

CHAPTER 1

INTRODUCTION

1. Background

Geopolitics and geoeconomics never settle for less, and the dynamic role of the Middle East in world dominance roughly began in 1908, when the first major oil reservoir was found in Persia (now Iran) which then followed by the discovery of an even larger oil reservoir in Kirkuk (Northern Iran) in 1927. Oil findings were contagious to other Middle East states which carve the stereotypes that most of people will certainly understand and easily grasp, *Middle east is oil*. Beforehand, Middle Eastern countries stand on Pearl-trading to build up their economy. But the behavior of the states is still obvious, even up until now. Middle Eastern countries tend to rely only on one single stream of income—particularly one single commodity to trade with external counterparties (Ulrichsen, 2015)—proven by the fact that in 2018 the petroleum sector in Saudi Arabia contributed 87% of total budget revenues, 42% of total GDP (Forbes, 2018). When compared with other OPEC members, Saudi Arabia's oil production is also the largest. In 2019, Saudi Arabia's oil production figures accounted for a total of 33% of the total oil production of OPEC member countries. This figure has been relatively stable since 2017 where Saudi Arabia still continue to control the dominance of oil production figures over other OPEC members (Sonnichsen, 2021). The dominance of production quantity over other OPEC countries makes Saudi Arabia have its own advantages. This is because the oil production figures from OPEC are the aggregate oil production figures for all OPEC members, so that if there are changes or deviations that occur in Saudi Arabia's production output, the impact will be felt very large. This is different when compared to other countries that have relatively small output compared to other

OPEC countries, such as Congo and Algeria. The significance of Saudi Arabia in Middle Eastern Oil affairs could be traced to the World War II era. During that period, before the invention of a grand oil reservoir in the Middle East, the U.S. was one of the world's biggest oil exporters. But the demand for oil increased especially by the cause of war and the imbalance increase in internal supply and demand during the first half of the 20th century, this then leads the U.S. to be a net oil importer country since then (Anderson, 2014).

It was around 1930s that the ties between Saudi Arabia and the U.S. commenced, symbolized by the encounter of King Ibnu Saud along with the U.S. President at that time. The two parties have two interesting offers to bargain, while the Kingdom is rich with its oil reserve, the US had built a massive military fleet equipped with the latest technology at that time. Both parties became a very trusted and bond trading ally, the Kingdom give the U.S. special access for oil trade, the U.S. provided geographical military support to the Kingdom (Anischenkova, 2020).

The ties between the two states faced a downturn phase two times throughout the time. First, it was in 1973 when Yom Kippur war happened. US's position which was in support of Israel, was surely disliked by The Kingdom under the leadership of Faisal. This lead the Kingdom and the other oil producer countries to enact the oil embargo to the US at that time, leaving the US struggled. Furthermore, the 9/11 tragedy also puts the US and Saudi relations on a turbulence, having the US accused the Saudi and Wahabbism community inside the state support the 9/11 terrorist attack.

However, the trend of these tight relations between the two parties recovered significantly throughout the 21st century up until now which illustrated by the number occasion the two countries seem to thank to each other, for instance: the establishment of Trade and Investment Network Agreement (TIFA) in 2003, the initiative from US for Maritime security initiative plan

in 2019 to protect Hormus strait from Iran's threat in 2019, the fact that The Kingdom is the no.2 oil supplier for Uncle Sam (CNN, 2022), Donald Trump thanked the Kingdom for settling the oil price lower in November 2018 (USA Today, 2018).

Although not bluntly related to Saudi Arabia yet since the Kingdom plays a very significant role in OPEC, the most recent illustration of the tightness relationship between the two in pandemic was a request sent by Washington to keep increasing the oil production quantity in order to avoid the continuously increasing oil price in 2021. But instead of agreeing to these requests, OPEC refused to go ahead with it. This outlier behaviour from OPEC raises the question, to what extent the relations between the Kingdom and the U.S. prevail now. The turbulence of US-Saudi relations had occurred back then in 1970s as of Yom Kippur war, but there is no such thing happen after the 9/11 attack in 2001. US Saudi relations grow harmonically in the 21st century.

On the other hand, Washington had a direct call with Riyadh in the beginning of 2022 having some discussions on how could the US help The Kingdom from Yemen's Houthi Operations while at the same time bringing the topic of The Kingdom's Oil Production after the Kingdom has refused the request from US 6 months earlier. The response from The Kingdom was *"Regarding energy and oil markets, the Custodian of the Two Holy Mosques stressed the importance of maintaining balance and stability in the oil markets, highlighting the role of the historic OPEC Plus agreement in this regard, and the importance of maintaining the agreement."* (The Kingdom of Saudi Arabia). There are 2 important elements in this statement. First, Saudi Arabia clearly prefer the stable condition of oil price which means the Kingdom has a tendency on to the status quo of the current oil price at that time. That implies a refusal to initiate any sudden alteration in the oil market which normally could be initiated by the quantity of oil production. And as Saudi is OPEC's biggest oil producer, the Kingdom clearly would not benefit as they wish

from the declining oil price. Second, the Kingdom also point out the significance of referring to the OPEC+ agreement which shows the obvious strength the Kingdom plays in influencing OPEC decision-making, referring to the fact that Saudi is the biggest oil producer in OPEC. (The Intercept, 2022)

This became a serious issue for the US, as Saudi had been a long-lasting ally in oil trading partners and they both had previously acted in favor of each other's through military assistance by the US as well as oil trading. If Saudi is loosening its tightness with the US, the states' geopolitical and geoeconomic influence in Eurasia and ME area is threatened—Leaving Israel as the only remaining sole non-formal strategic partner.

2. Research Question

From the background discussed in the previous section, the author finally arrives to the research question which is **why** Saudi Arabia (Under OPEC) rejects the USA's request to increase oil production.

3. Purpose of Research

- a. To classify the actors contributed in this issue outside U.S. and the Saudi Arabia.
- b. To find out the core rationale of the Kingdom's rejection to the USA's request of oil production increase, and point out the outlier behaviour between the two's relations that seem unusual to happen.

4. Benefit of The Research

4.1. Academic Benefit

USA has been a very strategic trading ally to the Saudi Arabia, particularly in oil commodities. The two parties have shared the benefits to each other, leveraging their own potential strength. Through the phenomenon brought up in this research, there is an unusual behaviour done by Saudi Arabia. This outlier behaviour leads the author to look deeper into the move of the kingdom, conceptualize it and build a discourse of it upon a theoretical framework of International Relations with a final goal that this will enrich the state-of-the-art researches of IR study.

Furthermore, the author also hopes that there will be similar research that looks into the same topic but with a slightly different set of variables and a different theoretical framework.

4.2. Practical Benefit

Through this research, the author hopes that it could give a practical illustration for policymakers to decide foreign policy strategy with a proportional consideration between domestic and international geopolitical factors.

5. Theoretical Framework

There are various researches that pinpoint how strong the relations between the Kingdom and the US is. Solid relations between the two states initially emerged from 1945 meeting between President Roosevelt and King of Abdul Aziz which brought up the discourse about “oil for security”. The relations keep strengthening since then on illustrated by the formation of a security alliance that involved the two states in 1951. Until the 21st century, Saudi Arabia prevails as the largest oil exporter to the USA, making the U.S. able to seize more impact to the control of The Kingdom’s oil as Saudi Arabia is giant player in the World Oil Market (Aziz, 2019). Dorsey even strengthening the point aforementioned, stated that even Saudi and US relations are not just merely on oil matters but it also encompasses nuclear development with the US that will push the nuclear

energy consumption in the country which will put the Kingdom to prioritize oil reserve for export (Dorsey, 2018). Last but not least, the two states strong bond is brought to discourse by Guzansky and Eran highlights' of the 2014 Obama Visit to Saudi Arabia to convinced the Kingdom that the US will be the prime guard of the Saudi's security (Guzansky and Eran, 2014).

The author seeks the state of the art of this very research that differentiates from the previous research which heavily pointed how Saudi and the US relations had run in a mutually beneficial way since the mid-20th century to the early 21st century. By bringing the discourse of Saudi's rejection to US oil production increase request under OPEC's name, the author will dig deeper and find out what reason that rationale the decision by Saudi itself.

The author fully acknowledges that an academic discourse heavily demands a framework of thinking that will lead the readers to follow which in turn shapes the argument in the discourse to a structured, fact-based, and logical. Thinking frameworks in academic discourse are divided into different verticals, which are paradigm, theory, and concepts. Paradigm encompasses wide scope of discourse by putting an emphasize on the worldview level of argument on a particular matter. According to Kuhn, the high level that Paradigm possess in a scientific structure allows it to derive its functions into a smaller, more detail and in depth-level of scientific discourse. From Paradigm, the esoteric and deep part of science are born so it allows the scientist to refer back to it as a broad view that explain the way of seeing a particular idea while investigating the deep level of scientific discourse (Kuhn, 1962). International Relations Scholars mainly divided the paradigms in IR into four big main paradigms, which are Realism, Liberalism, Marxism and Constructivism. As the nature of paradigm that is wide and on a higher level, from it derives a deeper level of scientific structures which is called theory. From Realism paradigm, there are Classical Realism, Neorealism, and Neoclassical Realism. It is from the Liberalism that

Democratic Peace Theory, Liberal Institutionalism, and Liberal Interdependence Theory are born. And from Marxism derives Critical Theory, Ne-Marxist, and Dependency Theory (Rosyidin, 2020).

Theory itself has a proposition academia must really have the ability to grasp, numerous theorists in the past have introduced their way of interpreting a theory. Hempel highly emphasized the role of hypotheses as one of the core components in scientific theory to explain a certain phenomenon in a specific way or in an attempt to connecting some dots from a set of phenomena. Apart from hypotheses, variables and general statements are also the key components in scientific theory as those are the core objects of the observation and the boundaries or guidance to the observation process. Putting it in a general perspective, theory gives an empirical framework to a subject of observation that can help in generating conclusion and deriving a prediction from an initially scattered dataset to a well-modified thought flow (Hempel, 1965). Adding the proposition of Theory by Hempel, Rosenberg emphasize a theory on the presence of coherence, explanatory comprehensiveness, as well as empirical testing on a scientific inquiry. Rosenberg also uphold the importance of structured a systematic and structured set of concepts, laws and models that will eventually resulting in a coherent and thorough explanation of an observed object (Rosenberg, 2005 pp.77).

Zalewski divide theory into 3 practices. First, theory as a tool. Scholars who use theory as a tool are trying to define a circumstance of international politics in their own worldview so that they will be able to interpret in and build a pattern that will be put into a framework of thinking going forward. Second, theory as a critique. Zalewski pointed out that the main rationale a scholar use theory as a critique is that they argue about the world not only “as it is” but also the world “as it should be”. They take the status quo of phenomena in the real world and based on their ideal

interpretation of how the world is supposed to be, they form a set of frameworks thinking that will, later, be turned into a theory. Looking back, it all builds up by the scholars idealistic and utopianistic way of thinking. Third, theory as an everyday activity. This part of theory dichotomy explains that theory often seen not as a noun but as an action of theorizing every part of one's life. Theory is seen as a way of life, act of living, that one does every single time. Human theorize about eating, buildings, architecture, and many other matters in life (Smith, 1996). On this research, the author will apply the use of theory as a practice, according to Zalewski's classification. The author will map out the general notion of the theory that will be used to explain a set of phenomena, and then the author will try to look out for further dataset to enrich the perspective and at the same time trying to connect all of the scattered dots obtained from the variety of data resources.

Through this research, the author shall focus to the Realism paradigm which emphasize the egoistical, rational, and self-centricity side of human in international politics which leads to a condition of anarchy. Several scholars and philosopher that embody this paradigm are Hans Morgenthau, Thomas Hobbes, Kenneth Waltz, Nicollo Machiavelli, and Thucydides. Under Realism Paradigm, there lies 3 Theories which are: Classical Realism, Neorealism, and Neoclassical Realism. Some of the basic key assumptions of Realism is that every nations in the world is pursuing their own security and interest in a zero-sum-game way, and it is through a race of power hegemony pursued by every nations that the world peace could be achieved because it indicates a certain level of coherence in terms of military power so it eradicates the gap of power between one states to another that will lead to the appetite of offence by the stronger states to the weaker states. Thomas Hobbes' *Leviathan* describes political condition of anarchy where it tries to equalize between international anarchy and human nature that tends to destroy each other and prioritize self-sufficiency, which is developed into a specific theoretical framework in international

relations that is a Classical Realism. Fundamentally, classical realism is a theory that derives from the Realism paradigm which emphasizes on the internal factor that drives the behaviour of a nation state. On the other hand, there is a Neorealism which underscores the important aspect of hierarchy and structure in international politics. Neorealist argues that nation state behaviour is shaped by the nature of its position in international stage, mildly opposing the way Classical Realist think about the international anarchy (Burchill, 2005). Furthermore, there is Neoclassical Realism which will be discussed in the next paragraph.

There are other scholars who studied the school of Neoclassical Realism, one of which is Gideon Rose. Rose proposed an explanation to Neoclassical Realism as an alternative of other theories in The Paradigm or Realism as it highlight a more thorough lens in seeing international events. By incorporating state-level behaviour of decision making as well as the current state of international system (without downsizing the influence of one relative to the other), Neoclassical Realism provide a complex and systematic flow of an analysis (Rose, 1998). Besides, Taliaferro with his Defensive Realism thought illustrate that the self-interest-seeking is the main drive of the state behaviour that is affected by the states' perception of international system's structure, conditions, and threats to their security (Taliaferro, 2000). One must clearly understand there is no such thing as a dichotomy of external and internal factor through the lens of Neoclassical Realism. It instead explains a state behaviour that is driven by the self-interest seeking in the state-level which is affected by how a particular state views international circumstance.

The author mainly refers "Neoclassical Realist Theory of International Politics" of Norrin M. Ripsman, Jeffrey W. Taliaferro, and Steven E. Lobel as its main source of Theoretical Framework. The author applied the school of Neoclassical realism into this research as the thought is encompasses 2 levels of variables that affect the dependent variables: which are independent

variables, and intervening variables. Ripsman, et al. elaborated that the independent variables are the condition of international system which then affect how every state's view the world which in turn will drive its behaviour. Simply put, Neoclassical Realism tries to explain how a particular state affirms its decision in response to Global Circumstances. Several key points that could be included into independent variables are: International System, System Structure and Structural Modifiers, Relative Distribution of Power and Polarity, Clarity of the International Circumstances, and Permissiveness/Restrictiveness of Strategic Environment. On the other hand, Ripsman, et al. elaborated several elements that could be clustered into an intervening variable, which are: Leader Image, Strategic Culture, State Society Relations, and Domestic Institutions. While Independent Variables is all about the structure, external circumstances of international politics, the intervening variables is all about the domestic affairs of a particular states. After the Independent variables enforcing or affect the intervening variables, then the result could be seen in the dependent variables. There are some aspects that Ripsman, et al. Mentioned could be put into dependent variables. On the short to medium terms, the situation that could be resulted from this sequential order is seen in how the states decides its policy planning and grand strategy. But on the medium to long term, Neoclassical Realism could explain how international circumstances are being shaped by the decisions made by big powers (Lobell, 2016).

6. Hypothesis

Saudi Arabia rejection under OPEC to US oil production request is driven by Saudi Arabia's ambition that uphold the economic and prosperity development of its people's ventures and it is empowered by the international political structure of The US in the MENA region that is slowly decreasing its influence in the region, leaving Saudi Arabia questioning the reliability of The Saudi-US alliance.

7. Research Methods

7.1. Conceptual Definition

7.1.1. OPEC

OPEC (abbreviation of Organization of Petroleum Exporting Countries) is a permanent international organization consist of world's net oil exporters that coordinate to achieve a stable and efficient oil market with the mission of equalizing supply and demand of oil in the world. On the other hand, OPEC also upheld the importance of economic return of the producers to ensure the longevity of oil production for the sake of stable oil market. (OPEC, 2022)

The Conference in Baghdad in September 1960 attended by Iraq, Iran, Kuwait, Saudi Arabia, and Venezuela was the first step in the establishment of the OPEC organization which grounding the initiative that petroleum is the largest and most important economic factor in human life so that its utilization and exploitation must be in the hands of government and not private (Karim, 2016).

Article 2 of the OPEC statute states that OPEC has the following objectives (OPEC, 1961):

- a. Integrate and strengthen coordination between producing countries regarding policies involving petroleum in order to produce the best decisions that are in line with the interests of OPEC members both collectively and individually
- b. OPEC will focus on running the organization in an effort to maintain the stability of world oil prices

- c. OPEC will focus on the goal of upholding the interests and benefits of oil-producing countries economically and financially

During the 60 years of OPEC's establishment, several additional members joined OPEC, namely Qatar (1961), Indonesia (1962), Libya (1962), United Arab Emirates (1967), Algeria (1969), Nigeria (1971), Gabon (1971). 1975), Angola (2007), Equatorial Guinea (2017), and Congo (2018). There were 11 additional countries that became OPEC's new members, even though 3 countries decided to withdraw during their journey. 1992 was the time when Ecuador decided to get out of OPEC membership, even though Ecuador had rejoined in 2007 but as of January 1 2020 Ecuador has been discouraged from releasing its membership again from OPEC. The same thing happened to Indonesia, which first joined in 1962 and had to declare its exit from OPEC in 2009. Indonesia had also rejoined OPEC in early 2016 but decided to leave OPEC in December 2016. Meanwhile, Qatar is no longer part of OPEC as of January 1 2019. On the other hand, Gabon had declared its exit from OPEC in 1995 but decided to rejoin in 2016 in July. So, with the entry and exit of members, as of 2020, OPEC membership is 13, consisting of Saudi Arabia, Kuwait, Venezuela, Iraq, Iran, Libya, UAE, Algeria, Nigeria, Gabon, Angola, Congo and Equatorial Guinea (OPEC, 2020).

7.1.2. Oil Production

When compared to other OPEC members, Saudi Arabia's oil production is also the largest. It was recorded that in 2019 Saudi Arabia's oil production figures recorded a total of 33% of the total oil production of OPEC member countries. This figure has been

relatively stable since 2017 when Saudi Arabia continued to control oil production figures against other OPEC members.

The dominance of production quantity over other OPEC countries makes Saudi Arabia have its own advantages. This is because the oil production figures from OPEC are the aggregate figures for the oil production of all OPEC members, so that if there are changes or deviations that occur in Saudi Arabia's production, the impact will be very large. This is different when compared to other countries that have relatively small output compared to other OPEC countries, for example Congo and Algeria.

When there is one actor who controls the level of production output in industrial competition, then that actor can play a strategy called the Cournot strategy. Cournot strategy is a strategy in which actors who are in industrial competition try to control the prices of goods produced in an industrial competition by controlling the amount of production output. Reflecting on the law of supply and demand, if supply is higher and exceeds demand, the price of the goods produced will fall to the detriment of oil producers, in this case OPEC member countries. And if the supply is lower than the demand, the opposite will happen.

The agreement on OPEC oil production figures is the result of the agreements and agreements of its member countries, and the agreed production figures will be divided into each OPEC member country so that each country has a certain production quota limit. Even though Saudi Arabia as the de facto leader in OPEC continues to press that production cuts or production increases must be carried out collectively, reaching this agreement is not easy in the midst of heterogeneous member countries and each having their own goals.

The deviant behavior of OPEC members cannot be completely avoided, and it is this fact that has encouraged Saudi Arabia to take advantage of its superior oil production capacity to implement the Cournot strategy against other OPEC countries. The illustration is as follows, if Qatar has received a quota to only be able to produce 1 million barrels per day but Qatar produces 1.2 million barrels per day in reality, then this will affect the increase in world oil prices. World oil prices will tend to be pushed down due to an increase in supply *ceteris paribus*. When the decline in world oil prices will affect the restrictions on the oil sector of other OPEC countries. Saudi Arabia, which has the largest production capacity, will respond to Qatar's move by increasing production figures so that it is not too burdened with burden-sharing actors so that it can offset losses from falling commodity prices by selling more. Surely, this cannot continue in the long term because when Saudi Arabia increases its production this means a pressure for Qatar to reduce its production capacity again to the quota limit house which then also encourages Saudi to reduce its production again as a form of compliance with the initial production output amount agreement. If the actors are obedient again to produce within the quota limits, the strategy undertaken by Saudi Arabia can be said to be successful.

7.2. Concept Operationalization

7.2.1. OPEC

There might be some inconsistencies or overlapping between OPEC and OPEC+ in several narratives. OPEC+ countries are those net oil exporter that do not formally joined inside OPEC. While the OPEC members has been elaborated above, OPEC+ members are those OPEC members with the additional of Azerbaijan, Bahrain, Brunei, Kazakhstan,

Malaysia, Mexico, Oman, Russia, South Sudan, and Sudan. This research will not put it into much of a different between OPEC or OPEC+. The application of OPEC and/or OPEC+ in this research is only for giving the framework that Saudi Arabia is part of the giant cartel of oil exporter.

In a more precise detail, the position of OPEC on this research is actually not a center of analysis. Rather, Saudi Arabia is. But still, OPEC's entity is still presence on this research, because the statement of rejection by Saudi's official was also involve the historic background between US ties and OPEC. This illustrate that Saudi officials think that the two entities of Saudi Arabia and OPEC is inseparable on this case. That is why, the title of this research is "OPEC-Masked", which means that OPEC acted not as a center of analysis but still plays a key role as an entity that encompasses the many states within, one of them is the center of analysis of this research which is Saudi Arabia.

7.2.2. Oil Production

In terms of the quantity the oil production, the author will generally focus on the aggregate oil production within OPEC or OPEC+ members, and will not just solely focus on the oil production of a particular member. Although some countries have a significant influence on the aggregate production, the author will clearly define whether the subject that is being brought up is heavily correlated with a particular member, or is it meant for as a whole OPEC aggregate production.

7.3. Research Type

This research uses explanatory qualitative research type. Explanatory research is not just about describing something or explaining something that is novel. However,

explanatory research is more directed to find a cause for an object of observation. Explanatory research seeks to answer the question 'why' so that explanatory research emphasizes the discovery of causes that influence effects. By exploring the question 'why' the writer gets facts that are integrated with each other to form a coherent causal chain so that the writer is able to explain a phenomenon more than just being descriptive.

7.4. Research Scope

The nature of this research is to find the changing pattern, so this research encompasses the dataset even from the 1930s only to look out the historical context. But for the particular Oil Production Request Rejection, the data mainly obtain throughout the period of 2020-2022. The time span was chosen because this research focuses on finding patterns and facts in current and contemporary issues. With the renewal of the data, the research can present the results of the research by emphasizing the novelty aspect.

7.5. Data Collection Method

The author applies data collection techniques using the desktop research method, where the data obtained by the author can be in the form of secondary data which can be retrieved from credible websites such as websites of international organizations, websites of state organizations and institutions, websites of state ministries, capital market websites, website that provides statistical data on survey results, as well as primary data that can be taken from video statements or speeches by decision makers, to written statements uploaded via social media by decision makers. It is important for the author to carry out this desktop research technique so that the writer is able to take advantage of the widest potential of available secondary and primary data.

7.6. Data Analysis Technique

The author will apply congruent data analysis techniques, namely data analysis techniques that try to examine the existence of a causal relationship between 2 or more variables in a case study based on a particular theory. The author formulates the problem with the question 'why' so the writer should look for a causal relationship in the case under study so the writer uses congruent analysis techniques.

7.7. Research Writing Systematic

The author will deliver the research result in several chapters.

CHAPTER I, will mostly consist of introduction, background, research question, as well as theoretical framework as a baseline for the overall research.

In CHAPTER II, The Author shall elaborate more on the process of US presence and influence in MEA Region to its decreasing level, followed by the rise of Saudi Arabia in economics and diplomatic matters.

In CHAPTER III, the analysis will be brought up by the author based on the data gathered and constructed on the Chapter II. On this chapter, too, that the author will systematically answer the research question using the theoretical framework stated on Chapter I.

CHAPTER IV, the conclusion of the overall research shall be brought up in this chapter.