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The Peace on The Horizon - 75 Years after The World War 2 in the Middle East (74)

Chapter 3 The grace of Allah – Oil boom (11)

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Abdul Aziz Al-Saud, the first king of Saudi Arabia, and his son Crown Prince Saud bin Abdul Aziz, the second king, were unaware of the true value of petroleum. They were satisfied with the small amount paid by US oil companies as concession fees. They overlooked the fact that the companies pocketed the most of oil wealth. Concession fees, however, were enough to enrich the king and his family. It was not necessary for the king to distribute oil wealth to the ordinary citizens at that time. The second king Saud wasted lots of money for his extravagant life. The state finance was faced in crisis.

In 1964, King Saud was abdicated. His younger brother Faisal reigned to the third king. King Faisal was wise and he tackled modernization of infrastructure. He improved roads, harbors, urban planning, education and medical treatment changing Saudi Arabia into a modern state. The world economy was in the path of post-war reconstruction era. The consumption of petroleum increased rapidly as essential energy resource. Oil producing countries got the power year after year.

King Faisal made effort to increase the oil revenue as much as possible which was the only one resource of the state revenue. He ordered Ahmad Zaki Yamani, then oil minister, to negotiate with oil companies. Dr. Yamani who got a degree in law from Harvard University negotiated with oil companies

as the centerpiece of OPEC. Negotiations with Seven Sisters were impossible by Saudi Arabia alone. Seven Sisters paid no attention for the demands of Saudi Arabia and other OPEC countries at first. The contract term was extremely difficult to revise. But tough negotiations brought OPEC the outcome of the royalty-expensing procedure in Jakarta meeting in 1964. And then at General Meeting in Kuwait in 1966, the tax calculation was changed. The posted price had become a tax reference price rather than a true market price. OPEC has steadily got the fruits.

(To be continued ----)

Areha Kazuya

(From an ordinary citizen in the cloud)