulate bi-polarity to extricate himself from the humiliation of Israeli occupation of the Sinai. As Heikal wrote, with the regional balance tilted so much toward the Israelis, Egypt had to raise the conflict to the international level where the (Soviet–American) power balance was more equal by more deeply committing the Soviets on Egypt's side. Nasser hoped to derive leverage from Moscow's stake in the region and the fact that, as Heikal (1978a: 30) put it, the Soviets had an 'obsession with America'. But, although the Soviets rearmed Egypt, they procrastinated in supplying the offensive weapons needed to match Israel's and enable the military recovery of the occupied territories and instead urged a political settlement. They had little confidence in Arab fighting capabilities and feared Egypt would entrap them in the conflict and in a possible superpower showdown; moreover, the Soviets did not want to jeopardise their detente relationship with the United States (Riad 1982: 95–7, 144–6). The Arabs' greater dependency on the Soviets and the latter's investment in detente seemed to dilute Arab leverage over Moscow. Egypt showed, however, that it could upset the seeming satisfaction of the superpowers with the post-1967 status quo.

The first episode in this effort, Nasser's 1969 War of Attrition against Israeli forces occupying Egypt's Sinai Peninsula, aimed to force the superpowers to intervene. Nasser hoped the USSR could be brought to provide greater support by the tacit threat that Egypt would otherwise be defeated in the confrontation with Israel, thus destroying the Soviet's credibility as an ally. He also sought to demonstrate to the Americans the dangers of increased Soviet penetration and even superpower confrontation that could result from allowing the Sinai occupation crisis to fester. When Israel responded to Egyptian artillery attacks on its forces on the east bank of the Suez Canal by bombing Egyptian cities, Nasser flew to Moscow, threatening resignation if the Soviets did not provide the air defence and support troops needed to stop the Israeli escalation. In fact, the Soviets provided SAM-3s and Soviet pilots and support troops; neither Soviet troops or such sophisticated weapons had ever before been deployed outside the Soviet Bloc. Israel, realising the magnitude of the Soviet involvement, stopped the deep penetration bombing. To defuse the situation, the US, in the Rogers Plan, proposed a ceasefire and a broader settlement of the Arab–Israeli conflict. Nasser's internationalisation of the conflict did not, however, break the occupation stalemate (Evron 1973: 96–101, 185–6; Riad 1982: 103–7; Smith 1996: 217–20; Walt 1987: 108–10).

Meanwhile, indeed, the US relationship with Israel grew ever closer despite certain conflicts of interest between them. To get even small Israeli concessions, such as acceptance of the Rogers Plan, the US had to pledge ever more support to Israel (Walt 1987: 108–10). Israel's arms dependency gave the US little leverage over it owing to the Israelis' penetration of US domestic politics and a tacit threat to escalate the conflict or even to 'go nuclear' if the US abandoned them (Evron 1973: 178–80). President Nixon and his Secretary of State, Henry Kissinger, developed a strategy that would make a virtue of Washington's weak leverage over Israel: by keeping Israel too strong to be defeated with Soviet arms, they aimed to force the Arabs to accept a settlement close to Israel's terms; at the same time, they positioned the US as the only power which could theoretically influence Israel to accept a settlement, thereby seeking to marginalise the Soviets from Middle East diplomacy (Brown 1984: 183; Walt 1987: 119). While the increased Soviet military presence in the region was crucial to the Arabs' attempt to balance Israel's post-1967 regional supremacy, the stalemate gravely undermined Moscow's prestige as a reliable ally and unleashed in Egypt the anti-Soviet sentiment that Anwar al-Sadat would exploit to switch superpower patrons after Nasser's death.

Sadat, on assuming power, came to believe that the Soviets preferred the status quo, which kept Egypt dependent, and that detente had reduced their willingness to make commitments comparable to the Americans' support of Israel. He tried to get a closer Soviet commitment through a Treaty of Friendship but his purge of Ali Sabri and other Egyptian allies of the Soviets was seen in Moscow as a bid for US support and reduced their incentive to assist him. Sadat's 1972 expelling of Soviet advisors was meant as a signal to Kissinger and to get the superpowers competing again for Egypt. This failed to shift Washington, which was satisfied with the pro-Israeli status quo, but it did get the increased Soviet arms deliveries that made possible the crossing of the canal in the 1973 war. That war, in turn, forced the US to adjust its policy to take account of Egyptian interests (Riad 1982: 211–43; Sela 1998: 136–8; Smith 1996: 226–8).

The 1973 war led to a major alteration of superpower relations with the region as the US successfully used the outcome to restore the influence it had lost with the rise of Arab nationalism. On the face of it, the war and the associated oil embargo threatened US interests. It vastly increased Arab financial power and generated an unprecedented Arab solidarity behind a Cairo–Damascus–Riyadh axis which seemed well positioned to extract major changes in America's pro-Israeli policy. But Kissinger's intervention in the conflict masterfully neutralised this threat. Kissinger's immediate objectives were to get the oil embargo lifted and to end the possibility of a renewed war which could intensify the threat to American interests. Believing a comprehensive settlement to be impractical, he aimed to use partial settlements to achieve these aims. In the longer term, he aimed to marginalise the Soviet Union in the region by detaching Egypt from its Soviet alliance.

Kissinger was not displeased that the war had produced a more even Egyptian–Israeli power balance more conducive to compromise on both sides and he sought to drag Israel into the partial concessions, principally to Egypt, that would relieve pressure on it for a comprehensive settlement. This would also start the process of detaching Egypt from its Soviet alliance and from the Arab–Israeli power balance; without Egypt the Arabs could not wage war and an Egypt lacking Soviet support and dependent on the US was no threat to Israel and could become a powerful force for regional de-radicalisation. The return of the occupied Sinai to Egypt as a part of this process would demonstrate to the Arabs that the US alone could get Israel to make territorial compromises but only if they in return were prepared to abandon radical Arab nationalism and their Soviet alignments. Sadat's strategy coincided with Kissinger's since he chose to use the leverage the war gave him to make his own gains at the expense of his Arab partners. Believing that the Soviets could provide neither the economic nor the diplomatic help Egypt needed and that the US 'had the cards' to force Israel to make concessions, Sadat started a dramatic shift in Egypt's global alignments toward Washington. His strategy was to compete with Israel for US favour by showing Egypt to be a more effective US surrogate in the Middle East. His first service to Washington was getting the oil embargo lifted after the first disengagement in the Sinai. Once Sadat became convinced that his realignment with the US was not enough to overcome the power of the Zionist lobby in Washington and get enough pressure on Israel to fully evacuate the Sinai, he sought to appease Israel and its American supporters through the trip to Jerusalem and, finally, by conceding a separate peace at the expense of Syria and the Palestinians. After the fall of the Shah he made a bid to replace Iran as US regional surrogate, claiming that the USSR had become the main threat to the region. In return for Sadat's service in ending the Arab threat to Israel and marginalising the Soviet Union from regional diplomacy, the US mediated the return of the Sinai and provided Egypt with a substantial yearly subsidy (Brown 1984: 184–90; Sela 1998: 158–70; Sheehan 1976; Smith 1996: 230–3; Telhami 1990: 62–71; Walt 1987: 177–8).

Egypt's saga provides key evidence on the dynamics of international-regional power relations in an age of bi-polarity. Despite Egypt's dependence on external power, its strategic importance endowed it with considerable capacity to manipulate and extract benefits from the superpowers. Nasser, even when highly dependent on Soviet protection took his own decisions – the War of Attrition, accepting the Rogers Plan; when Sadat ordered Soviet advisors out of Egypt, they not only meekly departed but Moscow later provided him with the extra weapons needed to cross the Suez Canal (Rubinstein (1977: 334). Sadat's crossing of the Canal showed how a local power could upset a damaging status quo that suited the superpowers, forcing Washington to intervene and satisfy Egypt's non-negotiable demands (Brown 1984: 242). Once Sadat had the US engaged, he did whatever was necessary to keep the US on Egypt's side. There can be few more classic examples of bandwagoning than Sadat's policy: if you cannot effectively balance a threatening power, you appease it (Walt 1987: 177–8). Sadat's acceptance of an American-sponsored separate peace with Israel successfully exploited superpower rivalry to extract tangible gains or at least to cut Egypt's losses in the regional power struggle. The cost, however, was that, by abdicating Egypt's Arab leadership and fragmenting the Arab world, and by marginalising the Soviet Union's competitive position in the region, Sadat did major damage to the very conditions which allow regional actors such leverage with core powers, namely, a conjunction of unity in the 'periphery' and rivalry at the 'core'. It would be Sadat's successors and peers, however, who would pay the price.

The political economy of dependency: is oil different?

According to dependency theory and other versions of Marxist structuralism, underlaying great power political penetration of the Middle East is a network of economic dependency that keeps the region underdeveloped and subordinate to the advanced capitalist 'core'. The Middle East economies do exhibit many of the classic features of dependency. They are mainly primary product producers, often dependent on a single export such as cotton or oil. To the significant extent that they fail to process their raw materials into finished high-value products, their human capital remains underdeveloped and their economies dependent on the 'core' countries for technology and manufactured goods. Dependency links the interests of their economically dominant classes – whether large agricultural exporters or partners of transnational corporations – to those in the core, while detaching them from the stake local populations have in a 'national' form of development. Dependency creates a 'feudal' pattern of trade and investment linking individual states to the core economies rather than to each other, thereby retarding regional economic investment and trade.

According to dependency theory, economic dependence not only keeps states underdeveloped, it also keeps them politically weak. Dependent states cannot, except at considerable cost and risk, pursue autonomous foreign policies if these displease their patrons. The feudal pattern of economic dependency destroys the economic base of regional political solidarity that would be needed to restructure the power balance with the core. The overlap of the interests of dominant classes with the core powerfully works to align the foreign policies of dependent states with those of the Western core, despite widespread resentment of the West among local populations. To be sure, in states such as Nasser's Egypt or Islamic Iran, where plebeian elites came to power from outside the economically dominant classes, regimes challenged Western interests. Moreover, convinced that they could not sustain nationalist foreign policies without economic independence, they also undertook state-led industrialisation aimed at reducing dependence on primary product exports, and tried to diversify dependency among a number of rival outside economic powers. Thus, Egypt was able to pursue a nationalist foreign policy that advanced the autonomy of the whole Arab world, but only as long as it had a strong domestic economic base, supported by accumulated World War II surpluses and Soviet aid. However, once Egypt became dependent on American aid and fell into increasing Western debt, its foreign policy did a somersault: from being the main state resisting Western influence, it became under Sadat, the bridge by which Western influence came back into the region, seemingly vindicating dependency theory.

Arguably, however, OPEC, a striking case of sustained regional co-operation against the core by once seemingly dependent states, might be said to refute dependency theory. OPEC's ability to engineer massive increases in oil prices, the Arab producers' ability to use oil as a political weapon without suffering military intervention and the accumulation of seemingly enormous 'financial power' in the hands of the Gulf Co-operation Council (GCC) states seemed to show that the age of imperialism was dead and that dependency had been superseded by interdependence between the core and the oil-producing Middle East. Indeed, the period of OPEC success was arguably a window of opportunity situated between the decline of Arab nationalism and the current era of restored Western hegemony when the dependency relationship could have been radically restructured. Why this did not happen takes some explanation.

From 'seven sisters' to OPEC

The main legacy of colonialism and the underlying problem of the Middle East, according to Dilip Hiro, is that 'six families put in place by British imperialism and propped up by the West control thirty four percent of the world's oil reserves' (Frankel 1991; Hiro 1991b). Through them two Western powers, the US and the UK, controlled the oil of the Middle East, and the changing balance in their relative control reflected the transition in global hegemony between them: thus before World War II, the US controlled 15 per cent of Middle East oil and Britain 70 per cent; by the early 1950s, the US controlled 60 per cent and Britain 30 per cent (Tibi 1998: 93). Under this order, the function of the Middle East was to provide cheap fuel for the core's industrialisation and military power: oil was the key to British naval supremacy and to Axis defeat in World War II while post-war Western Europe was rebuilt on cheap Middle Eastern oil. Oil is the world's biggest business and is central to other industries such as chemicals, plastics and automobiles; those who control it are the richest of global capitalists (Yergin 1991: 21–6), and nowhere are these more concentrated than in the United States.

The centrality of oil to the Middle East has, therefore, meant its dependence on the most powerful of Western TNCs. For most of the twentieth century, the transnational producer cartel – the 'seven-sisters' oligopoly of Anglo-American oil companies – controlled almost all the world's oil production. The companies obtained control of Middle East oil on extremely favourable terms (Spero 1990: 261–2): their power came from their monopoly of production technology and marketing infrastructure, and from long-duration concessions, usually extracted under political pressure, which fixed low prices and prevented competitors from entering production. In addition, their collusion and their joint ownership of the operating companies in the individual countries – the Arabian American Oil Company (ARAMCO) was controlled by Texaco, Socol, Exxon and Mobil – meant the divided Middle East states separately confronted a unified cartel. The ability of the companies to increase output in one country and decrease it in another gave them great leverage over governments dependent on them for revenues and the stability of their economies and regimes. Thus, they were able to unilaterally set output and prices. For example, their ability to drive down the price of Arabian light from $2.18/barrel in 1948 to $1.80 in 1960 while increasing the price in the US from $2.68 to $3.28 allowed them to reap enormous profits (Alnasrawi 1991: 72–6).

The backing given the oil companies by their home governments made the system seem unassailable. This was dramatically demonstrated in the failure of the first challenge to it, Prime Minister Mohammed Mossadeq's nationalisation of Iranian oil: the companies' boycott of Iranian oil – replaced by their increased pumping in the Arab Gulf – caused an economic crisis preparing the way for the Central Intelligence Organisation (CIA)–engineered overthrow of his nationalist government (Cottam 1979). Despite this, the struggle for control of oil was on-going and while it ensured continual Western interference in the area, Western control was never wholly secure. The Suez invasion was in good part over control of the jugular artery of oil supply from the Gulf to Europe (Kubursi and Mansur 1993: 8). The West was poised to risk war over Iraq after the 1958 coup had the Iraqis not pledged to 'respect Western oil interests' (Sifry 1991: 27–33). The 1967 Arab–Israeli war generated immense popular sentiment for the nationalisation of oil. Indeed, a brief oil embargo was rapidly abandoned because excess US capacity made it immune to such pressures; but a precedent had been set (Alnasrawi 1991: 76–7). The vulnerability of oil supply routes was demonstrated by the closing of the Suez Canal after the war and by the simultaneous sabotage of the Saudi pipeline across Syria to which the radical Baʾthist government refused to permit repairs (Dorraj 1993: 20).

As Middle East states acquired marginally greater autonomy owing to decolonisation and the bi-polarity that gave them some protection from overt Western intervention, they were able to adjust the extremely unfavourable terms of agreements reached under imperial rule. Thus, in the 1950s concession agreements were amended, splitting profits 50–50; this tripled state revenues, but since oil prices were stable and the prices of manufactured imports steadily rose, the producers' terms of trade deteriorated over time. In 1959–60, price reductions by the companies, amidst an oil glut, sparked the founding of OPEC in an effort to check the companies' right to unilaterally set prices, but it had little immediate impact. In 1961, when Iraq expropriated non-utilised areas of the Iraq Petroleum Company's concessions, the company froze Iraq's export of crude oil (Alnasrawi 1991: 72–3; Korany and Akbik 1986: 147; Spero 1990: 264–5).

By the beginning of the 1970s, increased demand, especially as the US became an oil importer, unmatched by expansion in capacity, put upward pressure on prices, creating favourable conditions for producers. But it took the rise of a new radical nationalist regime, catapulted to power by the 1967 war, with the political will to take advantage of these conditions to precipitate a shift in the balance of power toward the producing states. The new Libyan revolutionary regime negotiated a much more favourable deal on prices and revenues by inviting in smaller independent oil firms, thereby bypassing the cartel, while unilaterally imposing production cuts; in 1972 Ba'thist Iraq followed by nationalising the Iraq Petroleum Company. This encouraged greater political will in the OPEC states and prompted the oil companies to allow them to buy shares in local subsidiaries; in 1972 Saudi Arabia started buying into ARAMCO and soon achieved majority control (Vassiliev 1998: 390). Middle East states were finally acquiring stakes in their own natural resources; their newly-found co-operation was starting to balance the power of the cartels and rising demand for oil was shifting market conditions in their favour (Spero 1990: 265–7).

From oil embargo to oil bust

It was the Arab political solidarity and nationalist arousal unleashed by the October 1973 war, however, that pushed an unlikely actor, Saudi Arabia, to take the next steps, using cartel power to raise prices and putting oil in the service of foreign policy. The US failure to temper its support for Israel despite Egyptian peace initiatives threatened Saudi Arabia as Arab opinion was radicalised after 1967. After the October war broke out and the US sent massive military aid to Israel, ignoring Saudi pleas for a more even-handed approach, the Saudis had to make a difficult choice: while they were loath to jeopardise their strategic relation with the US, they could not afford, in the climate of euphoria from Arab war successes, to be stigmatised as a reactionary regime less concerned with the Arab cause than the defence of American interests (Alnasrawi 1991: 83–93).

In this climate, Arab OPEC states unilaterally raised the price of oil 70 per cent from \$3 to \$5/barrel while cutting output and embargoing shipments to the US; the resulting oil shortage allowed them to raise the price of a barrel of oil to \$11.65 in December 1973. This was a turning point in which price and supply decisions were transferred from the companies to the OPEC producing countries. In the 1970s, OPEC would attain a dominant share of world oil production (50–65 per cent), exports (90 per cent), and oil reserves (65–75 per cent). At first it seemed that there had been a restructuring of power between Third World states and Western multinationals that could be a precedent for a new deal between core and periphery (Alnasrawi 1991: 76–84, 100, 186–7; Korany and Akbik 1986, 138–65; Spero 1990: 267–9, 279). Simultaneously, the Arabs' ability to challenge Israel militarily was a psychological shock to it and its backers which, combined with the oil embargo, potentially lent the Arab states the leverage to get a land-for-peace settlement with Israel. The oil embargo was, the Arab oil states announced, to remain in place until Israel's US backer forced it to withdrew from the occupied territories and satisfy Palestinian rights.

In the event, however, the oil weapon proved less than decisive in changing Washington's pro-Israeli policy. The US, a large oil producer itself, was not directly threatened or damaged enough to force it into such an abrupt policy turnabout; only about 15 per cent of its energy consumption was from Arab imports at the time of the embargo (Spero 1990: 265). To be sure, the oil price hikes and the oil weapon initially appeared to be a serious indirect threat to the US since they weakened Western Europe in the face of the perceived Soviet threat and challenged American control of Middle East oil. In reality, US policy makers distinguished between the increased price of oil, which was a matter of bargaining and oil's unacceptable political use. In fact, the embargo was quickly lifted. After the first disengagement on the Egyptian front, Sadat insisted that US policy had changed and that Washington should be rewarded; this was enough to relieve popular pressure on the producer states to keep the embargo in place since there had still been no movement on the Syrian front and Palestinian rights were not even on the agenda (Alnasrawi 1991: 93–8). The Nixon administration may have actually welcomed the price rises in the hope it could manage the new situation to encourage oil exploration outside the Middle East, undermine European and Japanese competition, precipitate a recycling of petrodollars through US banks, thereby restoring declining American control of world financial resources, and stimulate American exports to the oil producers. Western consumers and workers certainly did suffer from the oil price increases but the most powerful US corporations – the oil companies, banks and arms exporters – made huge profits from them or from the recycling of petrodollars. And US oil producers were the largest funders of the Republican Party and the Nixon, Reagan and two Bush campaigns (Kubursi and Mansur 1993: 10–13). Meanwhile, blame for the resulting economic dislocation could be put on OPEC.

Many Arabs continued to expect that the West's need for oil, the tacit threat of a new embargo, and the Saudis' special relationship with the US could still deliver the US pressure on Israel needed to achieve a peace settlement. In the end, however, the Saudis were neutralised by their American relationship. Even while the oil embargo was in place, the Saudis opted to deepen their special relation to the US and a deal was formalised in the mid-1970s when it became less politically dangerous. Saudi Arabia would use its role as 'swing producer' to moderate oil prices, deploy the new influence its immense wealth gave it to de-radicalise Arab politics, and recycle its petrodollars through US financial institutions. The US, in return, would provide military protection and the technology to develop and diversify the Saudi economy; certainly the Saudis were led to expect the US would seriously attempt to resolve the Arab-Israeli conflict (Alnasrawi 1991: 109–13, 120–1, 127; Kubursi and Mansur 1993: 13; Spero 1990: 270). The American strategy was, in Bromley's (1994: 112) words, to integrate the Gulf oil states as 'relays in a metropolitan circle of capital' under which they would invest their surpluses in the core and thereby acquire a stake in its economic stability. Washington's strategy proved remarkably successful.

First, the oil boom accelerated the Western penetration of Saudi Arabia and the Gulf region, generating powerful domestic interests with a stake in relations with the West. Thus, the ruling families in the oil monarchies, with their major assets held abroad, arguably became junior partners of a 'global bourgeoisie'. Eighty-four per cent of Arab oil earnings was channelled into Western banks and investments. Saudi Arabia and Kuwait between them held \$210 billion outside the region in the late 1970s. Saudi Arabia became the largest investor in US banks, treasury bonds and real estate, with \$133 billion invested, yielding an income of \$10 billion/year. Investment by the Arab Gulf states in the US alone may have eventually reached \$1 trillion (Aarts 1994: 3; Vassiliev 1998: 398–404). Such investment in the core, in giving the Gulf elites a direct, often personal, stake in the health of the Western economy, created an incentive to moderate oil prices, thus limiting the revenues potentially usable to develop the Arab world. Moreover, the sharp increase in governmental spending on foreign imports and contracts fostered classes of middlemen – bankers, lawyers, subcontractors for oil companies, import-exporters, agents for Western firms – who made up rent-seeking bourgeoisies enriching themselves on relations with the West (Alnasrawi 1991: 21; Paul 1986: 18–22). At the same time, oil also allowed local populations to be politically de-mobilised: thus, in Saudi Arabia the formerly radical middle-class nationalist movement and the militant trade unions were peripheralised by the patronage and welfare spending oil revenues made possible (Vassiliev 1998: 474–82).

Second, oil much increased the security dependency of the Gulf oil producers on the West. The combination of super-riches, weakness and contested nationalist credentials, especially after the Iranian revolution, turned these states to the West for protection in a more overt and intensified way than hitherto. As part of the recycling deal, the Arab oil producers spent a large part of their surpluses – 32 per cent of their oil revenues from 1974 to 1998 – on purchases of expensive and sophisticated Western arms. While in 1974 Saudi arms purchases absorbed only 7.5 per cent of the value of its oil exports, in 1985 they absorbed 88 per cent; Saudi Arabia alone accounted for 36 per cent of total American foreign arms sales in 1977–82 (Alnasrawi 1991: 35, 114; Gause 1997; Vassiliev 1998: 398–9). These purchases deepened Saudi dependency on the US for spare parts, upgrading, and contractors to run sophisticated equipment. They were accompanied by a massive and intimate American penetration of the Saudi military: sophisticated weapons systems required extensive Saudi–American military planning and a large (30,000–100,000-man) US training mission provided one US military advisor for every six Saudi soldiers. American contractors became involved in a vast array of imported development projects from hospitals to water supplies, petrochemical complexes to military bases (Cordesman 1984: 202, 205, 243, 349, 371, 380; Vassiliev 1998: 441–4).

Expensive Western arms purchases were a Saudi way of buying protection: they made Saudi control of oil acceptable in the West and deepened the West's stake in Saudi security. Thus, despite having to conduct a fierce lobbying struggle against Zionist influence in the US Congress to get delivery of F-15s, the Saudis preferred them over the readily obtainable French equivalent, because of the decade of US political commitment to Saudi Arabia that the deal would institutionalise (Cordesman 1984: 206; Dawisha 1979: 28). The Saudis did not actually acquire autonomous control of many of the new weapons systems. To get sophisticated aircraft they had to agree to restrictions imposed to appease Israel; the Airborne Warning and Control System (AWACS) intelligence-gathering aircraft were operated by Americans and arguably gave the US a Saudifinanced flying base in the region which could be used for intervention against Middle East states (Alnasrawi 1991: 111–17). Western arms suppliers were candid that these arms deliveries contributed little to the kingdom's defence (Vitalis 1997); indeed, in 1990 Saudi Arabia still could not, apparently, hope to deter a Iraqi invasion and was forced to finance direct US intervention. After the second Gulf War, Saudi Arabia and the Gulf states signed new agreements expanding basing for American forces used against Iraq. With the return of foreign bases and protectorates, the pre-nationalist era appeared to have been restored in the region.

Arguably, Saudi oil policy was part and parcel of this new relationship. This policy reflected the al-Saud's view of their responsibility to reconcile the interests of oil producers and consumers, ensure the stability of oil markets and even protect the global economy against the threats of inflation and recession from high energy prices. The al-Saud came to see Western and Saudi interests as nearly indistinguishable: oil price rises that damaged the Western economy would damage Saudi investments, reduce demand for oil and stimulate oil exploration in non-OPEC countries. The Saudis' 'swing position', that is, their unique ability, based on their huge production capacity, large financial reserves and small population, to manipulate prices by contracting or expanding production, gave them powerful leverage to impose their will on other OPEC members. They repeatedly used this to ensure stable oil supplies at 'reasonable prices' for the West. This meant confronting the OPEC price hawks who, with large populations and ambitious development plans, wanted to raise prices to maintain their real purchasing power as inflation drove up the price of imports (Alnasrawi 1991:129; Spero 1990: 270). Thus, in 1975, the Saudis blocked the desire of most OPEC members to increase oil prices to maintain income amidst inflation and the declining value of the dollar. While the real value of OPEC income declined perhaps 30 per cent, Saudi threats of or actual over-production froze oil prices in the second half of the 1970s (Dawisha 1979: 28–30). A second oil shock was set off in 1978–80 owing to the Iranian revolution and the Iran–Iraq war, which took some 3.5 million barrels per day (bpd.) off the world market at a time of rising demand. Yet by 1980, the Saudis had swamped the oil market with a 2.5 million bpd. oil surplus (Alnasrawi 1991: 215).

By the early 1980s, an oil glut had set in and market prices began to fall as a result of high Saudi and new non-OPEC production combined with reduced demand from earlier high prices which had sparked improved energy efficiency and recession in consumer countries. Once prices started downward and maintaining them meant cuts in production and revenues, the conflicting interests of the OPEC states undermined their co-ordination (Alnasrawi 1991: 187–8). Countries started cheating on their quotas and, partly to protect its market position, Saudi Arabia increased its production. As OPEC production increased from 18.5 to 22.5 million bpd., the price fell in 1988 to $13/barrel – in real terms below the pre-1974 level (Spero 1990: 284). The Iraqi invasion of Kuwait caused oil prices to briefly rise to $40/barrel as Iraqi and Kuwaiti production stopped but the Saudis filled the gap and prices again fell (Aarts 1994: 6; Alnasrawi 1991: 198), dropping to a rock bottom $11 per barrel in 1998 at a time when break-even costs averaged $15 per barrel (*The Middle East*, March 1998, p. 35; May 1998, pp. 16–17). Seemingly, OPEC power had been broken with the complicity of the main OPEC producer. The al-Saud's oil policy was pursued not only at the immediate expense of other Middle East oil producers but at cost to the country itself. Thus, Oil Minister Zaki Yamani admitted that Saudi Arabia was pumping more than was rational since oil in the ground was more valuable than assets in Western banks (Alnasrawi 1991 133). By 1985 the Kingdom's revenues had plunged from $120 to $43 billion/year (Alnasrawi 1991: 208–12). State budget revenues fell 32 per cent from 1981 to 1985 (Vassiliev 1998: 453). As a result of the Kuwait war and post-war arms purchases, Saudi Arabia actually went into debt and had to begin liquidating assets (Sadowski 1991). In 1998, the Saudi government, suffering from a $12 billion budget deficit, was forced to reschedule debt repayments and cut domestic spending. Arab financial power had evaporated.

Not surprisingly, therefore, in the end, oil and OPEC did little to alter the power imbalance shaped by the dependency system or to challenge the dominance of core interests over the region. Saudi Arabia had failed to use its leverage to achieve the agreed objective of the Arab states, an equitable settlement of the Arab–Israeli conflict. Indeed, the oil embargo's main 'achievement' was to empower Sadat to engineer a separate Israeli–Egyptian peace that weakened the Arab world to the advantage of Israel and the US. Subsequent Arab impotence during the Israeli invasion of Lebanon showed that the Arab oil states had squandered whatever leverage they had once had from the oil weapon.

Oil, dependency, and the failure of regional development

It is a major irony that the effect of oil has been to deepen rather than relieve the dependency of the region, with a host of negative developmental consequences (Kubursi 1999). To be sure, oil potentially offered the opportunity to overcome economic dependency and stimulate Pan-Arab economic development. According to Heikal (1975: 261–2), the oil boom ushered in the triumph of *tharwa* – resources, wealth – over *thawra* – revolutionary ideology; where oil-less nationalist regimes failed economically, could not their Western-friendly oil-rich rivals succeed in generating a regional economy which would, better than nationalist ideology, lead to regional strength? After all, oil revenues meant that the Middle East, or at least its oil states, enjoyed capital surpluses, potentially sparing them the haemorrhages of capital from interest on loans or the repatriated profits of foreign investment from which other LDCs suffered. While the Arab states individually lacked the ingredients of development, on a regional basis they were much better endowed. The oil states lacked skilled labour and arable land, but they had surplus capital, while capital-poor states such as Egypt and Morocco possessed cheap semi-skilled labour and some states, notably Sudan, had vast agricultural land. They had only to put these factors of production together on a regional market and through joint investment ventures.

Indeed, during the oil boom, the Arab world became the only Third World region characterised by substantial intra-regional flows of capital and labour, generating new interdependencies (Shafiq 1999). The oil states transferred about 15 per cent of their capital surpluses to the non-oil Arab states in the form of development and defence aid while *infitah* policies opened the latter's state-dominated economies to external Arab investment. By 1989, there were 252 joint companies or projects with $17.9 billion in capital (another $12.3 billion if firms with non-Arab partners are counted). There were also Pan-Arab development funds with an additional $24.2 billion in assets. The World Bank calculated that in the period of 1976–89 Arab governmental and fund development assistance to needy Arab countries was around $5.1 billion/year, totalling $70.8 billion (Sayigh 1999: 243). This was accompanied by a rhetorical commitment to enhanced regional planning and co-operation through several Pan-Arab economic institutions.

In addition, massive labour migration took place from poor to rich states, which acquired manpower for their ambitious oil-financed development while worker remittances flowed back to stimulate the economies of the labour-exporting states. From 1970 to 1980 the number of Arabs working in other Arab countries had swelled from 648,000 to nearly 4 million. In 1984 as many as 3 million Egyptians were working in Iraq, Saudi Arabia and the Gulf. As many as a million Yemenis were working in the oil countries as well as large numbers of Jordanians, Palestinians and Syrians. In 1980 two-thirds of the Kuwaiti labour force was made up of non-Kuwaiti Arabs and half of the teachers in Saudi schools were non-Saudi Arabs (Gause 1992: 462–4). About 70 per cent of the Gulf labour force was made up of migrants, about 55 per cent of which were Arabs. Due to migration, cross-regional income inequalities from the oil boom were arguably significantly less than they otherwise would have been (Shafiq 1999: 288–91, 296).

Yet, despite the apparent advantage of oil reserves, the region failed, non-oil Turkey and Israel aside, to produce a single credible candidate for Newly Industrialised Country status for several reasons. The oil industry remained an enclave in most local economies with few backward or forward linkages to stimulate development and, using relatively small numbers of largely expatriate labour, did little to upgrade human capital. Oil deepened technological dependency, encouraging the wholesale import of material technology packaged by foreign consultants and contractors without actual transmission of the technology itself (Sayigh 1999). In an Arab version of the Dutch disease, industry and agriculture suffered from rising labour costs and scarcities while excessive revenues were funnelled into construction and services. The raised exchange values of currencies deterred industrial and agricultural exports and flooded domestic markets with cheap imports (Chatelus 1993: 152–4; Chaudhry 1997: 186; Kubursi 1999: 310). Although oil permitted large investments in health and education it reduced the incentive to capitalise on these (Kubursi 1999: 311). The secure rent derived from Western investments fostered a rentier mentality – satisfaction with easy short-term profits which deterred risk-taking entrepreneurship in the region (Padoan 1997: 184). And the oil money was seemingly squandered: Arab gross fixed capital formation of $2,000 billion over the 1980–2000 decades produced only $380 billion in combined Gross National Product (GNP).

What the oil boom did generate was a massive expansion in vulnerability to the world market. As measured by foreign trade/Gross Domestic Product (GDP), vulnerability to the world market rose from 50 to 84 per cent in the 1970–82 period; the geographic concentration of the foreign trade of the Arab states with the West also increased: the West took 66 per cent of exports and provided 75 per cent of imports in 1983. At the same time, oil generated a boom in consumption demand, well beyond the productive capability of local economies to meet, which translated into a massive import dependency. In non-oil states the ratio of consumption to GDP for 1976–86 ranged between 80 and 96 per cent, in good part funded by oil transfers, but inevitably leading to trade deficits and debt. Food self-sufficiency fell: with 4 per cent of the world population, the Arab world imported 29 per cent of the world's cereal imports (Alnasrawi 1991: 177). Regional states' dependence on oil revenues – instead of taxes and domestic investment – also made them extremely vulnerable to big fluctuations in oil prices and declines in oil revenues. In the 1980s, the terms of trade for manufacturing imports turned against the region as oil prices softened while the cost of imports never similarly declined. In fact, if the $355 billion accumulated between 1972 and 1981 in the hands of the oil producers is adjusted by the import price index, it amounted to only $160 billion (Alnasrawi 1991: 102–7, 164–6, 177).

When oil revenues fell sharply after 1986 and imports could not be cut without risking political stability, a wave of borrowing was unleashed. The ratio of external debt to GNP of the region increased from 10 per cent in 1975 to 46 per cent in 1988 (Alnasrawi 1991: 165–6). Debt as a proportion of GNP was among the highest in the world in five countries – Morocco, Egypt, Sudan, Tunisia and Jordan. Debt became a mechanism of capital drain to the core as debt service of $38.7 billion exceeded new loans of $22.3 billion in 1983–8 while the proportion of new loans devoted to interest payments increased. Increased debt, combined with the export of capital, gave outside donors and investors increased leverage over the terms of new loans to the region (Alnasrawi 1991: 175; Chatelus 1993: 148, 154–7). The austerity this enabled the IMF to impose for the sake of debt repayment first hit investment levels, then state spending on health and education, food subsidies and state employment. This, attacking the very basis of the 'social contract' in Middle Eastern states, sparked 'food riots' across the region. Capital, previously exported on a massive scale, was now being re-imported at the cost of debt, concessions to foreign investment and the same dependency typical elsewhere in the periphery.

At the same time, the positive potential of oil to foster Pan-Arab integration was never realised. Pan-Arab investment and joint ventures remained limited and no Arab investment market or Pan-Arab bourgeoisie emerged since most Arab capital surpluses were recycled to the West. According to Riad Ajami (*Christian Science Monitor*, 27 August 1990), of the oil producers $125 billion in direct foreign investment, only 3 per cent was invested in the Arab world. Of total private Arab foreign investment, said by Ayubi (1995: 161) to be $400 billion in 1989, 80 per cent went to the West and only 10 per cent to the Arab world (Alnasrawi 1991: 163). By the 1990s, 98 per cent of private Arab foreign investment was outside the region.

There are various reasons for this. The huge oil revenues earned exceeded the immediate absorptive capacity of the region although the capital transferred to the non-oil Arab countries nevertheless filled only a third of these countries' long-term needs. The state-centric economies of the non-oil states were not entirely investor friendly, although all of them were economically liberalising and actively courting investors. The inescapable fact is that the oil producers perceived their economic interest to lie in the West where their deposits enabled them to live easily on rents rather than in the region where risks and bureaucratic obstacles were high and entrepreneurship was needed to turn a profit. On top of that, the oil boom generated an off-shore Arab banking system, which, integrating Arab finances to the world economy, acted as a conduit for capital flight. The region has the world's highest rate of capital flight to GDP – 100 per cent (Padoan 1997: 186).

In other ways, too, oil failed to generate an inter-Arab economy. Labour migration declined as a motor of regional interdependence as oil prices fell. The proportion of regional trade barely increased from the pre-oil era. The low proportional volume of intra-regional trade to total trade is, of course, partly a function of the high proportion of oil exports, but oil also fuelled the tendency of the oil states to import from outside the region. Regional planning needed to produce trade complementarity failed. There was little co-ordination of the oil era's major regional investments in the petrochemical industry, even though much of it was in the similar GCC states which ended up duplicating each other's facilities (Sayigh 1999). By the 1990s Arab trade was being polarised between two poles, with the Maghreb increasingly trading with the EU and the Gulf with East Asia.

While oil did not propel enough economic integration to generate an objective Pan-Arab interest that could override the stake of regimes and dominant classes in the dependency relation, the geographical mal-distribution of oil reserves actually differentiated the interests of the Arab states into oil and non-oil, rich and poor. Until the 1970s, this had not been the case: in 1962, the oil states' GNPs/capita averaged $270 and the non-oil states $164; the oil producers accounted for only 36 per cent of Arab GNP and Egypt's GNP was double Saudi Arabia's (Alnasrawi 1991: 17). Non-oil producers had larger more diversified and advanced economies. But from 1972 to 1974 Saudi income increased from 74 per cent of Egypt's to 234 per cent and by 1981 the share of the oil states in Arab GNP had increased to 75 per cent (Alnasrawi 1991: 19), with 90 per cent of Arab oil revenues accruing to states whose combined populations made up less than 10 per cent of the Arab world. By 1985, the 9.4 per cent of the Arab population in the GCC states got 45 per cent of the Arab GNP (Alnasrawi 1991: 156). Kuwait's $24,000 GNP/capita was 20 times Egypt's. While oil states had $220 billion in external assets, the rest of the Arab countries were $112 billion in debt (Brown 1984: 256; Khalidi 1991a: *Christian Science Monitor*, 19 February 1991). As a result, the Arab world faced its own version of the north–south gap but, being based purely on fortuitous factors rather than development or strength, was more unnatural and probably even less legitimate. It is ironic that, generally, the most developed and populous Arab states with the human resources and potential for diversified economies lacked capital; while oil wealth was concentrated in the small tribal societies lacking the human and natural diversity for development (Alnasrawi 1991: 191).

The rich–poor cleavage enervated the notion of a common Arab interest. The rich had an objective interest in solidifying the separate sovereignties which protected their accidental super privilege while the poor Arab states still had a stake in an Arabism which might entitle them to a share of the oil wealth. It is not accidental that Egypt and Syria long promoted the notion of oil as the common Arab patrimony which should be used to promote Pan-Arab power and prosperity and on which they had a claim as the main Arab military powers that had incurred the costs of defending the Arab world against Israel. In their subsidisation of the front-line states, the Gulf states did seem to acknowledge a certain Pan-Arab obligation but it was for them self-evident that oil was the property of the producing states and transfers would be at their discretion and entail a political quid pro quo. The rich Gulf states not only have no interest in a major redistribution, but the wealth gap is what gives them counter-leverage over the advanced states, without which they would become mere peripheries of the region.

The conflict over the distribution of oil wealth had profoundly damaging consequences for Arab security as well as Arab development. In their dealings with their main ally, Egypt, in the mid-1970s, Saudi Arabia and Kuwait concluded that their aid allowed Egyptians to live a subsidised life and forced Egypt to agree to International Monetary Fund (IMF) cuts in subsidies. This caused Egypt's 1977 food riots and was a major factor in Sadat's decision to shift his economic dependence to the US in return for the separate peace with Israel, thus rupturing the Arab world's political solidarity. Moreover, the reversal in the flow of oil resources to the non-oil states once oil prices fell, caused economic stagnation and austerity in the poor states, producing social unrest and resentment of the oil sheikhs who people believed were squandering 'Arab' oil money or siphoning it into foreign banks. This sentiment was effectively articulated by Saddam Hussein and may have led him to believe the Arab world would tolerate his absorption of Kuwait (Farsoun 1991; Khalidi 1991a: 168–9; Edward Said in *Christian Science Monitor*, 13 August 1990). The Gulf war crisis – particularly the expulsion of Palestinian, Jordanian and Yemeni workers from Kuwait and Saudi Arabia – showed that the rich states manipulated access to capital and jobs by other Arabs for their own political ends. They were seen to deliberately replace Arab workers, who they feared might have hidden political demands and some claim to a stake in the countries where they worked, with Asian workers who were sure to return home at the end of their short-term contracts.

The massive inter-Arab inequalities generated by oil make extremely salient the function of the regional states system in maintaining unequal – and external – control over the region's main natural resource, oil (Bromley 1994: 106–18). To many people in the region, the state system is seen, not as an expression of natural national differences, but as a system of Western-constructed borders designed to protect small, privileged populations in the Gulf against demands for a wider distribution of oil revenues to the Arab population. That militarily powerful poorer states are contiguous to these extremely wealthy states with low military capability makes for an anomalous and unstable situation wherein such insecure regimes were inevitably dependent on protection by the world hegemon, first Britain now the US, for their very survival. This structure embodies the classic dependency alliance between the 'core of the core' (Western MNCs and governments) and the 'core of the periphery' (Gulf sheikhs and citizens) at the expense of the periphery (the Arab masses, the non-citizens in the Gulf).

Renewed military penetration

The decline of Arab oil power was paralleled by restoration of the Western political-military penetration in the Gulf which had heretofore been much diluted. Indeed, after the 1970s withdrawal of the British from the Gulf, this prize region threatened, from the Western point of view, to become a power vacuum in which radicalism could thrive. Under the Nixon Doctrine, Washington tried to fill it by building up such regional surrogates as Iran under the Shah. However, the fall of the Shah seemed to destroy the main pillar of US policy in the Gulf. Washington's inability to save him or force the release of the American hostages taken in Iran and Lebanon showed the limits of superpower influence in the Middle East.

The US was, however, able to use local conflicts to restore its position in the Gulf. The Iran–Iraq war neutralised the two main anti-imperialist powers that had the potential to assert Gulf hegemony in place of Western influence. The US aimed to contain the war's spread, prevent victory by either side, and allow the two warring states to wear each other down. When Iraq had the upper hand, Washington traded arms for hostages with Iran, but when Iran took the offensive, it tilted toward Iraq. Iraq's dependence on the Gulf oil states to prosecute its war with Iran and its accompanying detente with Washington neutralised what had once been an Arab nationalist obstacle to American penetration; Baghdad's new tilt toward Washington, in turn, enabled the pro-American Gulf states to become much more overt in their American alignment without incurring Arab nationalist disapprobation. Washington also successfully used the Arab Gulf states' fear of Iran to strengthen its Gulf alliances and presence. AWACS aircraft were introduced into Saudi Arabia and bases established in Oman; as the 'tanker war' escalated in 1986, Kuwait asked for international protection (re-flagging) of its tankers, facilitating the injection of increased US naval forces into the Gulf (Stork and Wenger 1991). After the second Gulf War, the vulnerability of the Gulf's oil rich but militarily weak states made them so dependent on the West for security against Iraq that it was inconceivable the oil weapon could again be used in the foreseeable future.

Conclusion

Neither Arab nationalism nor oil were able to overcome the legacy of fragmentation and dependency inflicted on the region by the West and neither proved able to restore the Arab world or the Islamic Middle East as a major world power. During the period when Cold War splits in the core restrained Western intervention while Pan-Arabism and later OPEC and the oil weapon relatively united the region, the Middle East enjoyed considerable autonomy and carried some weight in the international system. However, as the region again fragmented, with the decline of Arabism, the drive to autonomy was reversed. The US was able to use the region's economic failures and conflicts, particularly the threat to the Arab states from the non-Arab periphery, to contain the two main attempts – from Arab nationalist Egypt and Islamic Iran – to challenge its hegemony. The failure of nationalist economic development undermined the economic base of independent foreign policies, most crucially in Egypt. This facilitated Washington's ability to exploit Israeli power and diplomatic and economic aid to turn Egypt from a regional buffer against American influence into a conduit for it. Similarly, the US used Saudi Arabia's need for protection from states such as Iran and Iraq to enlist it in the moderation of oil prices and the neutralisation of the oil weapon. The core's 'bridgehead' in the region was, in the end, actually reinforced by the oil boom which gave the Gulf's ruling families a much greater stake in the core while dividing Arab states between rich and poor. Washington needed only the withdrawal and collapse of Soviet countervailing power to sweep all before it; with the core relatively united behind the sole American hegemon and the region fragmented, many of the features of the imperialist age started to be restored. This outcome could not be attributed to the sagacity of American policy makers; with few exceptions, such as Kissinger's Machiavellian manipulations, America came out on top in spite of its own policy and, as Quandt (2001: 72) put it, 'sometimes at extraordinary cost to the peoples of the Middle East'. The continuing impact of the international system on the region in the post-Cold War era is analysed in chapter 8.