



Universiteit  
Leiden  
The Netherlands

## Neo-rentier theory: The case of Saudi Arabia (1950-2000)

Qasem, I.Y.

### Citation

Qasem, I. Y. (2010, February 16). *Neo-rentier theory: The case of Saudi Arabia (1950-2000)*. Retrieved from <https://hdl.handle.net/1887/14746>

Version: Not Applicable (or Unknown)

License: [Licence agreement concerning inclusion of doctoral thesis in the Institutional Repository of the University of Leiden](#)

Downloaded from: <https://hdl.handle.net/1887/14746>

**Note:** To cite this publication please use the final published version (if applicable).

## **Neo-Rentier Theory: The Case of Saudi Arabia (1950-2000)**

### **PROEFSCHRIFT**

ter verkrijging van  
de graad van Doctor aan de Universiteit Leiden,  
op gezag van Rector Magnificus Prof.mr. P.F. van der Heijden,  
volgens besluit van het College voor Promoties  
te verdedigen op dinsdag 16 februari 2010,  
klokke 15:00 uur

door

Islam Yasin Qasem

Geboren te Damascus (Syrië)

in 1973

## **Promotiecommissie**

### *Promotors*

Prof. Dr. Madeleine Hosli (Universiteit Leiden)  
Prof. Dr. Lisa Anderson (American University, Cairo)

### *Overige leden*

Prof. Dr. Rob de Wijk (Universiteit Leiden)  
Prof. Dr. Asef Bayat (Universiteit Leiden)  
Prof. Dr. Jan van der Meulen (Universiteit Leiden)  
Drs. Paul Aarts (Universiteit van Amsterdam)

The author is grateful to the Generalitat de Catalunya for partly funding this research.

The image on the front cover is copied from <http://bgnentrepreneur.net>

© 2010 Islam Yasin Qasem. *All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, without the prior written permission from the author.*

*To my mother and the memory of my father*

## TABLE OF CONTENTS

---

<b>CHAPTER ONE: DEPENDENCE AND SECURITY .....</b>	<b>14</b>
1.1 Introduction.....	14
1.2 Theoretical Framework.....	16
1.3 Bridging the Scholarly Gap: Middle East Studies and International Relations.....	18
1.4 The Argument.....	20
1.5 Contribution .....	21
1.6 Research Method and Study Plan .....	22
<b>CHAPTER TWO: RENTIER THEORY AND SAUDI ARABIA .....</b>	<b>25</b>
2.1 What is a Rentier State?.....	25
2.1.1 <i>The Rentier State as a Sub-system of the Rentier Economy</i> .....	26
2.1.2 <i>The Source of State Revenue</i> .....	28
2.1.3 <i>Public Expenditure</i> .....	28
2.2 The Limitations of Rentier Theory .....	30
2.3 Saudi Arabia: Historical Background .....	32
2.3.1 <i>Conquests and State-Making</i> .....	32
2.3.2 <i>Domestic Politics in the Pre-Oil Era</i> .....	34
2.3.3 <i>Financial Stress in the Early Years</i> .....	37
2.4 The Emergence of the Saudi Arabian Rentier State .....	40
2.4.1 <i>Externality of State Revenue</i> .....	40
2.4.2 <i>Centrality of Government Expenditures</i> .....	43
2.5 Conclusion .....	46
<b>CHAPTER THREE: INTERNATIONAL RELATIONS THEORIES.....</b>	<b>47</b>
3.1 Realism .....	47
3.1.1 <i>Classical Realism</i> .....	48
3.1.2 <i>Structural Realism</i> .....	49
3.1.3 <i>Neoclassical Realism</i> .....	50
3.2 Liberalism .....	51
3.2.1 <i>Economic Interdependence</i> .....	53
3.2.2 <i>Complex Interdependence</i> .....	54
3.3 Realism, Liberalism and the Rentier State .....	56
3.3.1 <i>The Limitations of Classical Realism</i> .....	57
3.3.2 <i>The Limitations of Structural Realism</i> .....	58
3.3.3 <i>The Limitations of Neoclassical Realism</i> .....	59
3.3.4 <i>The Limitations of Economic Interdependence</i> .....	61
3.3.5 <i>The Limitations of Complex Interdependence</i> .....	63
3.4 Conclusion .....	64
<b>CHAPTER FOUR: NEO-RENTIER THEORY.....</b>	<b>66</b>
4.1 Weak States, Weak Powers, and Survival .....	66
4.1.1 <i>Military Threat</i> .....	68
4.1.2 <i>Political Threat</i> .....	68
4.1.3 <i>Internal Threat</i> .....	69
4.2 Neo-Rentier Theory Framework.....	70
4.3 Dependent Variable: Security Strategies .....	72
4.4 Independent Variable: Patterns of Dependence.....	74

4.4.1 Measuring Dependence .....	76
4.4.2 Hypotheses and Causal Mechanisms .....	79
4.5 Conclusion .....	83
<b>CHAPTER FIVE: THE PRE-BOOM (1950-1970).....</b>	<b>85</b>
5.1 Pattern and Domain of Dependence in the Pre-boom Era, 1950-1970.....	85
5.1.1 Oil Market: Supply and Demand .....	85
5.1.2 Saudi Arabia: Oil Reserves and Exports .....	86
5.1.3 Patterns of Dependence during 1950-1960 .....	88
5.2 Internal Validation and Internal Balancing in the Pre-Boom Era.....	90
5.2.1 Internal Validation.....	90
5.2.2 Internal Balancing .....	92
5.3 Cases of Major Threats .....	94
5.3.1 Case One: the Suez Crisis (1956) .....	94
5.3.2 Responses: External Validation .....	95
5.3.3 Case Two: Nasser's Pan-Arabism (1958-1962) .....	95
5.3.4 Responses: Appeasement .....	96
5.3.5 Case Three: Yemen Civil War and Nasser's Military Intervention .....	97
5.3.6 Responses: Low Internal Validation/Balancing, and External Balancing ..	98
5.3.7 Case Four: The 1967 Six-Day War .....	100
5.3.8 Responses: External Validation .....	100
5.4 Conclusion .....	101
<b>CHAPTER SIX: The BOOM (1970-1985).....</b>	<b>103</b>
6.1 Pattern and Domain of Dependence in the Boom Era (1970-1985).....	103
6.1.1 Oil Market: Supply and Demand .....	103
6.1.2 Saudi Arabia: Oil Reserves and Exports .....	105
6.1.3 Patterns of Dependence during 1970-1985 .....	106
6.2 Internal Validation and Internal Balancing in the Boom Era .....	107
6.2.1 Internal Validation.....	107
6.2.2 Internal Balancing .....	112
6.3 Cases of Major Threats .....	113
6.3.1 Case Five: The October 1973 War .....	113
6.3.2 Responses: External Validation .....	115
6.3.3 Case Six: The 1978 Camp David Accords .....	117
6.3.4 Responses: External Validation .....	118
6.3.5 Case Seven: The Iranian Revolution.....	119
6.3.6 Responses: Internal Balancing and Internal Validation .....	121
6.3.7 Case Eight: The Iran-Iraq War, 1980-1988 .....	122
6.3.8 Responses: Internal and External Balancing .....	122
6.4 Conclusion .....	127
<b>CHAPTER SEVEN: THE BUST (1985-2000) .....</b>	<b>128</b>
7.1 Pattern and Domain of Dependence in the Bust Era (1985-2000): .....	128
7.1.1 Oil Market: Supply and Demand .....	128
7.1.2 Saudi Arabia: Oil Reserves and Exports .....	130
7.1.3 Patterns of Dependence during 1986-2000 .....	131
7.2 Internal Validation and Internal Balancing in the Bust Era.....	134
7.2.1 Internal Validation.....	134

<i>7.2.2 Internal Balancing</i> .....	139
<b>7.3 Cases of Major Threats.....</b>	<b>141</b>
<i>7.3.1 Case Nine: Saddam Hussein's Iraq and the Invasion of Kuwait.....</i>	<i>141</i>
<i>7.3.2 Responses: Internal and External Balancing .....</i>	<i>143</i>
<i>7.3.3 Case Ten: Islamist Opposition.....</i>	<i>148</i>
<i>7.3.4 Responses: Internal Validation and Internal Balancing .....</i>	<i>149</i>
<b>7.4 Conclusion .....</b>	<b>150</b>
<b>CHAPTER EIGHT: CONCLUSION .....</b>	<b>151</b>
8.1 What has been Learned? .....	154
8.2 The Pre-Boom Era, 1950-1970.....	155
8.3 The Boom Era, 1970-1985 .....	157
8.4 The Bust Era, 1985-2000.....	160
8.5 What Lies Ahead for Saudi Arabia?.....	162
8.6 Direction for Future Research.....	164
<b>BIBLIOGRAPHY .....</b>	<b>166</b>
<b>SAMENVATTING .....</b>	<b>178</b>
<b>CURRICULUM VITAE.....</b>	<b>184</b>

## LIST OF TABLES

---

Table 1. Norway Oil Revenues (Percentage of Total Revenue) and Government Expenditures (Percentage of GDP) .....	30
Table 2. Saudi Arabia Revenues (Million Dollars), 1938-1944 .....	37
Table 3. Saudi Arabia Budget Allocation (Million SR), 1947-48 .....	40
Table 4. Saudi Arabia Oil Revenues as a Percentage of Total Exports and Total Revenues, 1947-2000.....	43
Table 5. Current and Capital Government Expenditure as Percentage of GDP, 1963-2000 .....	45
Table 6. Types of State and Threats.....	67
Table 7. Crude Oil Prices in US Dollars, 1950-2000 .....	78
Table 8. World Oil Consumption (Million b/d), 1960-1970 .....	86
Table 9. Oil Production by Region (1000 b/d), 1960-1970 .....	86
Table 10. Oil Exports by Region (1000 b/d), 1960-1970 .....	87
Table 11. Proven Oil Reserves by Region as a Percentage of World Reserves, 1960-1970 .....	88
Table 12. Saudi Arabia Revenue, 1954 -1970 .....	89
Table 13. State Expenditures on Salaries and Compensations, 1959-1969 .....	91
Table 14. State Expenditures on Development Projects, 1960-1969.....	92
Table 15. Defense and Internal Security Allocations (Million SR), 1950-1970 .....	94
Table 16. World Oil Consumption (Million b/d), 1970-1985 .....	104
Table 17. Oil Production by Region (1000 b/d), 1970-1985 .....	104
Table 18. Proven Oil Reserves by Region as Percentage of Total World Reserves, 1970-1985.....	105
Table 19. Oil Exports by Region (1000 b/d), 1970-1985 .....	106
Table 20. Saudi Arabia Revenue, and Budgetary Deficits and Surplus, 1970-1980 .....	107
Table 21. Total Government Expenditure on Development (Billion SR) .....	109
Table 22. Growth in Civilian Labor Force (1000).....	110
Table 23. Government Subsidies (Million SR), 1970-1985 .....	111
Table 24. Subsidized Government Loans (Million SR), 1969-1985 .....	111
Table 25. Defense and Internal Security Allocations (Million SR), 1970-1985 .....	113
Table 26. The Arab Oil Embargo of 1973.....	116
Table 27. Saudi Arabia's Output Change from September 1973 Level (1,000 b/d) .....	117
Table 28. Saudi Arabia Oil Production (1000 b/d), 1978-1979.....	119
Table 29. Crude Oil Exports (1,000 b/d) .....	123
Table 30. Spot OPEC Reference Basket Price and its Components (US Dollars per Barrel), 1985-1986.....	125
Table 31. Values of Petroleum Exports (Million US Dollars).....	126
Table 32. World Oil Consumption (Million b/d), 1986-2000 .....	129
Table 33. Oil Production by Region (1000 b/d), 1986-2000 .....	130
Table 34. Proven Oil Reserves by Region as Percentage of Total World Reserves, 1985-2000.....	130
Table 35. Oil Exports by Region (1000 b/d), 1986-2000 .....	131
Table 36. Saudi Arabia Oil Revenue, 1986-2000 .....	132

Table 37. Budgetary Deficit and Surplus (Million SR), 1986-2000.....	134
Table 38. Plan and Actual of Development Expenditures (Percentage of Total), 1985-2000.....	136
Table 39. Actual Spending on Development (Billion SR) .....	137
Table 40. Government Subsidies (Million SR), 1986-1999 .....	138
Table 41. Subsidized Government Loans (Million SR), 1970-1999 .....	138
Table 42. Allocation to Defense as Percentage of Government Consumption, 1980-2000 .....	140
Table 43. Proven Crude Oil Reserves as Percentage Share of Total OPEC (Million barrels) .....	143
Table 44. Oil Production in OPEC Members, 1989 .....	143
Table 45. Spot OPEC Reference Basket Price and its Components (US Dollars per Barrel), 1990-1991 .....	145
Table 46. Saudi Arabia Oil Production (1,000 b/d), 1989-1990.....	146
Table 47. Saudi Arabia Oil Exports by Region (Million barrels).....	146
Table 48. Predicted and Actual Strategies .....	155
Table 49. World Supply of Primary Energy, 2006-2030.....	162
Table 50. Saudi Arabia Conventional Liquids Production, 2005-2030.....	164

## LIST OF FIGURES

---

Figure 1. Patterns of Dependence .....	75
Figure 2. Oil Periods of Pre-boom, Boom, and Bust.....	77
Figure 3. Model of Neo-Rentier Theory .....	81
Figure 4. Oil Price vs. Current and Capital Expenditures.....	135
Figure 5. Oil Price (Arabian Light) vs. Defense Expenditures.....	141

## A NOTE ON TRANSLITERATION

---

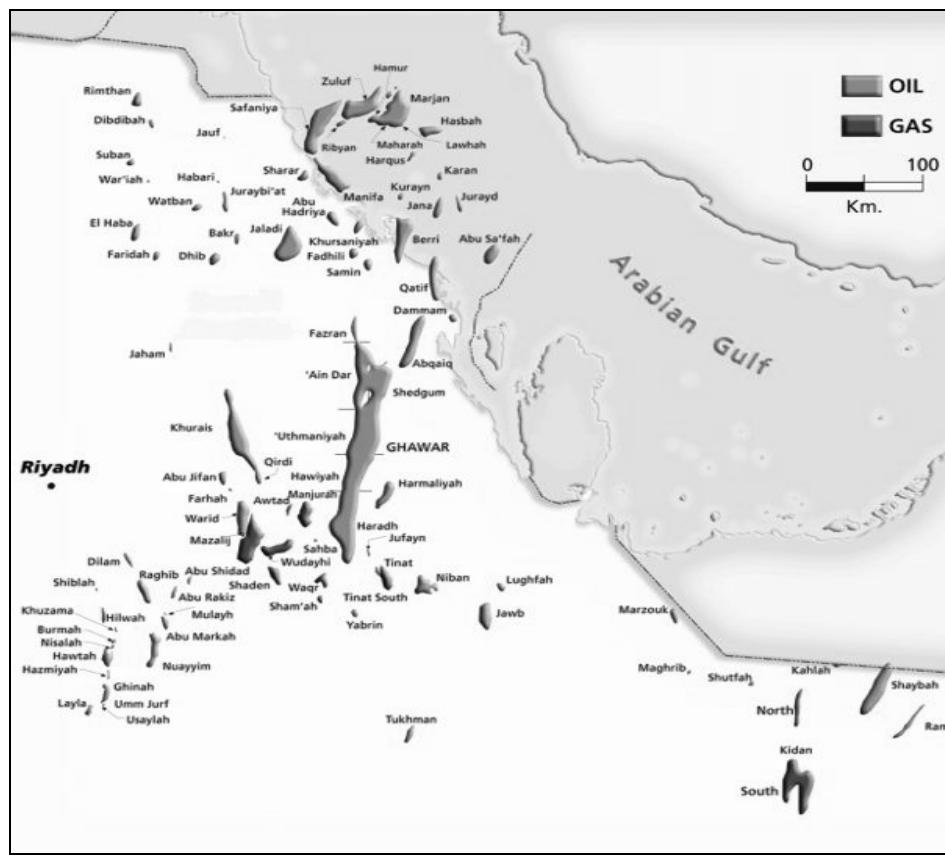
As a guideline for transliterating Arabic words I closely adopted the format used by the *International Journal of Middle Eastern Studies* (*IJMES*), which follows a modified form of the *Encyclopedia of Islam* transliteration system. The advantage of this system is that words are rendered in format readily intelligible to both Arabic and non-Arabic readers. Names of places and political leaders and cultural figures, as well as words which appear in the *Webster's Collegiate Dictionary* are spelled in accordance with the most common English spelling. Thus, these words are stripped from diacriticals marks and are not italicized. For instance, I adopted the format Gamal Abdel Nasser (not Jamāl ‘Abd al-Nāsir), jihad (not *jihād*). For names and place names that do not have a common English spelling, I added ['] and ['] to mark the ayn and hamza, respectively. For Arabic words which are not in the *Webster's Collegiate Dictionary* I applied diacritical marks and italics. Finally, certain words were spelled in accordance with the format found in the *IJMES*'s word list.

## ABBREVIATIONS

---

AOI	Arab Organization Industrialization
ARAMCO	Arabian American Oil Company
AWCS	Airborne warning and control system
b/d	barrels per day
BP	British Petroleum
EIA	Energy Information Administration
GDP	Gross Domestic Product
IMF	International Monetary Fund
IPC	Iraq Petroleum Company
mbd	Million barrels per day
MDAA	Mutual Defense Assistance Agreement
MEES	Middle East Economic Survey
NATO	North Atlantic Treaty Organization
OAPEC	Arab Petroleum Exporting Countries. Members: Algeria (1970), Bahrain (1970), Kuwait (1968), Libya (1968), Syria (1972), UAE (1970), Egypt (1973), Iraq (1972), Qatar (1970), Saudi Arabia (1968), Tunis (1982)
OECD	Organization for Economic Cooperation and Development
OPEC	Organization of the Petroleum Exporting Countries. Members: Algeria (1969), Indonesia (1962), the Islamic Republic of Iran (1960), Iraq (1960), Libya (1962), Nigeria (1971), Qatar (1961), Saudi Arabia (1960), United Arab Emirates (1967), Venezuela (1960)
PLO	Palestinian Liberation Organization
SABIC	Saudi Arabian Basic Industries Corporation
SAMA	Saudi Arabian Monetary Agency
SOCAL	Standard Oil Company of California
SR	Saudi Riyal
UN	United Nations
USMTIM	United States Military Training Mission





Map 2. Saudi Oil and Gas Fields. Source: Energy Information Administration (EIA).