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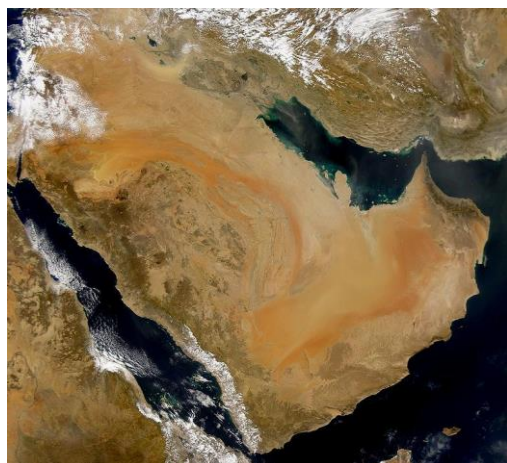
"The Peace on The Horizon - 70 Years after The World War 2 in the Middle East"(25)

By Areha Kazuya

E-mail: areha_kazuya@jcom.home.ne.jp

Chapter 3: The grace of Allah – Oil boom

3-3(25) Saudi Arabia has emerged on the front stage of history



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 a relatively new nation state 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 the Arabian Peninsula until then, there were Islamic Holy City Makkah and Madinah in the western region alongside of Red Sea coast and in the eastern region there were small villages flourished in trade spreading on the coast of Persian Gulf. They were ruled by Ottoman Empire. Inland desert areas where living only nomads Bedouin was out of the scope of interest of Ottoman Empire.

The thing moved when the British Empire clashed with Ottoman Empire. It was the opening of the Suez Canal in 1871. Through Suez Canal, the British Empire has greatly improved access to colonies scattered in the Indian subcontinent and Southeast Asia. It resulted the confrontation with the regional power Ottoman Empire. When the two empires fought each other in the World War I, UK made allied with Bedouin in the Peninsula. In addition, discovering of the Dammam oil field in 1940, Saudi Arabia has emerged on the front stage of history. Giant oil fields like Ghawar and Safania were discovered soon in the onshore and offshore. These findings guaranteed the future of Saudi Arabia as the world energy power.

Four American oil companies consisting of Socal and Texaco (later merged into Chevron) and Esso and Mobil (later also merged into ExxonMobil) found the oil in Saudi Arabia. But due to World War II, full scale development and production did not start until end of the war. Immediately after the Yalta

Conference US President Roosevelt met the King Abdul Aziz (See Prolog 1. "Summit at Great Bitter Lake of The Suez Canal "). It was shown that oil was an important factor to get the hegemony of postwar world.

At that time, however, Abdul Aziz Al-Saud, the first king of Saudi Arabia and his son Saud bin Abdulaziz, the second king were unaware of the true value of petroleum. They were satisfied only with the concession fees paid by US oil companies. They overlooked the fact that the companies pocketed the oil wealth many times bigger than their wallets. Concession fees were enough to enrich the king and his family. It was not necessary for the king to distribute oil wealth to the ordinary citizens. Especially King Saud wasted lots of money for his extravagant life and put the state finance in crisis.

In 1964, Saud was abdicated by force and his brother wise Faisal reigned to the third king. King Faisal tackled modernization of infrastructure such as roads, harbors, urban planning, education and medical treatment in order to change Saudi Arabia into a modern state. Around this time, the world economy began to follow the path of post-war reconstruction era. The consumption of petroleum increased rapidly as essential energy resource. The power of oil producing countries has increased.

King Faisal realized the necessity to increase the oil revenue as much as possible which was the only financial resources. He made the confident Oil Minister, Ahmad Zaki Yamani to negotiate with oil companies. Negotiations with Seven Sisters were impossible by Saudi Arabia alone. Yamani who got a degree in law from Harvard University negotiated with oil companies as the centerpiece of OPEC. At the beginning Seven Sisters paid no attention for the demands of oil producing countries. Negotiations on revision of the contract terms was extremely difficult. But through tough negotiations, OPEC could change the concession fee into the cost at General Meeting in Jakarta in 1964. And then at General Meeting in Kuwait in 1966, OPEC set the tax base as the posted price. OPEC has steadily got the fruits.

Saudi Arabia promoted another strategy in addition to direct negotiations with Seven Sisters. It was to give the concession of undeveloped fields directory to oil company other than Seven Sisters. It might be the oil company of consuming countries who needed large amount of oil. Almost all of the fields had been occupied by US-based Seven Sisters. Only one undeveloped field remained. It was spreading in the Neutral Zone between Kuwait and Saudi Arabia. Burgan oil field was already in production in Kuwait. And in Saudi Arabia, there were also operating world largest Ghawar onshore oil field and Safaniya offshore oil field respectively. Sandwiched between them, the possibility of finding oil in the Neutral Zone was extremely high.

It was Japan that came forward the development of the offshore field. Entrepreneurial spiritfull Taro Yamashita asked for prominent businessmen Taizo Ishizaka and Ataru Kobayashi as co-founders. In 1958 he acquired the concession of oil development. Arabian Oil Company was established. The company built production facilities in Khafji on the Persian Gulf coast, and two years later hit the oil

successfully.

In order to operate the production facilities, it was necessary not only construction workers, but also a large number of local staff such as clerks, engineers, etc. The company widely recruited Arabs. Amin Shatila, who was the eldest son of the Palestinian family migrated from Jordan to Kuwait was one of the newly recruited staff by the company. He was graduated from college and was a young man of 24 years old. Not only the Shatila's family, most of Palestinians who were swept away from their homeland moved to oil-booming Gulf countries like 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 applied for job of Arabian Oil Company and joined in 1961. He moved to Khafji as a bachelor apart from his family in Kuwait.

(To be continued ----)