

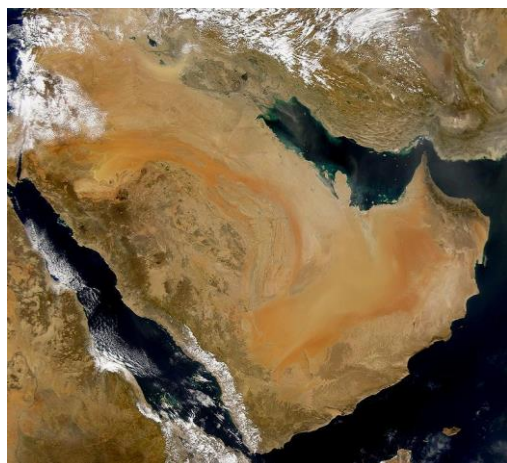
The Peace on The Horizon - 70 Years after The World War 2 in the Middle East (25)

[\(Japanese Version\)](#)

[\(Arabic Version\)](#)

Chapter 3: The grace of Allah – Oil boom

3-3(25) Saudi Arabia appeared on stage



Saudi Arabia is the monarchy state of the Arabian Peninsula dominated by the Saud family. "Saudi Arabia" means "Arabia of the Saud family". Saudi Arabia was established in 1932 by Abdul Aziz Al-Saud, who was the head of the Saud family living in the desert 'Sahar an-Nafud' in the central part of the Arabian Peninsula.

In western part of the Arabian Peninsula, there were Islamic Holy City Makkah and Madinah alongside of Red Sea coast and in the eastern part of the Peninsula, small villages were scattered on the coast of Persian Gulf. Both west and east coasts were ruled by Ottoman Empire. But inland area was desert and inhabited only nomads Bedouin. Ottoman Empire had no interest such isolated inland area.

The opening of the Suez Canal in 1871 caused the clash between UK and Ottoman Empire. Suez Canal made the British Empire possible to reach to its colonies in the Indian subcontinent and Southeast Asia easier than before. UK confronted with regional powerhouse Ottoman Empire. Two empires battled in the World War I. UK made allied with Bedouin in the Arabian Peninsula. In 1940 first oil was discovered in the eastern province. Later, giant oil fields, Ghawar and Safania, were discovered in the onshore and offshore of peninsula respectively. These findings opened the door for Saudi Arabia as the world energy supplier. Saudi Arabia appeared on stage of Middle East.

Four American oil companies found the oil in Saudi Arabia. They were Standard Oil Company of California (Socal), Standard Oil Company of New Jersey (Esso), Standard Oil Company of New York (Mobil) and Texaco. But commercial production was postponed after the World War II. It was worthy to mention that US President Roosevelt met King Abdul Aziz of Saudi Arabia immediately after Yalta Conference in 1945. (See Prolog 1. "Summit at Great Bitter Lake of The Suez Canal "). Oil was one of the most important factors to take the initiative of postwar world.

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.

Saudi Arabia adopted another strategy in addition to negotiations with Seven Sisters. Almost all of the oil fields in Saudi Arabia had been already assigned to Seven Sisters. However, one undeveloped field remained. It was in the Neutral Zone between Kuwait and Saudi Arabia. In Kuwait, Burgan oil field was already in production. In Saudi Arabia, Ghawar, the largest onshore field, and Safaniya, the largest offshore field were also in production. The Neutral Zone between Kuwait and Saudi Arabia had big potential of finding oil. Saudi government tried to assign the concession of undeveloped fields to foreign oil company other than Seven Sisters. The candidate was the private company of oil consuming countries which needed large amount of oil.

It was Japan that came forward the development of the offshore field in the Neutral Zone. Japanese entrepreneur Taro Yamashita acquired the concession in 1958. Arabian Oil Company was established in Japan with the assistance of two prominent businessmen Taizo Ishizaka and Ataru Kobayashi. Exploration base camp was opened in Khafji on the Persian Gulf coast. Oil discovered after two years.

For oil operation, a large number of local staff were required. The company widely recruited Arabs. Amin Shatila was one of the newly recruited staff by the company. He was the eldest son of the Palestinian family migrated from Jordan to Kuwait. In 1950s many Palestinians who lost their homeland migrated to oil-booming Gulf countries such as Kuwait, Iraq and Saudi Arabia. Palestinians were very much confident that education was the only one inheritance for their children. They were enthusiastic

about education. Amin Shatila was graduated from college in Kuwait. Amin joined Arabian Oil Company in 1961. He moved to Khafji alone leaving his family in Kuwait.

(To be continued ----)

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Home Page: [OCIN INITIATIVE](#)

([Table of contents](#))