

prolonged price increase above the level approved by Saudi Arabia without incurring serious financial loss. The dual OPEC price structure of early 1977 thus is unlikely to endure. Perhaps the OPEC majority—saving face behind various technical obfuscations—will eventually come down to the Saudi level; perhaps the two sides by July will agree to compromise on a figure around 10 percent; or perhaps (for political reasons to be discussed later) the Saudis will come up to the level of the majority—registering the double claim of having shown, first, consideration for the economic difficulties of their Western customers and, second, respect for OPEC solidarity.

4. *Arab Leadership.* The Saudis' ability to offer or deny vast subsidies to countries such as Jordan, Egypt, Syria and the Sudan has by now made them into a potent and recognized political force in inter-Arab affairs. As a traditional monarchy, Saudi Arabia took alarm at the spread of "radical" military regimes in other Arab countries in the 1950s and their continuing drift toward the Soviet Union. In view of the long-standing practice by Arab countries of intense and sometimes violent interference in one another's politics, the Saudis rightly perceived this dual trend as a threat to the survival of their own regime. But the Saudi government itself has been even more hostile to Zionism than to communism: the late King Faisal, against all empirical evidence, professed to see no difference between the two.

Here then were several concurrent reasons, of prudence and ideology, for taking an active or even leading part in the common Arab fight against Israel. In 1972-73 the Saudis' quid pro quo for Egypt's disengagement from Moscow was Saudi support for the front-line states in the Yom Kippur War, including the use of the "oil weapon" against the United States. More recently, in the fall of 1976, the settlement of the Lebanese civil war was negotiated at an Arab summit meeting in Riyadh. It would appear that, in addition to approving Syria's takeover in Lebanon, the Riyadh meeting decided on an overall Syrian-Jordanian-Egyptian rapprochement, a new diplomatic initiative against Israel, and further Saudi oil pressure on the United States. The diplomatic initiative was unveiled in several statements by President Sadat by year's end in favor of reconvening the Geneva conference and of a Palestinian state on the West Bank and in Gaza somehow linked to Jordan. Pressure on the United States began with the hope expressed by Saudi oil minister Sheikh Ahmed Zaki al-Yamani after the December OPEC meeting that the United States would show its "appreciation" for Saudi Arabia's price restraint. And if inter-Arab negotia-

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tions of 1972-73 can serve as a clue, a further item of discussion may have been the possibility of military action against Israel in case of renewed failure of the Geneva conference.

5. *Pressure on the United States.* When Saudi Arabia was in the midst of its recent oil expansion program, Sheikh Yamani in the fall of 1972 visited Washington, where he proposed a new deal in relations between the two countries. Citing then-current estimates of American oil import needs for the 1980s and Saudi plans to expand production capacity to 20 mb/d by the end of the decade, he concluded that his country was the only one that would furnish the needed amounts. In return for doing so, he proposed a privileged status for Saudi investments in the United States and a basic modification of American policy toward Israel.<sup>10</sup> The deal, needless to say, was not taken up by Washington.

From a Saudi perspective, there were solid reasons for making such a proposal. The Saudis had no economic self-interest in increasing their production and accumulating yet larger reserves unless they were offered unusual opportunities for investing the surplus. And if Saudi Arabia were willing, for political reasons, to enter into a special relationship with the United States, committing its whole economy well into the future to meet America's energy needs, why should it not ask the United States to show corresponding consideration for Saudi concern about Israel? Yet, from an American viewpoint, Yamani's offer of 1972 combined with the embargo of 1973 was bound to suggest an attempt first to offer the carrot and then to wield the stick.

Any Saudi assessment of the sequel of the embargo would have to pronounce that carrot-and-stick technique a singular success. Within days after the announcement of the Arab embargo and production cutbacks, the United States, by threatening the suspension of military deliveries, forced the Israelis to accept a cease-fire in place, just when their near-encirclement of Egyptian forces west of the Canal was putting victory in their grasp. In the next two years U.S. diplomacy, hitherto firm in its support of Israel, shifted to a demonstratively "even-handed" attitude in calling for a conference at Geneva and in bringing about successive disengagements on the Sinai and Golan fronts.<sup>11</sup>

In sum, Saudi Arabia's dominant position in global oil trade and

<sup>10</sup> See Yamani's address to the Middle East Institute, Washington, September 30, 1972.

<sup>11</sup> All this, of course, is only one aspect of Secretary Kissinger's Middle East diplomacy: there also were the nuclear alert and confrontation with the Soviet Union (still obscure in its details) in late October 1973, and the very substantial American arms deliveries to Israel during the period of the various disengagements. But the above aspect is the one that would be most directly relevant to the Saudis' assessment of the effect of their policy.

to avert them is a resolute energy policy on the part of the industrial countries, and foremost the United States.

## VII

U.S. policy toward Saudi Arabia since 1973 has been highly ambivalent. No countermeasures were taken to the embargo, American arms deliveries to Saudi Arabia were stepped up vastly, and at various points in 1974 high U.S. officials expressed their confidence that the Saudis, out of regard for their American friends, would bring down the price of oil. Yet by year's end Secretary Kissinger hinted at possible military action in the event of another embargo. The Nixon-Ford Administration's energy policy proved equally vacillating and ineffectual. Secretary Kissinger's reaction to the \$7 a barrel oil price of early 1974 was to dwell on the prospect of "a vicious cycle of competition, autarchy, rivalry, and depression such as led to the collapse of world order in the thirties." Yet in the spring and summer of 1975 the State Department was busy trying to obtain agreement on an oil "floor price" at just that \$7 level. Similarly "Project Independence" was first announced with much fanfare, but its recommendations were either shelved or bogged down in the perennial deadlock between President Ford and the Congress.

A rational U.S. response to Saudi oil policies must refrain both from massive arms deliveries and from ill-considered military threats. The oil cartel's current ascendancy, and the Saudi key position within it, rest on solid economic foundations and, "If OPEC will not be charmed out of its billions, neither is it likely to be bullied."<sup>17</sup> Rather, the rational response is to reduce our excessive dependence on Arab and other oil imports by reducing our extravagant energy consumption and by developing our vast but dormant national energy resources.

Our energy consumption per capita is 2.3 times that of the European Economic Community and 2.6 times that of Japan. This implies very major possibilities of energy conservation without impairment of our standard of living. The United States also is fortunate in having very extensive resources of petroleum, coal, uranium and other fuels. Our oil production (including natural gas liquids), despite its recent and continuing decline, still is higher than that of the Soviet Union or of Saudi Arabia. Our coal reserves, at present rates of extraction, are sufficient for 300 years, and much of these are low-sulfur deposits accessible to strip mining on federal lands in the West. All this implies equally dramatic

opportunities for increasing our domestic energy supplies. Japan and nearly all the European countries will remain dependent on imports for most of their energy into the foreseeable future. For the United States alone, a step-by-step reduction of our energy dependence is a feasible (and hence most necessary and desirable) goal.

Measures of energy conservation readily within our reach include the raising of domestic oil prices to world levels (whether through decontrol of prices or an additional federal tax), the raising of automobile efficiency standards to a level of 27.5 miles per gallon, and a host of other specific steps (better insulation of homes and factories, the forming of commuters' transport pools, regulations increasing airplane load factors, increased efficiency of home appliances and mandatory labeling of their energy use, etc.). Note that among these, a raising of automobile efficiency alone would save around 1.2 mb/d of petroleum, or as much as the increase in our imports from Arab sources since 1973.

Measures to increase our domestic energy supplies would include accelerated leasing and development of offshore oil deposits, expansion of nuclear generating capacity, and, above all, development of our abundant coal reserves, perhaps in connection with large-scale gasification. All such measures would have to be combined with stringent environmental safeguards, which are sure to add to the cost but should not be taken as an excuse for delay. Considering technological lead times, these development measures would not begin to make their impact felt until the early or mid-1980s, but that impact could be on a very sizable scale: for example, accelerated domestic oil development alone might by 1985 add 2.3 mb/d to our domestic oil supplies, or nearly as much as our current imports from all Arab sources. For the even longer range, one of the most promising measures would be a wholesale revitalization of our railroad system both for freight and for passenger traffic.

This is not the context in which to enter into the details of the debate on the comparative costs and benefits and the lead times and relative priorities among the measures just listed. Happily there is no inherent conflict among any of them, and the obvious solution is to move ahead speedily on all feasible fronts. It will be the task of the new Federal Department of Energy to bring our long-lingering debate to a firm set of conclusions and to proceed from debate to concerted action and vigorous implementation.

The fact that the new Administration has made energy policy one of its chief priorities is in itself a most hopeful sign, and so were the references in President Carter's election campaign to the need for a less compliant attitude to Arab pressures and to the need to

<sup>17</sup> Rustow and Mugno, *op. cit.*, p. 92.