

**Economic Factors in Middle East Foreign Policies: the Case of Oil and Gas Exporters with Special Reference to Saudi Arabia and Iran**

**Submitted by Robert Mason to the University of Exeter as a thesis for the Degree of Doctor of Philosophy in Middle East Politics, June 2012**

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## **Abstract**

This thesis identifies the relationship between economic factors and non-economic factors, and the relative weight of each, in the conduct of Middle East foreign policies but with special reference to Saudi Arabia and Iran between 2001 and 2012. In the Saudi case, economic factors are contextualized within its traditional themes of maintaining security and stability through international alliances and promoting stable and long term energy export markets. In the case of Iran, economic factors such as the role of sanctions in facilitating closer ties with a range of anti-western states are put into perspective by other factors such as national security issues and emerging splits in the decision making elite. The research draws on a conceptual hybrid of constructivism and omni-balancing and by doing so pays particular attention to the perceptions of foreign policy decision makers in their assessments of the domestic, regional and international environments. The conceptual framework therefore accounts for historical events such as the Islamic revolution and perceived hostility to it, and enduring Saudi-Iranian tensions based on sectarian and ideological struggles for dominance across the Middle East.

Oil policy, including oil production, pricing and security of supply and demand, is found to be the paramount economic factor in the foreign policies of Saudi Arabia and Iran, but weighted in favour of the former. As swing producer in OPEC, Saudi Arabia needs to maintain sustainable oil supplies to its allies in the West, and increasingly East, whilst leveraging its oil reserves against adversaries such as Iran. In contrast, Iran has the incentive, but a dwindling capability, to maximise its oil revenues to fund the national budget amid tightening U.S.-led sanctions designed to curb its nuclear programme. The thesis also finds that economic factors such as 'riyal politik' as well as non-oil trade and investment deals are less effective in Saudi and Iranian foreign policy. This is because they tend to be offered or utilised as short-term leveraging mechanisms in new or unstable bilateral relationships with a variety of state or non-state actors which do not always share their ideological perspective or interests. To overcome significant geo-strategic and ideological incompatibilities, reciprocal confidence building measures and active engagement on a broad set of contentious issues is prescribed.

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