Saudi Arabia: National Involvement in the Indian Ocean Region

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Key Points

- Saudi Arabia is struggling to maintain a balance between Islamic ideological purity and economic/geopolitical pragmatism.

- Oil and its price have been key economic and foreign policy tools, but the Kingdom is attempting to diversify its economy away from its dependence on oil and gas revenues.

- Saudi Arabia’s international philanthropic activities have allegedly been linked to the promotion of extremist Wahhabi Islam, which has, at times, negatively affected its relations with other states.

- Australia has much to gain from its economic ties with Saudi Arabia and enjoys a large trade surplus that is of particular benefit to the motor vehicle, education and agricultural sectors.

Summary

Within the Middle East, Saudi Arabia might be considered something of an over-achiever in the realm of regional politics. While keeping economic growth and prosperity as key priorities, the Kingdom also seeks to both maintain and augment its role as an influential player in the Middle East, as well as in the wider Indian Ocean region. As the homeland of the Prophet Mohammed, Saudi Arabia sees itself as the rightful leader of the Arab world and strives to promote both the notion of pan-Arabism and itself as a model for other Islamic
states. Supporting this, the late King Fahd – who adopted the title “Custodian of the Two Holy Mosques” – stated in a 1997 speech that Saudi foreign policy is based upon Islamic principles – a sentiment that is still expressed on Saudi Government websites. Additionally, Saudi Arabia has been focussing on improving its economic strength, as prosperity is a key factor in maintaining domestic stability. In a striking similarity to China, the Saudi Government must continuously deliver favourable economic results to its population, to help prevent unrest and maintain the supremacy of the House of Saud.

Analysis

Saudi Arabia holds a unique position due to the significant influence it is able to exert over a range of other countries, from the United States to Yemen. While having strong relations with other Islamic states, some of which tend to harbour anti-US sentiment, it also has enduring ties with the United States, with whom it shares a concern over Iran. Thus, Riyadh must try to co-operate with the US foreign policy agenda and, at the same time, not be seen as a stooge of Western imperialism.

On top of this, Saudi Arabia has been actively promoting relations with other major powers, such as China and India. The Kingdom has used its advantageous geopolitical position to promote its foreign policy agenda, particularly through the use of economic activity and soft power. Naturally, Saudi Arabia’s position as the world’s largest oil exporter plays a substantial role. The manipulation of crude oil prices and supplies as a sanctioning tool, in such situations as the 1979 Soviet invasion of Afghanistan and the 1991 Gulf War, are striking examples.

Nevertheless, the Saudi Government has been seeking to create a more diverse and sophisticated economy to counter the inevitable depletion of hydrocarbon reserves. The Kingdom has thus focussed on investment and development co-operation with a range of partners in key areas, including electricity generation, natural gas exploration, the production of petrochemicals and telecommunications. This has helped to improve the country’s economic position and reduce its dependence on the US market; pressure from Washington on issues ranging from the funding of terrorism to human rights has not always been welcomed by Riyadh. The government’s current reliance on oil revenue highlights the need to diversify.

Saudi Arabia is one of the world’s largest defence spenders. The Saudi Armed Forces consist of over 200,000 active personnel and possess modern military hardware, mainly purchased from the US but also from France, the United Kingdom, China and Russia. While Saudi Arabia has formidable military capabilities, Riyadh has, until recently, tended not to exercise them to achieve its foreign policy goals in the region. While the Saudi military has been involved in some recent activity, such as responding to cross-border spill-overs resulting from Yemeni intra-state conflict, such actions would seem to be principally focussed on national self-defence and border protection. The strength of the Saudi military therefore acts more as a deterrent and an insurance against the possibility of a major war in the Middle East, than it does as a means of exerting influence.
Recent actions, however, have suggested that Saudi Arabia is willing to apply the military to dampen the momentum of “Arab Spring”-related unrest. At the request of the Bahraini authorities, Saudi troops led a Gulf Co-operation Council deployment (the “Peninsula Shield Force”), charged with policing assistance. There were indications, however, that the troops were to at least some extent involved in the suppression of political dissent in Bahrain. Such actions demonstrate a preference in Riyadh for the status quo over the potential instability caused by popular uprisings.

The Kingdom has relatively strong military ties with the US. While the Saudi military has considerable capability, it has had a degree of dependence on the US, although perhaps not to the same extent as South Korea or Japan. After 1990 Iraqi invasion of Kuwait, the Saudi Government, out of fear that Saudi Arabia might also be attacked, invited the US to base troops in the country for the Gulf War which followed. While the US subsequently complied with Saudi calls to withdraw its troops in protest at the 2003 Iraq War, Saudi Arabia would most likely ask for, and receive, military support from the US if it were to face a similar serious threat again. Both countries share concerns over Iran.

Saudi Arabia’s greatest geopolitical rival is Iran, which has similar plans to extend its influence in the region, but differs in ideology. Saudi Arabia actively promotes Wahhabism, a puritanical form of Islam. Wahhabism was sponsored by the House of Saud even before it conquered most of the Arabian Peninsula and established the Kingdom as it is today. The Saudis promote their version of Islam through the financial support of non-governmental organisations and by diplomatic discourse, while Iran is suspected of promoting its agenda by directly supporting like-minded (generally Shia) militant groups. This includes groups widely considered to be terrorist organisations, such as Hezbollah, Hamas and Islamic Jihad. Adding to these concerns, Iran has long been suspected of attempting to build a nuclear weapon. The Saudi Government commented in June 2011 that if Iran succeeds in acquiring nuclear weapons, they would feel obliged to follow suit,1 due to heightened security concerns and the risk of losing regional influence.

One of the recurring themes in Saudi foreign policy is the juggling of alliances with rival countries. While the Kingdom sees itself as a champion of the Arab cause, one of its strongest allies is the United States, which is perceived by many to be an opponent of Islam. This has become further complicated by Riyadh’s recent efforts to create strong ties with other emerging powers, especially China and India, which are rivals in their demand for resources and their aspirations to achieve superpower status in the future.

One of the key principles of Saudi foreign policy was outlined by the late King Fahd as “Good Neighbourliness”. While several possible interpretations can be drawn from this phrase, the key aspect traditionally upheld by Saudi policy makers is non-interference in the domestic issues of other countries. While autocracy is still considered by many in the region to be a legitimate form of government (although the series of uprisings beginning in 2011 seem to indicate a public shift away from these attitudes at the same time that Riyadh appears more willing to intervene militarily in support of allies such as Bahrain).

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The Kingdom thus tends to take a pragmatic approach when dealing with other states and generally focuses on state-centric topics, such as defence and trade. Generally speaking, it does not like to get tangled up in internal matters such as human rights, not only because it can strain relations with partners, but also because Saudi Arabia does not wish to come under pressure for its own human rights issues. This approach contrasts with the US, which promotes such issues as democracy and human rights, and with Iran, which allegedly provides aid to militant groups that attempt to undermine the authority of rival states.

A challenge for Saudi Arabia is the effect of non-state actors on the country’s foreign policy. Since the attempted takeover of the Grand Mosque in Mecca by radical Islamists in 1979, the Saudi Kingdom has feared that other forms of Islamic ideology, particularly that promoted by Iran, might sideline Wahhabism. Since then, the authorities have used quasi-government charities to spend large sums of money on foreign aid, the majority of which is devoted to “Islamic activities”. Such activities tend to involve the building of mosques and Islamic schools (madrassas) that promote Wahhabism. Private donors, with wealth derived mainly from the oil trade, also contribute in a similar way. Places of extreme Islamic education can also be breeding grounds for terrorist activities, and the line between Wahhabi education and the incitement of violence can become blurred. It is difficult to say whether those terrorists originating from such organisations are simply “bad apples”, or are consciously supported by the donors. Regardless, the promotion of extreme Wahhabi Islam abroad has negatively affected perceptions of Saudi Arabia and its relations with other countries.

Australia, for instance, has unwittingly found itself host to radical, anti-Western preachers, such as Sheikh Mohammed Swaiti, who have been supported by Saudi donations. Swaiti allegedly received US$30,000 from the Saudi Embassy during his time as head of Canberra’s Abu Bakr Mosque and has been involved in a number of controversies, including accusations that he instructed young followers to assault a more moderate member of the Canberra Islamic community. It is estimated that Saudi donors spend around US$45 billion every year to aid the promotion of Wahhabism. Given the purported link between certain Saudi-funded Islamic institutions and terrorism, this can leave the Kingdom in an uncomfortable position vis-à-vis its Western allies.

Increases in extreme Islamic teaching, possibly due, at least in part, to Saudi funding, have been a source of concern for Australia. Up until 2001, the Saudi Government and donors contributed around $5 million per year to Islamic activities. This included the building of mosques and the sponsorship of imams. After the terrorist attacks of 11 September 2001, however, the Saudi Government agreed to clamp down on dubious sources of funding, and contributions have dropped to under $1 million per year. This has been a positive development for Saudi-Australian relations, but some problems remain. There are still suspicions that Riyadh tacitly supports the promotion of Wahhabism in Australia; radical

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3 Kerbaj, R., 7 May 2007, ‘Muslims seek restraining order on hardline cleric’.
5 Ibid.
imams such as Mohammed Swaiti are purportedly on the payroll of the Saudi Embassy, and Australian Muslim leaders and academics have criticised attempts by Riyadh to influence educational institutions through financial grants. As in the US and the UK, Saudi Arabia is yet to prove that its philanthropic initiatives in Australia are not contributing to the promotion of Islamic extremism.

Separated as they are by almost 10,000 kilometres of the Indian Ocean, the effects of Saudi foreign policy on Australia tend to be economic in nature. As with many countries, Australia imports Saudi oil, so there are economic effects from Saudi oil-pricing policy. Although only about five per cent of Australia’s crude oil requirements are imported directly from Saudi Arabia, some 30 per cent of its refined petroleum imports come from Singapore, which, in turn, sources a large proportion of those supplies from Saudi Arabia.

Australia nevertheless enjoys a significant trade surplus with Saudi Arabia, exporting almost four times more than it imports. Passenger motor vehicles are Australia’s main export, accounting for around one-third of Australia’s $1.53 billion worth of merchandise exports to the Kingdom in 2011; agriculture and food products also make a substantial contribution. A continued strong economic relationship with Saudi Arabia – including a Free Trade Agreement with all the Gulf Co-operation Council countries – will therefore be of particular benefit to areas such as the agricultural and motor vehicle industries.

Saudi Arabia currently lacks the educated workforce required to support an advanced economy. The national literacy rate stands at just under 87 per cent, and many of the educated workers in the country are foreign residents, who make up around 20 per cent of the total population. While large amounts of money have been invested in education, sending students abroad is still a necessity. Since 2005, the Saudi Government has actively sponsored study in Western countries and the Australian education sector is a major economic linkage between the two countries. This provides a significant opportunity for the sector as one of this country’s most important export industries – almost 10,000 Saudis study in Australia each year.

As a multicultural country, Australia is an attractive choice for Saudi students. In the last decade, Australia’s share of international students increased from four to seven per cent. Further efforts to promote this country as a safe, tolerant and innovative place for higher education have the potential to significantly boost the earnings of the education industry.

Oil pricing is not Saudi Arabia’s only foreign policy tool; the Kingdom also uses other aspects of soft power to improve its image and foreign relations. By portraying itself as a peaceful, co-operative and stable country in a volatile region, it attempts to improve its political and economic ties and further cement its leadership position in the Middle East. It also offers a means of contrasting itself with Iran.

6 Ibid.
7 Sheridan, G., ‘Cut off the Wahabi cash flow’.
8 Kerbaj, R., ‘Muslims attack $1m Saudi gift to uni’.
9 ‘Saudi Arabia Fact Sheet’, Department of Foreign Affairs and Trade, June 2012.
Adding to its soft power portfolio, the Saudi Government tries to promote regional peace and order, as it is both a source of pride for the state and a means of improving its standing in the international sphere. It has therefore offered itself as a mediating body in several conflicts, in a similar fashion to countries such as Norway and Qatar. The 2007 co-operation deal between Chad and Sudan, brokered by Riyadh, is an example. By getting the two sides to agree on defusing the conflict along their shared border, the Saudi Government improved its image within the international community.

Saudi Arabia’s oil trade is the backbone of its diplomatic efforts. As the largest net exporter of oil, Saudi Arabia holds much influence over even the most powerful states. The Kingdom is aware of the reliance of others on Saudi oil, and that it can be used to promote foreign policy goals. The 1973 oil embargo put in place by OAPEC\(^\text{11}\) (the Organisation of Arab Petroleum Exporting Countries), and driven largely by Saudi Arabia in protest at US support for Israel during the Yom Kippur War, is an example of how manipulation of the oil price can be used as a foreign policy tool. While the oil embargo did not influence the outcome of the war, it clearly demonstrated the global influence that oil-producing states would have in the future.

The Saudi Government does, however, recognise that, although oil is a great source of prosperity, peak production will most likely occur sometime this century, and that the national economy needs to be ready for a post-oil era. The government has therefore sought to diversify its economy and open new avenues of wealth creation. The country entered a Trade and Investment Framework Agreement with the US in 2003 and became a member of the World Trade Organization in 2005, signalling its interest in economic restructuring. While petroleum products are still by far Saudi Arabia’s largest export, other industries, such as agriculture and manufacturing, are being developed. Further development of Saudi agriculture could reduce demand for imports, such as Australian meat and grain. Recent efforts, however, have demonstrated that cultivation of this industry is less viable than originally anticipated; Australian access to the Saudi food import market is thus likely to continue to be strong.

Saudi Arabia has also approached the task of economic transformation by establishing stronger ties with countries that it previously had little to do with. In particular, Riyadh has increased interaction with emerging powers China and India, both of which have populations of over one billion and experiencing strong economic growth. The development of relations with the two rising powers adds an interesting dimension to Saudi Arabia’s overall foreign policy. As both are energy-hungry – like the US – greater demand for oil could cause all three to bid for supplies from the Saudis. Having three large diplomatic and trade partners could increase diplomatic leverage available to Riyadh.

China, which, like Saudi Arabia, tends not to involve itself in the domestic policies of other countries, may be far more tolerant of the Saudi human rights situation than the US. The US is already relatively tolerant of Saudi domestic policy, due to its oil dependence and

\(^{11}\) OAPEC is a sub-grouping of the more commonly known OPEC, consisting of OPEC members from the Arab world. Saudi Arabia is perceived by most commentators to be the most influential member of OAPEC.
terrorism concerns, and this may be increased if it has to compete with China for Saudi oil. Beijing’s treatment of Uyghur Muslims in Xinjiang province could, however, be a stumbling block for bilateral relations.

India may be of interest to Saudi Arabia for different reasons. Having the world’s third-largest Muslim population, there is an opportunity for Saudi Arabia to connect with India via an Islamic common ground. By strengthening ties with India, the Kingdom can promote its ideals of Islamic-based foreign policy, in contrast to those of Iran. Saudi Arabia and Iran have been observed to be competing with each other to promote their version of the Islamic state; India could be a new front in this ideological battle.

**In Conclusion**

The Saudi Government has sought to balance a variety of sometimes conflicting priorities: the promotion of Islamic values, economic and strategic relations with the West, the maintenance of regional stability and its position as a regional leader and, above all, to preserve the authority of the House of Saud.

Like any other country, Saudi Arabia also faces the challenges of adapting to the political and economic realities of the twenty-first century, and it has sought to be proactive in doing so. For countries such as Australia, this presents both new challenges and opportunities. Australia has so far managed to capitalise on the Saudi Government’s recent initiatives to improve its citizens’ levels of educational attainment, hosting thousands of Saudi students each year.

As Saudi Arabia attempts to diversify its economy away from the petroleum industry, however, there is the prospect of reduced reliance on Australian imports, particularly in relation to food and agriculture. Australia must thus continue to pay attention to trends in Saudi Arabia’s economic development, so that it can continue to effectively cater to the Kingdom’s changing needs.

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