Saudi-U.S. Relations
Information Service

Item of Interest December 16, 2003

Thomas Lippman - "Inside The Mirage"
US-Saudi Relations -- SAIS Panel

Editor's Note:

On November 7, 2003, the "Understanding the Middle East Club," of the School of the Advanced International Studies (SAIS) at Johns Hopkins University, hosted a forum on "U.S.-Saudi Relations" that featured panelists Thomas Lippman, former *Washington Post* reporter, Retired Major General Paul R. Schwartz, Chas. W. Freeman, former U.S. ambassador to Saudi Arabia, and Les Janka, SAIS graduate and president and chair of the Council on American-Saudi Dialogue.

The following is a transcript of Mr. Lippman's remarks. Also see: Saudi-U.S. Relations Information Service Item of Interest "Saudi Arabian Elections"

LES JANKA: Our first speaker will be Thomas Lippman. Tom spent more than 30 years with the *Washington Post* as a writer, editor and diplomatic correspondent. He is also the author of a number of significant books, one about Madeline Albright, who also sat here in this room with me as a SAIS student. His books include: *Madeline Albright and the New American Diplomacy, Egypt After Nasser: Sadat, Peace, and the Mirage of Prosperity, Understanding Islam: An Introduction to the Moslem World*, and he is currently working on a book entitled the *American Experience in Saudi Arabia*. And also, one way of organizing the panel is sort of in order of which has been most recently in the Kingdom. And, I think Tom probably wins the prize for being there most recently. So, Tom can you give us 10 minutes please.

THOMAS LIPPMAN: Thank you Les, and thank you all for coming. I appreciate your interest in this very important subject. Keep in mind as you listen to me that I spent most of my professional life as a journalist, which means I was an observer and an inquirer. My fellow panelists were practitioners, which means that they knew more before they got out of bed every morning than I was ever going to find out. So, you should listen to me from that perspective.

I set out a little over two years ago to examine the entire history and nature of the relationship between the United States and Saudi Arabia. I did that because I read in close detail the various

would be useful for my book -- coming out in January -- to put as much of that history into the space that was allocated by the publisher and as I was able to find out.

I think that in order to talk about where we're going here, it's useful to look at how we got to where we are and where we've been in this relationship. Everyone should understand that the relationship between the United States and Saudi Arabia has been and is much broader and deeper and involves many more spheres of human activity than people are commonly aware of. Oil was the start; oil is not the finish. It certainly goes far beyond oil and defense.

First, I brought a prop to sort of illustrate what I am talking about. There's a silver coin in this little display case. This is a silver Saudi Arabian riyal coin. It was minted in Philadelphia in 1944. And, the reason the coin was minted in Philadelphia in 1944 was that during World War II, the government of Saudi Arabia faced a severe financial crisis. Saudi Arabia even in those days had two sources of income. The early phases of the oil industry had begun to produce export earnings for the Kingdom, but most the Kingdom's money came from a tax on pilgrims to Mecca. However, during World War II, there were very few pilgrims. The result was that the king did not have the money that he needed to run the country and to hand out the largesse to the tribes that were the basis of his power.

And, that was the beginning of the point at which the United States, which had previously left the management of strategic affairs in the Arabian Peninsula to the British, got involved. During World War II, the United States began to develop a strategic interest in Saudi Arabia. We got permission from the Saudis to build an airbase at Dhahran to serve the Asian theater of the war. And, it became apparent to the United States, in order to maintain a new ally that we had in Saudi Arabia, we needed to get involved with the management of the country's fiscal affairs. So first, the United States lent the Saudis a huge amount of silver bullion, and then the United States minted that silver bullion into coins, which became the currency of the kingdom.

The reason it is in this commemorative case is that the first shipment of those coins, four million of them, went down in the Gulf of Oman when the ship was torpedoed by the Germans. And, only many years later did a diving expedition retrieve any of them. This is one of those coins. So having sent the four million and lost them, they had to do it again. That led to a direct involvement by the United States in the financial affairs of the kingdom, originally in the person of a gentleman named Arthur Young, who was dispatched under Truman's Point IV program and who basically created the Saudi Arabian Monetary Agency or the Saudi Arabian Central Bank. Arthur Young was a very experienced international, financial management type. He had previously been the financial advisor to the nationalist government of China. He created the Saudi Arabia Monetary Agency, which today, of course, is one of the premier central banks and financial regulatory agencies anywhere outside the OECD.

Now, that led me to the realization that the United States, Americans, American corporations, and American agencies have involved themselves in Saudi Arabian life in ways that have had a profound impact, I would say, on both countries. And, let me just give you a few examples of what I've found out. The relationship began not with the signing of the first oil contract but with the work of medical missionaries from the missionary hospital in Bahrain that was established at the beginning of the twentieth century by the Reformed Church in America. And, as far as I've

been able to find out, the first Americans that King Abdul Aziz ever met were doctors from the Bahrain missionary hospital, who were allowed to come into the kingdom, and were requested to come into the kingdom, where medical conditions were terrible. People suffered from tuberculosis, malaria and all kinds of chronic diseases. And, the doctors would come in for weeks or even a couple of months at a time and treat the people. They were not allowed to preach of course nor were they allowed to establish a permanent presence. But, they did introduce the king to the notion of people who would come from across the sea and not be Muslims and who would give, without taking, to the people of Saudi Arabia. And, in my opinion laid the groundwork for the king's favorable view of Americans that was partially responsible for granting of the oil concessions to American instead of British firms in the 1930s.

So, if you begin with the medical missionaries, and you see the involvement of Americans in stabilizing the financial situation in Saudi Arabia, then you get into a whole list of things, of ways, in which this relationship worked. Americans, for example, created the university of petroleum and minerals, which is the premier institution of technical knowledge and engineering knowledge and higher learning in the kingdom. It was created by Americans. The curriculum is English. And, it was done partly because Ahmed Zaki Yamani, the petroleum minister then could see the day when Saudis would need technically trained people to run a nationalized oil industry, which is indeed what happened.

In the 1960s, it became apparent that as the income in Saudi Arabia increased and as the educational levels increased, the Saudis needed to develop a government, a basic bureaucratic system that was competent to run a modern country, which they didn't have. And so, a team from the Ford Foundation spent 13 or 14 years in Saudi Arabia trying to establish a centralized personnel system, civil service, training programs, a centralized payroll, and a recruiting system for the Saudi civil service. Now ultimately, the Ford people failed for a variety of reasons, but when you go the Ford archives of the Ford Foundation in New York, they are fascinating archives of failure, and they tell you a lot about the attitudes between Americans and Saudis. As many of you may know, and as I knew even before I started this, Saudi Arabian airlines, which is the largest airline in the Middle East, was essentially a creation of and subsidiary of Trans World Airlines for many years. The pilots, administrators, maintenance people were Americans; the training programs and the aircraft were American. That airline grew out of the original gift of DC-3 that FDR gave to King Abdul Aziz at their famous meeting in 1945.

I'll just add one more point about this. One of the most interesting people that I met in the course of my book was a woman named Mildred Logan, who today must be close to 80, still alive in Texas. Mildred Logan went to Al-Kharj in the desert southeast of Riyadh in 1951. She was a young woman, 23-years-old. She had been teaching school in Texas, and she took her daughter and went out there to join her husband, a man named Sam Logan. And, what was Sam Logan doing in Al-Kharj back in 1951-1952? He was part of a team of Americans, who were managing the royal experimental farms at Al-Kharj. Those Americans were part of a fundamental American involvement in the development and expansion of Saudi agriculture. Agriculture today is the second largest component of Saudi GDP, and I believe it is the largest domestic employer. Agriculture is a huge industry in Saudi Arabia. A lot of what the Saudis know they learned from Americans who brought in farm equipment, powered irrigation, modern fertilizers, and even chickens to raise. You know, there are several accounts of how fascinating

it was for the Saudis who had never seen such things -- to see chickens come out of a machine and all the same color. But, it was very basic techniques of agriculture that today are a fundamental part of the way that Saudi Arabia works.

So, just to come back to my starting point, this is a complicated and multi-layered relationship. And, it has survived 70 years, in my opinion, to the benefit of both societies, despite periods of mutual aversion and the very fundamental social, political, philosophical, and religious differences between the two peoples. This is a relationship that now is undergoing its severest test, certainly since its severest test since the oil embargo in 1973 and 1974. But, it's a relationship that should not be written off or thrown over the side. We don't want to throw this baby out with the bath water in the fight against terrorism.

There's too much at stake. Even now, the commercial relationships are almost as important to us as the political relationships. So, Les began by asking how much does Saudi Arabia matter? I would say that it matters a lot – economically, strategically and politically. And, it would be to our detriment to blow that relationship up.

Thank you.

LES JANKA: Thank you, Tom. You prompted a few flashes in my own memory about Saudi history. I remember reading that when the kingdom was founded in 1932, the largest import to the kingdom was oil from Pennsylvania. So, secondly you mentioned Al-Kharj, and I was in the kingdom last year and we visited Al-Kharj. And the way you spoke of the Ford Foundation experiment being a failure, the American agriculture contribution is a considerable success. In Al-Kharj, I visited the world's largest integrated dairy with 36,000 cows. That's a lot of cows; it's enough to make a Texan weep. But, again, Tom is quite right, agriculture is a very major part of Saudi Arabia that too much in the American stereotype, we think of it as unending sand.

Audio Version: http://www.sais-jhu.edu/

Transcripts of presentations by General Schwartz and Amb. Freeman will be provided separately.

ABOUT THE SPEAKER

Thomas W. Lippman is an adjunct scholar at the Middle East Institute and a former Middle East correspondent of the *Washington Post*. His book *Inside the Mirage: America's Fragile Partnership with Saudi Arabia* is to be published in January 2004.

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