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# **Saudi Arabia: Background and U.S. Relations**

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## Summary

The kingdom of Saudi Arabia, ruled by the Al Saud family since its founding in 1932, wields significant global political and economic influence through its administration of the birthplace of the Islamic faith and by virtue of its large oil reserves. Close U.S.-Saudi official relations have survived a series of challenges since the 1940s, and, in recent years, shared concerns over Sunni Islamist extremist terrorism and Iranian regional ambitions have provided a renewed logic for continued strategic cooperation. Political upheaval and conflict in the Middle East and North Africa appear to have strained bilateral ties, but their full effect has yet to be determined.

Amid regional turmoil, Obama Administration officials have referred to the Saudi government as an important regional partner in recent years, and U.S. arms sales and related security cooperation programs have continued with congressional oversight. Since October 2010, Congress has been notified of proposed sales to Saudi Arabia of fighter aircraft, helicopters, missile defense systems, missiles, bombs, armored vehicles, and related equipment and services, with a potential value of more than \$90 billion. Since March 2015, the U.S.-trained Saudi military has used U.S.-origin weaponry, U.S. logistical assistance, and shared intelligence to carry out strikes in Yemen. Some Members of Congress have expressed skepticism about Saudi leaders' commitment to combating extremism and sharing U.S. policy priorities. However, U.S.-Saudi counterterrorism ties reportedly remain close, and Saudi forces also have participated in coalition strikes on Islamic State targets in Syria since 2014.

In parallel to these close security ties, official U.S. concerns about human rights and religious freedom in the kingdom persist, and, in part, reflect deeper concerns for the kingdom's stability. Saudi activists advance a range of limited economic and political reform demands, continuing trends that have seen liberals, moderates, and conservatives publicly press the kingdom's leaders for change for decades. Since 2011, initiatives to organize nationwide protests have been met with some popular criticism and official rejection. Local protests occur sporadically, but public clashes with security forces have remained contained to certain predominantly Shia areas of the oil-rich Eastern Province. The Obama Administration has endorsed Saudi citizens' rights to free assembly and free expression. Saudi leaders reject foreign interference in the country's internal affairs.

The death of King Abdullah bin Abdelaziz in January 2015 brought to a close a long chapter of consistent leadership, and his half-brother King Salman bin Abdelaziz assumed leadership of the kingdom. He has moved quickly to assert his authority by reorganizing several government entities, naming new heirs and officials, and distributing public funds. Succession arrangements have attracted particular attention in recent years, as senior leaders in the royal family have passed away or faced reported health issues. A series of appointments and reassignments has altered the responsibilities and relative power of leading members of the next generation of the Al Saud family, the grandsons of the kingdom's founder.

Current U.S. policy seeks to coordinate with Saudi leaders on regional issues and help them respond to domestic economic and security challenges. Time will tell whether U.S. initiatives and, more importantly, Saudi leaders' efforts will ensure stability. Shared security challenges have long defined U.S.-Saudi relations, and questions about political, economic, and social reform may become more pertinent in light of the calls for change and patterns of conflict that are now swirling around the kingdom. Saudi assertiveness in confronting perceived threats may affect U.S. regional security priorities, including with regard to Yemen, Syria, Iraq, and negotiations with Iran in the near future. In turn, Congress may examine the scope, terms, and merits of U.S.-Saudi partnership as it considers proposed arms sales and security commitments.

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## Overview

King Salman bin Abdelaziz Al Saud succeeded his late half-brother King Abdullah in January 2015 and in April 2015 announced dramatic changes to succession arrangements left in place by King Abdullah, elevating members of the next generation of the ruling Al Saud family as heirs. In an April 28 decree, King Salman replaced his half-brother Crown Prince Muqrin bin Abdelaziz with Interior Minister Prince Mohammed bin Nayef bin Abdelaziz, a nephew to both men and leading member of the generation of grandsons of the kingdom's founder. King Salman named his relatively young son, Prince Mohammed bin Salman, as Deputy Crown Prince in addition to the other influential roles he has held since January as Defense Minister and head of a new national economic council of ministers. Long-serving Foreign Minister Prince Saud al Faisal stepped down and has been replaced by Saudi Ambassador to the United States Adel al Jubeir. Military and civilian security officials received a month's pay bonus in conjunction with the announcements. The moves surprised many observers of the kingdom's affairs, but the leadership changes have yet to result in any major changes in Saudi policy or Saudi-U.S. relations.

In spite of apparent differences of opinion over regional developments, U.S.-Saudi security cooperation and U.S. concern for the global availability of Saudi energy supplies continue to anchor official bilateral relations as they have for decades. Bilateral ties are bolstered by major new arms sales, continued security training arrangements, enhanced counterterrorism cooperation, and shared concerns about Iran, Al Qaeda, and, more recently, the rise of the group known as the Islamic State (IS, formerly known as the Islamic State of Iraq and Al Sham/the Levant, ISIL/ISIS). The latter group's military advances in Syria and Iraq appear to have generated serious concern among Saudi officials, as have attacks and arrests that suggest popular support for the group may be strong among a small but potentially dangerous minority of Saudis.

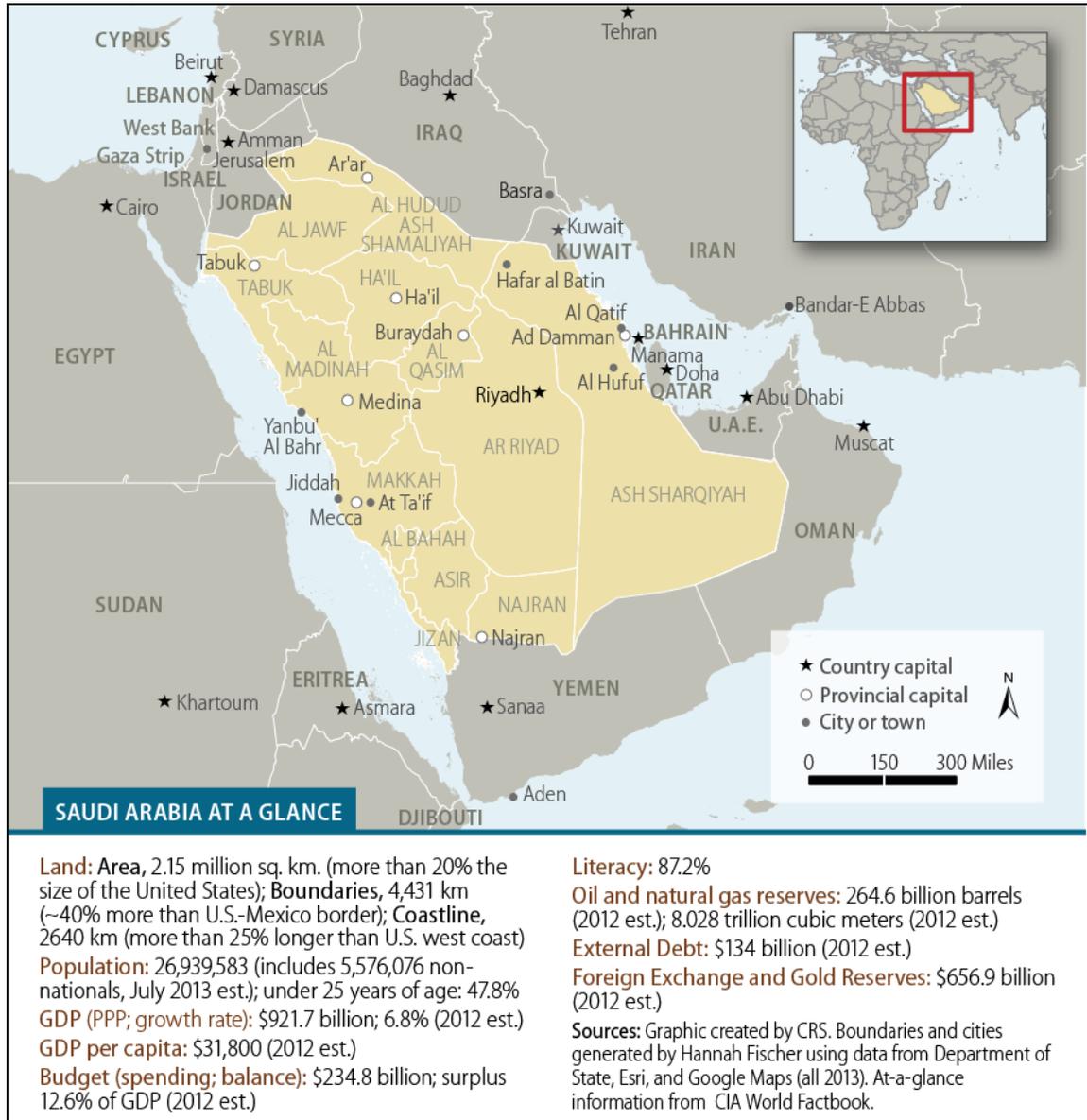
Saudi leaders have reacted viscerally to the ouster of Yemen's transitional government by the Zaydi Shia *Ansar Allah* (aka Houthi) movement and backers of former Yemeni President Ali Abdullah Saleh. A U.S.-supported, Saudi-led air campaign has conducted strikes across the country since late March 2015 aimed at reversing the advance of Houthi-Saleh forces and compelling them to negotiate with U.N.-recognized exiled transition leaders. Meanwhile Al Qaeda in the Arabian Peninsula has taken advantage of the resulting disorder to reassert itself across southern Yemen.

U.S.-origin weaponry features prominently in Saudi military operations in Yemen and against the Islamic State organization in Syria, drawing new attention to congressionally approved arms sales. Since late 2012, the Administration has notified Congress of more than \$29 billion in proposed arms sales to the kingdom, including proposed sales that would continue long-established training programs, upgrade legacy platforms, support critical infrastructure protection, and deliver advanced stand-off air weaponry to equip Saudi-purchased U.S. fighter aircraft. Parallel joint diplomatic efforts to build stronger economic, educational, and interpersonal ties are intended to broaden the basis of the bilateral relationship and help meet the demands and aspirations of the kingdom's young population for employment and more economic growth. Saudi budget constraints linked to lower world oil prices may complicate those efforts.

The Obama Administration, like its predecessors, has engaged the Saudi government as a strategic partner to promote regional security and global economic stability. Current U.S. policy initiatives seek to help Saudi leaders, under the leadership of King Salman bin Abdelaziz, address economic and security challenges. U.S. government statements warn of ongoing terrorist threats

in Saudi Arabia, and in February the State Department said that “security threats are increasing.”<sup>1</sup> U.S. officials have not indicated that they expect large-scale public unrest to emerge in the near term, but U.S. statements cite ongoing attacks against Westerners, including Americans, in the kingdom, identify no-go areas for U.S. diplomats, and describe attacks on Saudi borders by terrorist adversaries to the north and south.

**Figure 1. Saudi Arabia: Map and Country Data**



<sup>1</sup> U.S. Department of State Bureau of Consular Affairs, Travel Warning - Saudi Arabia, February 24, 2015.

It is still unclear whether U.S. initiatives and, more importantly, Saudi leaders' own choices will enable the kingdom to meet its citizens' security, employment, energy consumption, and education needs. Its considerable financial clout and deepening energy ties to major U.S. trading partners in Asia are important factors for U.S. and Saudi decisionmakers to consider when assessing the future of the bilateral relationship.

Significant shifts in the political and economic landscape of the Middle East also have focused greater international attention on Saudi domestic policy issues and reinvigorated social and political debates among Saudis. These shifts may make sensitive issues such as political reform, unemployment, education, human rights, corruption, religious freedom, and extremism more important to U.S.-Saudi relations than in the past. However, the history of these bilateral ties suggests that any official U.S. criticisms of the kingdom's restrictive political and social environment or any perceived failings by the Saudi government to live up to its reform or counterterrorism commitments are likely to remain subjects of private diplomatic engagement rather than public discussion.

Saudi concerns about U.S. leadership in the region appear to have grown in recent years, in parallel to U.S. concerns about Saudi priorities and choices. In particular, Saudi leaders have signaled their displeasure with U.S. policy approaches to Egypt, Syria, and Iran. Saudi official responses to the Joint Comprehensive Plan of Action (JCPOA) nuclear agreement with Iran were initially relatively neutral, emphasizing elements of an agreement with Iran that Saudi Arabia would support rather than expressing Saudi endorsement of the JCPOA as negotiated and agreed by the United States and its partners. However, King Salman endorsed the JCPOA specifically during his September 2015 visit to Washington, DC, which he described as a turning point toward a "new strategic alliance for the 21st century."<sup>2</sup>

Tactical differences notwithstanding, leaders in both countries have long favored continuity over dramatic policy shifts in the face of controversy and some Saudis' and Americans' calls for change. With a new generation of leaders assuming prominent positions in the kingdom and chaotic conditions persisting in the Middle East region, change is under way—its direction and implications remain to be seen.

## Domestic Issues

U.S. officials credited the late King Abdullah's government with taking a more responsive and transparent approach to citizens' concerns than those of his predecessors, and observers have watched closely for signals indicating whether King Salman will continue that approach or adopt his own. As of September 2015, Saudi officials have arrested more than 1,300 citizens and more than 300 foreigners on suspicion of connection to the Islamic State organization, reflecting the government's firm approach to perceived domestic security threats.<sup>3</sup> Regardless of the new king's personal style, decision-making in the kingdom continues to reflect consensus among a closed elite dominated by aging members of the Al Saud family. The government seeks to manage increasingly vocal and public demands for improved economic opportunities, political rights, and improved social conditions while security forces monitor and tightly limit political activity and social activism. The government has launched large scale social spending programs targeting housing and unemployment in response to popular demands since 2011, and has expelled

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<sup>2</sup> "King Salman hails Saudi Arabia's '21st century alliance' with US," *Asharq Al-Awsat* (London), September 7, 2015.

<sup>3</sup> Isa al Shamani, "Forty-Six Saudi Women are with DA'ISH in Syria; 1,375 Individuals Accused of being Members of the Organization," *Al Hayah* (London), September 3, 2015.

hundreds of thousands of foreign workers to boost employment of Saudis. The third nationwide municipal council elections are to be held in December 2015, and will expand the elected membership to two-thirds, lower the voter registration age to 18 from 21, and be the first in which Saudi women can vote and stand as candidates. Lower global oil prices—in part attributable to Saudi production policies—have weakened the country’s public finances, with revenue declines requiring the use of state reserves and the issuance of domestic bonds.

In 2013, former U.S. Ambassador to Saudi Arabia James Smith attributed what he viewed as an atmosphere of tension and anxiety among some Saudis and their leaders to the range of economic, social, political, and foreign policy challenges that the kingdom faces, saying:

on one hand you have those [Saudis] with a deep and abiding confidence in the kingdom—its religion, its culture, and they’re excited about the future. On the other hand you have those who are deeply worried that somehow the culture is weak, that it is vulnerable, that social change might erode the very fabric of their society. The chorus of caution feels the need to control events, to keep out new ideas and outside views as if the proud heritage will be threatened.... As the Saudi leadership scans the neighborhood they see an uncertain future, political instability, economic chaos, refugee flows, and meddling from Iran and other regional players. Domestically they see a demand for jobs, the need for energy alternatives, and requests for more freedom and opportunity. They have a full plate.<sup>4</sup>

In July 2014, Smith described the regional challenges facing the kingdom as “a maelstrom.”<sup>5</sup> The year since has seen new pressures created by the Islamic State’s advance, King Abdullah’s death, the collapse of the Saudi-backed transitional government in neighboring Yemen, plummeting oil prices, and the conclusion of multilateral negotiations with Iran over nuclear issues that may lead to the removal of sanctions on the kingdom’s chief rival.

## **Leadership and Succession**

Saudi leaders are likely to continue to face complex questions about political consent, economic performance, and social reform while managing leadership transitions that are now set to transfer power from the sons of the kingdom’s founder, King Abdelaziz, to his grandsons. By most accounts, the Al Saud family has managed a series of recent leadership transition decisions smoothly, and formal announcements of major changes in succession have stated that an Allegiance Council made up of senior family members has considered and endorsed recent transition decisions. This includes decisions made in the wake of King Abdullah’s death on January 22, 2015, and in conjunction with the succession and leadership changes announced on April 29. Saudi authorities state that Prince Muqrin bin Abdelaziz stepped down as Crown Prince at his own choosing and credit new Crown Prince Mohammed bin Nayef bin Abdelaziz with selecting King Salman’s son to serve as Deputy Crown Prince, with the approval of a majority of the Allegiance Council.

Crown Prince Mohammed bin Nayef and Deputy Crown Prince Mohammed bin Salman hold a range of other positions, placing them in powerful roles to shape Saudi foreign and domestic policy, under King Salman’s overall guidance. Crown Prince Mohammed bin Nayef has continued his duties as Minister of Interior and assumed leadership of a newly created Council for Political and Security Affairs in January. Deputy Crown Prince Mohammed bin Salman became Defense Minister, head of the royal court, and the head of the Council for Economic and

<sup>4</sup> Ambassador James Smith (ret.), Remarks at National Council on U.S. Arab Relations Conference, October 2013.

<sup>5</sup> Ambassador James Smith (ret.), Conversation with Saudi-U.S. Relations Information Service, July 14, 2014.

Development Affairs in January, ceding the royal court position to an adviser following his elevation to the chain of succession in April. King Salman created the new councils overseen by the princes to handle day-to-day decision making and raise issues for the council of ministers and king to resolve.

The April 2015 succession changes marked the clear reversal of a key decision taken by King Abdullah in the run-up to his death—he had named Prince Muqrin as Deputy Crown Prince in March 2014. In January King Salman also removed two of the late King Abdullah’s sons from key governorships, along with a prominent adviser of Abdullah’s—Khalid al Tuwaijiri. The late King Abdullah’s son Prince Abdelaziz bin Abdullah had served as the Deputy Foreign Minister, but King Salman chose a close, but non-royal, adviser to the late king—long-time Saudi Ambassador to the United States Adel al Jubeir—to replace the late Foreign Minister Prince Saud al Faisal, who passed away on July 9, 2015. Prince Miteb bin Abdullah (King Abdullah’s most prominent son) leads the security forces of the Ministry of the National Guard. Debate among observers on these moves is still evolving, with some individuals suggesting that King Salman and his appointed successors are reversing some liberal initiatives launched under King Abdullah’s tenure in a bid to shore up domestic support for generational leadership transition and a more independent and active Saudi foreign policy.<sup>6</sup>

In recent years there has been increased press reporting of competition among the grandsons of King Abdelaziz and clear indications that positions of influence were being redistributed among them. However, there are no clear public signals that the royal family is poised to revert to the level of tension that characterized intra-family relations in the mid-20<sup>th</sup> century, which divided supporters of King Saud (the first son to succeed King Abdelaziz) from supporters of his brother King Faisal (the following successor). Prominent next-generation princes with government experience include former intelligence director/former Saudi land forces commander/former deputy defense minister Prince Khalid bin Bandar; his brother, Qassim Province Governor Faisal bin Bandar; and Prince Saud bin Nayef and Prince Faisal bin Salman, governors of the Eastern Province and Medina Province, respectively.

One critic of the Saudi monarchy has warned that the division of security ministries among leading princes is an indicator that the future could reflect “a kingdom with multiple heads” and “a decentralized monarchy consisting of multiple fiefdoms.”<sup>7</sup> The ability of the monarchy’s next generation to successfully manage their relationships with each other and with competing domestic interest groups is among the factors likely to determine the country’s future stability, with direct implications for regional stability and U.S. national security and economic interests. Crown Prince and Minister of Interior Prince Mohammed bin Nayef bin Abdelaziz Al Saud, Minister of the National Guard Prince Miteb bin Abdullah bin Abdelaziz Al Saud, and then-Intelligence Chief Prince Khalid bin Bandar bin Abdelaziz Al Saud visited the United States for consultations with U.S. officials in 2014, and senior U.S. officials have engaged repeatedly with new leaders across the Saudi government on a range of regional issues in 2015.

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<sup>6</sup> See, for example, Yaroslav Trofimov, “New Saudi King Brings Major Change at Home and Abroad,” *Wall Street Journal*, April 29, 2015.

<sup>7</sup> Madawi al Rasheed, “Saudi Arabia’s Unpredictable Succession Plan,” *Al Monitor* (blog), April 23, 2013.

## Cabinet Shifts, Declining Oil Prices, and Consistent Budget Priorities

In public statements, Saudi leaders have highlighted continuing regional security threats and domestic economic challenges and have sought to project an image of continuity and consistency in outlining their diplomatic, economic, and security policy plans for 2015. A cabinet reshuffle in December 2014 under the late King Abdullah brought new leadership to the ministries of agriculture, communications and information technology, culture and information, health, higher education, Islamic affairs, social affairs, and transport.<sup>8</sup> King Salman in turn appointed new leaders in the ministries of Islamic affairs, health, information, municipal affairs, justice, and agriculture, in addition to abolishing several state councils and replacing them with the overarching security and economic councils described above. Several of these ministries have responsibility for government programs in areas where domestic popular demands are high, and close observers of Saudi domestic policy have described the successive leadership changes as indications of both leaders' desire to reinvigorate current policy approaches and place their own mark on the country's direction.

Drastic reductions in global market prices for crude oil are driving questions about Saudi Arabia's oil production plans and fiscal outlook. Prices for Brent crude oil and West Texas Intermediate crude oil dropped by more than half to roughly \$46 per barrel from June 2014 to January 2015. Prices moved upward in spring 2015, but again headed downward, returning to the mid-\$40 range by late August 2015. Saudi oil officials have signaled that the kingdom intends to continue production of more than 10 million barrels per day in what many analysts view as a bid to increase its global market share. Saudi Arabia has enjoyed large budget surpluses in recent years as a result of formerly high oil prices, and the kingdom's leaders have used expansionary spending on social programs, housing, education, and infrastructure in a bid to prevent domestic unrest. Since 2011, the kingdom has approved a series of record annual budgets and launched major additional spending programs to meet economic and social demands that some feared could fuel stronger calls from citizens for political change.

Actual spending reached an all-time high in 2013, and the 2014 budget set a higher spending target than 2013, with 38% of total spending earmarked for education and healthcare initiatives. Defense and security spending exceeded 30% of the budget in 2013. The kingdom ran a budget deficit of \$14.4 billion in FY2014 as a result of a more than 28% increase in expenditures and declining oil revenues. The FY2015 budget presumes a slight increase in spending in spite of lower oil prices, and the Saudi Ministry of Finance expects that the kingdom will post a larger deficit of \$38.6 billion in FY2015. Approximately one-half of Saudi government expenditures support "salaries, wages, and allowances."<sup>9</sup> Saudi officials have drawn more than \$60 billion from state reserves and have announced plans to issue new domestic bonds to meet revenue needs.<sup>10</sup> In August 2015, the IMF reported that

A central government fiscal deficit of 19.5 percent of GDP is projected in 2015, and while the deficit will decline in 2016 and beyond as one-off spending ends and large

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<sup>8</sup> Background information on Saudi cabinet members is available at <http://www.saudiembassy.net/about/Biographies-of-Ministers.aspx>.

<sup>9</sup> Kingdom of Saudi Arabia, Ministry of Finance, "Press Release: Recent Economic Developments and Highlights of Fiscal Years 1435/1436 (2014) & 1436/1437 (2015)," December 25, 2014.

<sup>10</sup> Simeon Kerr, "Oil price drop leads to renewed speculation on Saudi riyal," *Financial Times* (UK), August 25, 2015.

investment projects are completed, it will remain high over the medium-term. Nevertheless, government debt is very low and was 1.6 percent of GDP at end-2014.<sup>11</sup>

Finance Minister Ibrahim al Assaf said in September 2015 that the kingdom plans to issue more bonds “before the end of 2015” and is “now working on cutting unnecessary expenses while focusing on main development projects and on building human resources in the Kingdom.”<sup>12</sup>

Overall, analysts view recent Saudi budget and oil production decisions as indications that the kingdom’s leaders are prepared to engage in deficit spending and draw on an estimated \$660 billion in foreign currency reserves.<sup>13</sup> Some observers speculate that these decisions are driven by a desire to pressure adversaries in Iran and Russia, maintain Saudi Arabia’s share in Asian oil markets, continue the growth of the non-oil sector at home, and reduce the economic viability of unconventional oil production in North America and other regions. Saudi officials, including Oil Minister Ali al Naimi, have stated that they do not expect oil prices to rebound to mid-2014 levels in the near future and that Saudi Arabia is positioned to weather pressures created by low oil prices better than other high-cost producers.<sup>14</sup>

In December 2013, an IMF official observed that significant Saudi labor force growth in the coming decade will require “a large increase in the absorption of nationals into private sector jobs ... to avoid an increase in unemployment.” The IMF stated in August 2015 that “The decline in oil prices has increased the importance of structural reforms to switch the focus of growth away from the public sector and toward the private sector.”<sup>15</sup> The kingdom’s investments in the education sector are an acknowledgement of the challenges related to preparing the large Saudi youth population to compete and prosper in coming decades. It also is possible that a more educated and economically engaged youth population could make new social or political reform demands as well. In this regard, recent U.S. efforts to expand the number of Saudi students enrolled in U.S. colleges and universities may have cumulative economic, social, and political effects in future decades. According to U.S. Ambassador to Saudi Arabia Joseph Westphal, as of mid-2014 there were more than 83,000 young Saudi men and women studying at U.S. universities and colleges.<sup>16</sup>

## Gender Issues, Minority Relations, and Human Rights

The late King Abdullah recognized women’s right to vote and stand as candidates in 2015 municipal council elections and expanded the size of the national Shura Council to include 30 women in the current session. These moves, while controversial in the kingdom, have been seen by some outsiders as signs that managed, limited political and social reforms are possible. Many gender-rights issues remain subject to domestic debate and international scrutiny: Saudi women continue to face restrictions on travel and employment; male guardianship rules continue to restrict their social and personal autonomy; and Saudi officials regularly detain, fine, or arrest

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<sup>11</sup> IMF Executive Board Concludes 2015 Article IV Consultation with Saudi Arabia, IMF Press Release No. 15/383, August 17, 2015.

<sup>12</sup> “Kingdom To Cut Spending, Issue More Bonds To Shore up Budget,” *Arab News* (Jeddah), September 7, 2015.

<sup>13</sup> Jay Solomon and Summer Said, “Why Saudis Decided Not to Prop Up Oil, In American Shale Oil, A Perceived Threat to OPEC Market Share,” *Wall Street Journal*, December 21, 2014; and, Simeon Kerr and Anjali Raval, “Saudi Arabia plans \$27bn in bond issues,” *Financial Times* (UK), August 5, 2015.

<sup>14</sup> Steven Mufson, “How low can oil prices go? Welcome to the oil market’s old normal,” *Washington Post* — Wonkblog Online, January 12, 2015.

<sup>15</sup> IMF Executive Board Concludes 2015 Article IV Consultation with Saudi Arabia, IMF Press Release No. 15/383, August 17, 2015.

<sup>16</sup> Abdul Hannan Tago, “King’s scholarship program takes U.S. ties to a new level,” *Arab News* (Jeddah) May 9, 2014.

individuals associated with protests by advocates for Saudi women's right to drive automobiles and travel freely.

The most recent (2014) U.S. State Department report on human rights in the kingdom identifies "a lack of equal rights for women" in the kingdom, and states that, despite conditions in which "discrimination excluded women from many aspects of public life, including from formal decision-making positions ... women increasingly participated in political life, albeit with significantly less status than men did." In April 2015, King Salman removed the highest-ranking female government minister, Deputy Education Minister Norah al Faiz. The kingdom also confirmed that upcoming municipal elections would allow women to vote and stand as candidates for the first time, in line with the change announced by King Abdullah. Candidate and voter registration began in August 2015.

Periodic clashes involving the Shia minority in the oil-rich Eastern Province (see Ash Sharqiyah in **Figure 1** above) and low-level protests by students and families of security and political detainees create continuing strains on public order and overall stability. Saudi authorities continue to pursue a list of young Shia individuals wanted in connection with protests and clashes with security forces in the Eastern Province. Saudi courts have handed down lengthy jail terms and travel bans for Shia protestors and activists accused of participating in protests and attacking security force personnel. A Saudi security force officer was killed at a checkpoint in the Eastern Province in December 2014, and another officer was killed and others injured in reported gun battles in the province in April 2015. Tensions have been high in light of ongoing protests by some Shiite residents of the region, the death sentence given to opposition Shiite cleric Nimr al Nimr on terrorism and incitement charges in October 2014, and Islamic State-linked anti-Shia terrorist attacks described below.

Saudi authorities also have moved to restrict the activities of groups and individuals advocating for political change and campaigning on behalf of individuals detained for political or security reasons, including advocates for the rights of terrorism suspects. In March 2013, Saudi authorities convicted two prominent human rights activists and advocates for detainee rights, Mohammed al Qahtani and Abdullah al Hamid, on a range of charges, including "breaking allegiance" to the king.<sup>17</sup> Some young Saudis who have produced social media videos criticizing the government and socioeconomic conditions in the kingdom have reportedly been arrested. At the same time, the late King Abdullah moved to restrict and redefine some of the responsibilities and powers of the Commission for the Promotion of Virtue and Prevention of Vice, often referred to by non-Saudis as "religious police," in response to public concerns.

A series of other prominent arrests and public punishments have attracted attention to contentious social and human rights issues in 2015. Women's rights activists Loujain Hathloul and Maysa al Amoudi were detained at the Saudi-UAE border in December for attempting to drive and publicizing their efforts and detention using social media. Their cases were referred to the Specialized Criminal Court (also referred to as the terrorism court), where cases involving those accused of "undermining social cohesion" are tried. Both were released in February 2015. In January 2015, Saudi blogger Raif Badawi began receiving public flogging punishments following his conviction for "insulting Islam," a charge levied in response to Badawi's establishment of a website critical of certain Saudi religious figures and practices. Badawi was sentenced in May

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<sup>17</sup> According to Amnesty International, the defendants were convicted on charges including "breaking allegiance to and disobeying the ruler, questioning the integrity of officials, seeking to disrupt security and inciting disorder by calling for demonstrations, disseminating false information to foreign groups and forming an unlicensed organization." Amnesty International, "Saudi Arabia punishes two activists for voicing opinion," March 11, 2013.

2014 to 1,000 lashes (to be administered in 20 sessions of 50 lashes) and 10 years in prison. After the first session, his subsequent punishments were delayed for medical reasons, and the case has caused disruptions in Saudi Arabia's bilateral relationships with some European governments pressing for Badawi's release.

## Terrorism Threats and Bilateral Cooperation

The Saudi Arabian government views Al Qaeda, its affiliates, the Islamic State, other Salafist-jihadist groups, and their supporters as direct threats to Saudi national security. The Saudi government has taken increased action since 2014 to prevent Saudis from travelling abroad in support of extremist groups or otherwise supporting armed extremists. The aggressive expansion of the terrorist insurgent group known as the Islamic State in neighboring Iraq and in Syria and the group's attacks inside Saudi Arabia have raised Saudis' level of concern about the group, and may be leading the Saudi government to seek stronger partnerships with the United States, select Syrian opposition forces, Iraqi Sunnis, and select regional countries. In May 2014, the Saudi Interior Ministry estimated that at least 1,200 Saudis had travelled to fight in Syria, and some independent estimates suggest the figure may be more than 2,500 Saudis.<sup>18</sup> Saudi leaders also seek regional and U.S. support for their efforts to confront what they describe as Iranian efforts to destabilize Yemen through support for the *Ansar Allah*/Houthi movement (see "Saudi Military Campaigns and Policy in Yemen" below). In April 2015, the State Department credited the Saudi government with working to "maintain a robust counterterrorism relationship with the United States" characterized by "enhanced bilateral cooperation."<sup>19</sup>

In recent years, Saudi and U.S. officials have stated that Al Qaeda in the Arabian Peninsula (AQAP), based in Yemen and led by Saudi nationals, has constituted the leading terrorist threat to the kingdom. The State Department assessed in 2014 that AQAP has "continued its efforts to inspire sympathizers to support, finance, or engage in conflicts outside of Saudi Arabia and encouraged individual acts of terrorism within the Kingdom."<sup>20</sup> In July 2014, AQAP reportedly attacked a remote Saudi-Yemeni border checkpoint, killing and wounding Saudi security officers. Other AQAP operations in 2014 took place in Yemen and targeted Yemeni, Iranian, U.S., and British government personnel and facilities. A number of other attacks and arrests linked to Islamic State supporters inside Saudi Arabia since late 2014 suggest that the balance of threats that these groups pose to Saudi security may be shifting.

## The Islamic State's Campaign against the Kingdom

The Islamic State poses a unique political threat to Saudi Arabia in addition to the tangible security threats that its supporters have demonstrated through a series of deadly attacks inside the kingdom since late 2014. IS leaders claim to have established a caliphate to which all pious Sunni Muslims owe allegiance, directly challenging the legitimacy of Saudi leaders who have long described themselves as the custodians of Islam's holiest sites and rulers of a state uniquely built on and devoted to the propagation of Salafist interpretations of Sunni Islam. In May 2015, IS leader Abu Bakr al Baghdadi aggressively challenged Saudi leaders' credentials as defenders of Islam and Muslims, calling them "the slaves of the Crusaders and allies of the Jews" and accusing

<sup>18</sup> Richard Barrett, *Foreign Fighters in Syria*, The Soufan Group, June 2014.

<sup>19</sup> U.S. State Department Bureau of Counterterrorism, *Country Reports on Terrorism 2014*, April 2015. The report included identical language from the 2013 report released in April 2014.

<sup>20</sup> *Ibid.*

them of abandoning Sunni Palestinians, Syrians, Iraqis, and others.<sup>21</sup> The IS critique may have resonance among some Saudis who have volunteered to fight for or contributed on behalf of Muslims several conflicts involving other Muslims over the last three decades. Saudi leaders argue that it is the Islamic State that lacks legitimacy, and some Saudi observers compare the group's ideology to that of other violent, deviant groups from the past and present.<sup>22</sup>

Baghdadi's May 2015 message echoed another that he issued in the wake of a November 2014 IS-claimed attack on Saudi Shiites in the Eastern Province village of Dalwa. In that message, he threatened the kingdom's rulers directly and called on the group's supporters there to continue to attack Shiites, Saudi security forces, and foreigners.<sup>23</sup> In the months since, IS supporters have claimed responsibility for the shooting of police officers, two suicide bombing attacks on Shia mosques in the Eastern Province, a suicide bombing on a prison checkpoint, and an attack on Saudi security personnel in a mosque in the southwestern city of Abha. The claims have come on behalf of members of IS-affiliated "provinces" or *wilayah* named for the central Najd region and the western Hijaz region of the Arabian Peninsula.<sup>24</sup> In June, an IS-affiliated Saudi suicide bomber blew himself up in a Kuwaiti mosque, killing more than two dozen people and wounding hundreds.<sup>25</sup> Saudi officials have arrested more than 1,600 suspected IS supporters (including more than 400 in July 2015) and claim to have foiled several planned attacks.<sup>26</sup> U.S. diplomatic facilities closed temporarily in March 2015 in connection with reported threat information, and, as noted above, U.S. officials continue to warn of the potential for attacks on U.S. persons and facilities in the kingdom, along with other Western and Saudi targets.

## Terrorist Financing and Material Support: Concerns and Responses

According to U.S. government sources, financial support for terrorism from Saudi individuals likely remains a serious threat to the kingdom and the international community, even though the Saudi government has "affirmed its commitment to combating terrorist fundraising and sought to further establish itself as a regional leader in disrupting terrorist finance efforts in the Kingdom."<sup>27</sup> Saudi authorities have forbidden Saudi citizens from travelling to Syria to fight and

<sup>21</sup> OSC Report TRL2015051469325796, "ISIL Leader Urges Emigration to Islamic State, Dismisses Saudi Strikes in Yemen, Praises 'Soldiers,'" May 14, 2015.

<sup>22</sup> See Nawaf Obaid and Saud Al-Sarhan, "The Saudis Can Crush ISIS," *New York Times*, September 8, 2014.

<sup>23</sup> Baghdadi said, "O sons of al Haramayn [the two holy mosques]...O people of tawhid [monotheism]... O people of wala' and bara' [allegiance and disavowal]... the serpent's head and the stronghold of the disease are beside you. Thus, draw your swords and break their sheaths. Divorce the Dunya [world], for there will be no security nor rest for Al Salul [derogatory term for the Saudi royal family] and their soldiers after today. There is no place for the mushrikin [polytheists] in the peninsula of Mohammed. Draw your swords. Deal with the rafidah [Rejectionists, derogatory term for Shiites] first, wherever you find them, then Al Salul and their soldiers before the Crusaders and their bases. Deal with the rafidah, Al Salul, and their soldiers. Dismember their limbs. Snatch them as groups and individuals. Embitter their lives and make them occupied with themselves instead of us. Be patient and do not hasten. Soon—in sha'allah [God willing]—the vanguards of the Islamic State will reach you." U.S. Government Open Source Center Report TRR2014111361251279, "ISIL Amir Al-Baghdadi Accepts Pledges of Allegiance, Announces 'Expansion' to Saudi Arabia, Yemen, Twitter in English, Arabic November 13, 2014.

<sup>24</sup> OSC Report TRL2015080661723979, "First Statement From ISIL's 'Wilayah Al-Hijaz' Claims Deadly Attack On Saudi 'Emergency Forces,'" August 6, 2015.

<sup>25</sup> Ahmed Al Omran, "Saudi Brothers Suspected of Links to Kuwait Mosque Bombing Arrested," *Wall Street Journal*, July 7, 2015.

<sup>26</sup> Ahmed Al Omran, "Saudi Arabia Arrests 431 People With Suspected Islamic State Links," *Wall Street Journal*, July 18, 2015; and, Isa al Shamani, "Forty-Six Saudi Women are with DA'ISH in Syria; 1,375 Individuals Accused of being Members of the Organization," *Al Hayah* (London), September 3, 2015.

<sup>27</sup> U.S. State Department Bureau of Counterterrorism, Country Reports on Terrorism 2014, April 2015. The report (continued...)

have taken steps to limit the flow of privately raised funds from Saudis to armed Sunni groups and charitable organizations in Syria. Nevertheless, references by some Saudi officials and clerics to genocide against Syrian Sunnis and foreign invasion by Iran and Hezbollah may contribute to apparent popular perceptions of the crisis in Syria as one that demands action by Saudi individuals. According to the State Department, “Recent turmoil in Syria and Iraq and sophisticated usage of social media have facilitated charities outside of Saudi Arabia with ties to extremists to solicit donations from Saudi donors.”<sup>28</sup>

In January 2014, the kingdom issued a decree setting prison sentences for Saudis who may be found to have travelled abroad to fight with extremist groups, including tougher sentences for any members of the military who may be found to have done so. The decree was followed by the release in March 2014 of new counterterrorism regulations under the auspices of the Ministry of Interior outlawing support for terrorist organizations including Al Qaeda and the Islamic State as well as organizations such as the Muslim Brotherhood.<sup>29</sup> The regulations have drawn scrutiny and criticism from human rights advocates concerned about further restrictions of civil liberties.

In August 2014, Saudi Grand Mufti Sheikh Abdelaziz bin Abdullah bin Mohammed Al al Shaykh declared “the ideas of extremism ... and terrorism” to be the “first enemies of Muslims,” and stated that all efforts to combat Al Qaeda and the Islamic State were required and allowed because those groups “consider Muslims to be infidels.”<sup>30</sup> The statement, coupled with state crackdowns on clerics deviating from the government’s anti-terrorism messaging, appears to signal the kingdom’s desire to undercut claims by the Islamic State, Al Qaeda, and their followers that support for the groups and their violent attacks is religiously legitimate. Apparent Saudi policies in Syria and Yemen and a July 2015 meeting with Hamas leaders have led some observers to speculate that Saudi leaders may be shifting toward a posture of “tactical entente” with some Sunni Islamists (including some armed groups) as a means of undermining the influence of the Islamic State and Iran.<sup>31</sup> However, in conjunction with the government’s expanded efforts to dissuade Saudi citizens from supporting the Islamic State and other extremist groups, Saudi security entities continue to arrest cells of individuals suspected of plotting attacks, recruiting, or fundraising for some terrorist groups.

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(...continued)

included identical language from the 2013 report released in April 2014. According to a June 2015 State Department report, “Bulk cash smuggling and money transfers from individual donors and Saudi-based charities have reportedly been a significant source of financing for extremist and terrorist groups over the past 25 years. Despite serious and effective efforts to counter the funding of terrorism originating within the Kingdom, a small number of individuals and entities in Saudi Arabia continue to serve as sources of financial support for Sunni-based extremist groups. While the Kingdom has tightened banking and charity regulations, as well as stiffened penalties for financing terrorism, funds are allegedly collected in secret and illicitly transferred out of the country in cash, often via pilgrims performing Hajj and Umrah.” U.S. State Department, 2015 International Narcotics Control Strategy Report (INCSR)—Volume II: Money Laundering and Financial Crimes Country Database, June 2015.

<sup>28</sup> Ibid.

<sup>29</sup> Saudi Ministry of Interior, List of the Security and Intellectual Prohibitions for the Citizens and Residents, Saudi Press Agency, March 7, 2014.

<sup>30</sup> OSC Report IML2014081943429793, “Saudi Grand Mufti Issues Statement Saying ISIL, Al-Qa’ida Are ‘Khawarij,’ ‘Primary Enemies’ of Islam,” *Al Sharq* (Dammam), August 19, 2014.

<sup>31</sup> Fatiha Dazi-Heni, “Saudi Arabia: the political implications of a new regional policy and the jihadist challenge,” Arab Reform Initiative, September 3, 2015.

## U.S. Foreign Assistance to Saudi Arabia

The Obama Administration requests appropriations of a small amount of International Military Education and Training assistance funding for Saudi Arabia (approximately \$10,000) in its annual budget requests. This nominal amount makes Saudi Arabia eligible for a substantial discount on the millions of dollars of training it purchases through the Foreign Military Sales program.<sup>32</sup> The Administration's FY2016 budget request includes the nominal amount and notes that the program and the related discounts result in increased Saudi participation in U.S. training, opportunities to promote purchases of U.S. weaponry, and improved Saudi capabilities.

In the past, Congress enacted prohibitions on IMET and other foreign assistance to Saudi Arabia in annual appropriations legislation, subject to waiver provisions, and the Bush and Obama Administrations subsequently issued national security waivers enabling the assistance to continue. Saudi officials have been privately critical of the congressional prohibitions and appear to prefer to avoid contentious public debate over U.S. foreign assistance, arms sales, and security cooperation. The overwhelmingly Saudi-funded nature of U.S. training reflects Saudi Arabia's ability to pay for the costly programs. It may also point to a shared view among Saudi leaders and successive U.S. Administrations that U.S.-funded training programs for Saudis would be more vulnerable to potential congressional scrutiny and pressure.

## Arms Sales and Security Training

A series of high-value U.S. proposed arms sales to Saudi Arabia have been announced in the wake of the 2010 announcement that the Royal Saudi Air Force (RSAF) would reconstitute and expand its main fighter forces with advanced U.S. F-15 aircraft (see **Table 1** below). The F-15 sale will perpetuate the reliance of the RSAF (the elite military service in the country) on material and training support provided by the U.S. military and U.S. defense contractors. The RSAF sale and others will guide the immediate future of the United States Military Training Mission (USMTM) in Saudi Arabia and the Saudi Arabian National Guard Modernization Program (PM-SANG), which have been active under special bilateral agreements and funded by Saudi purchases since the 1950s and 1970s, respectively. The sales would considerably improve Saudi military capabilities, and appear to be seen by decisionmakers in both countries as symbolic commitments to cooperation during a period of generational leadership change.

Following the Camp David summit in 2015, U.S. officials have underscored their commitment to the Gulf States' security, announcing the establishment of a number of security working groups, including an arms transfer working group that is "is working to expedite the delivery of capabilities needed to deter and combat regional threats, including terrorism and Iran's destabilizing activities in the region."<sup>33</sup> In July 2015, the Obama Administration announced a proposed sale of ammunition for the Saudi army and a proposed \$5.4 billion sale of Patriot Advanced Capability-3 to improve Saudi missile defenses. U.S. officials continue to promote U.S.-GCC ballistic missile defense cooperation, including common early-warning infrastructure.

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<sup>32</sup> The Administration argues that the discount supports continued Saudi participation in U.S. training programs and this participation supports the maintenance of important military-to-military relationships and improves Saudi capabilities. The conference report for H.R. 3288 (H.Rept. 111-366) required the Administration to report to Congress within 180 days (by June 14, 2010) on the net savings this eligibility provides to Saudi Arabia and other IMET recipients.

<sup>33</sup> Letter from Secretary of State Kerry to Members of Congress, published by United States Institute of Peace – The Iran Primer: "The Final Pitch: New Appeal to Congress," September 2, 2015

**Table I. Proposed Major U.S. Defense Sales to Saudi Arabia**  
October 2010 to July 2015, \$ billion

Formal Notification Date	System	Recipient Force	Est. Cost
October 2010	F-15 Sales, Upgrades, Weaponry and Training	RSAF	\$29.400
October 2010	APACHE, BLACKHAWK, AH-6i, and MD-530F Helicopters	SANG	\$25.600
October 2010	APACHE Longbow Helicopters	RSLF	\$3.300
October 2010	APACHE Longbow Helicopters	Royal Guard	\$2.200
November 2010	JAVELIN Missiles and Launch Units	—	\$0.071
May 2011	Night Vision and Thermal Weapons Sights	RSLF	\$0.330
June 2011	CBU-105D/B Sensor Fuzed Weapons	RSAF	\$0.355
June 2011	Light Armored Vehicles	—	\$0.263
June 2011	Light Armored Vehicles	SANG	\$0.350
September 2011	Howitzers, Fire Finder Radar, Ammunition, HMMWVs	—	\$0.886
October 2011	Up-Armored HMMWVs	RSLF	\$0.033
December 2011	PATRIOT Systems Engineering Services	—	\$0.120
August 2012	RSAF Follow-on Support	RSAF	\$0.850
August 2012	Link-16 Systems and ISR Equipment and Training	RSAF	\$0.257
November 2012	C-130J-30 Aircraft and KC-130J Air Refueling Aircraft	RSAF	\$6.700
November 2012	RSLF Parts, Equipment, and Support	RSLF	\$0.300
November 2012	PATRIOT (PAC-2) Missiles Recertification	RSADF	\$0.130
June 2013	SANG Modernization Program Extension	SANG	\$4.000
July 2013	Mark V Patrol Boats	RSNF	\$1.200
August 2013	RSAF Follow-on Support	RSAF	\$1.200
October 2013	U.S. Military Training Mission (USMTM) Program Support Services	MOD	\$0.090
October 2013	SLAM-ER, JSOW, Harpoon Block II, GBU-39/B Munitions	RSAF	\$6.800
November 2013	C4I System Upgrades and Maintenance	RSNF	\$1.100
December 2013	TOW 2A and 2B Missiles	RSLF	\$0.170
December 2013	TOW 2A and 2B RF Missiles	SANG	\$0.900
April 2014	Facilities Security Forces- Training and Advisory Group (FSF-TAG) Support	MOI	\$0.080
August 2014	AWACS Modernization	RSAF	\$2.000
October 2014	Patriot Air Defense System with PAC-3 enhancement	—	\$1.750
May 2015	MH-60R Multi-Mission Helicopters	—	\$1.900
July 2015	Ammunition	RSLF	\$0.500
July 2015	Patriot Advanced Capability-3 (PAC-3) Missiles	—	\$5.400
<b>Total</b>			<b>\$90.435</b>

**Source:** U.S. Defense Security Cooperation Agency (DSCA).

**Notes:** Includes proposed sales to Royal Saudi Air Force (RSAF), Saudi Arabian National Guard (SANG), Royal Saudi Land Forces (RSLF), Royal Guard, Royal Saudi Air Defense Force (RSADF), Royal Saudi Naval Forces (RSNF), Ministry of Interior (MOI), and Ministry of Defense (MOD). Dashes indicate unspecified recipient force.

U.S.-Saudi counterterrorism and internal security cooperation has expanded since 2008, when a bilateral technical cooperation agreement was signed establishing a U.S.-interagency critical infrastructure protection advisory mission to the kingdom. Modeled loosely on embedded advisory and technology transfer programs of the U.S.-Saudi Joint Commission for Economic Cooperation, the Office of the Program Manager-Ministry of Interior (OPM-MOI) is a Saudi-funded, U.S.-staffed senior advisory mission that provides embedded U.S. advisors to key security, industrial, energy, maritime, and cybersecurity offices within the Saudi government. According to the State Department, “Through the OPM-MOI program, U.S. agencies are helping Saudi Arabia improve its ability to thwart terrorists before they act and to defend against terrorist attacks if they occur.”<sup>34</sup> In parallel to these advisory efforts, the United States Military Training Mission also oversees a Saudi-funded Training and Advisory Group supporting the Ministry of Interior’s Facilities Security Force (FSF-TAG), which protects key infrastructure locations.

## **Consensus and Contention in Regional Affairs**

Close U.S.-Saudi security cooperation continues in parallel with apparent U.S.-Saudi differences of opinion on some regional security threats and over some preferred responses. President Obama’s March 2014 visit to Riyadh occurred in the midst of rising international speculation about reportedly growing differences between U.S. and Saudi leaders on key issues, most notably the conflict in Syria, Iran’s nuclear program, and U.S. policy toward Egypt. Many of those issues—in addition to political-military developments in Yemen and campaigns against the Islamic State and other violent extremists—remain prominent on the U.S.-Saudi policy agenda and were addressed at the May 2015 U.S.-GCC Summit. King Salman bin Abdelaziz also discussed these issues with President Obama during his September 2015 trip to Washington, DC.

## **Saudi Arabia and Iran**

### **Regional Issues**

Iran’s regional policies and nuclear program are the focal point for many of Saudi Arabia’s current security concerns and thus are a focal point for Saudi-U.S. cooperation and debate. Statements by some Saudi leaders suggest that they see Iran’s policies as part of an expansionist, sectarian agenda aimed at empowering Shia Muslims in the region at the expense of Sunnis. Iranian leaders attribute similarly sectarian motives to their Saudi counterparts and remain critical of GCC cooperation with the United States. Saudi leaders are particularly critical of Iranian support for the government of Bashar al Asad in Syria, where Saudi Arabia supports anti-Asad groups and favored U.S. military intervention in response to chemical weapons use by pro-Asad forces in August 2013. Saudi officials also may fear that closer U.S.-Iranian relations could undermine the basis for close Saudi-U.S. relations and empower Iran to be more assertive in the Gulf region and the broader Middle East. Saudi-Iranian differences over Syria and Iraq and U.S. policy debates over solutions to conflicts there may be critical in this regard.

Saudi support for the Sunni monarchy in Bahrain and antipathy toward former Iraqi prime minister Nuri al Maliki and pro-Iranian Shia militia reflects similar Saudi suspicion of Iranian intentions and the sympathies of broader Shia communities. Saudi leaders also have been critical of U.S. attempts to pressure Bahraini leaders to accommodate the demands of Bahrain’s largely

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<sup>34</sup> Counterterrorism Coordination with Saudi Arabia” in U.S. State Department Bureau of Counterterrorism, Country Reports on Terrorism 2014, April 2015.

Shia opposition. Although Yemen's Zaydi Shia population differs markedly in its beliefs, background, and makeup from larger Twelver Shia populations in Iran and the kingdom, Saudi Arabia nevertheless has described the predominantly Zaydi Ansar Allah/Houthi movement as partner of Iran's in a plot to destabilize Yemen and the kingdom (see below).

### **Nuclear Concerns and Saudi Arabia's Nuclear Plans**

Saudi officials have made relatively positive public statements about agreements associated with U.S. and other P5+1 members' negotiation with Iran over its nuclear program. Overall, however, Saudi leaders remain skeptical of Iran's intentions and some non-official but prominent Saudis have suggested that the kingdom could seek nuclear "parity" with Iran or other unspecified options when the agreement is implemented. From July to September 2015, some observers perceived some ambiguity in Saudi Arabia's position on the JCPOA in the absence of a direct and specific endorsement by senior Saudi leaders.<sup>35</sup> However, during his September visit to Washington, DC, King Salman "expressed his support for the Joint Comprehensive Plan of Action (JCPOA) between Iran and the P5 + 1 countries, which once fully implemented will prevent Iran from obtaining a nuclear weapon and thereby enhance security in the region."<sup>36</sup> Saudi leaders continue to emphasize their broader concerns about Iranian regional policies.

Many observers have speculated about how Saudi Arabian leaders will respond to the reality that would be created by the JCPOA over time or to any perceived failings by Iran or the United States to live up to their mutual commitments. Specifically, analysts continue to debate whether the kingdom might seek to acquire a nuclear weapons capability, a nuclear threshold status, or seek a formal nuclear guarantee if Iran moves toward creating a nuclear weapon or retains the capability to do so without what Saudi officials see as sufficient constraints or warning. It is also unclear whether a Saudi movement toward nuclear "parity" with Iran—specifically the adoption of a policy that sought to match Iranian domestic nuclear fuel production capabilities—would take place, how practical such an option remains, and what the effect of such a policy would have on the Saudi partnership with the United States. Limits on the supply of certain nuclear technology could hinder Saudi efforts in this regard, although close relations with Pakistan could conceivably provide the basis for the transfer of some relevant technology. Experts differ over how feasible or likely such transfers may be.

Saudi officials at the King Abdullah City for Atomic and Renewable Energy (KA CARE) have announced plans to develop as many as 16 nuclear power plants by 2040 in a bid to reduce the domestic consumption of oil and natural gas for electricity production. In March 2015, an Argentine-Saudi state joint venture was established to produce nuclear technology for the kingdom's nuclear energy program. Later that month, King Salman and South Korean President Park Geun-hye also signed bilateral agreements on "mutual nuclear co-operation for peaceful uses," that included a memorandum of understanding on the construction of two small South

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<sup>35</sup> After meeting at the White House with President Obama on behalf of King Salman bin Abdelaziz Al Saud in July 2015, Saudi Foreign Minister Adel al Jubeir "reaffirmed Saudi Arabia's support for an agreement that prevents Iran from obtaining a nuclear capability." He did not explicitly state Saudi Arabia's support for or opposition to the terms of the JCPOA, as negotiated. Royal Embassy of Saudi Arabia, Washington, DC, "Saudi Foreign Minister Meets with President Obama," July 17, 2015. A July 14, 2015, statement attributed to an unnamed Saudi official by the kingdom's state news agency said that the kingdom has always backed an agreement that would prevent Iran from obtaining nuclear weapons, include strict, permanent inspections of all sites, including military sites, and provide for the re-imposition of sanctions in the event of violation. The inspection provisions cited in the statement do not correspond exactly to those included in the JCPOA.

<sup>36</sup> Joint Statement on the Meeting between President Barack Obama and King Salman bin Abd alAziz Al Saud, September 4, 2015.

Korean SMART reactors to power Saudi water desalination plants. In June 2015, KA CARE officials signed an agreement with Rosatom (Russia's state-run nuclear company) to provide a basis for future Saudi-Russian nuclear energy cooperation, including in areas relating to nuclear power and fuel management. It remains unclear whether Saudi Arabia would accept so-called "gold standard"<sup>37</sup> restrictions on domestic nuclear fuel production in order to enter into a bilateral nuclear cooperation agreement with the United States. U.S.-Saudi nuclear technology or energy cooperation was not addressed in the September 2015 joint statement issued during King Salman's visit to Washington, DC.

Saudi Arabia has had an IAEA Safeguards Agreement in force since 2009. It has not agreed to an Additional Protocol to that Safeguards Agreement. Isolating Saudi Arabia economically in the event that its nuclear program becomes a matter of proliferation concern would likely prove difficult for concerned parties given the kingdom's central role in the world's oil market, its vast wealth, and its global investment posture.

## Saudi Military Campaigns and Policy in Yemen

Saudi Arabia has long exercised a strong role in Yemen, seeking to mitigate potential threats to the kingdom through liaison relationships and security interventions. Saudi officials expressed increasing concern about developments in Yemen over the course of 2014, as the Saudi and GCC-backed transition process stalled and an alliance of northern Yemen-based insurgents and forces loyal to former president Ali Abdullah Saleh grew more aggressive in their attempts to coerce transitional President Abed Rabbo Mansour al Hadi.<sup>38</sup> Some analysts have viewed Saudi support for President Hadi and the transition since 2011 as a hedge against potential threats to Saudi interests posed by a broad range of Yemeni political forces and armed movements, including the ousted Saleh and his disgruntled supporters; the northern Yemen-based, Zaydi Shiite *Ansar Allah* movement (Partisans of God, aka Houthi movement),<sup>39</sup> the tribal and Sunni Islamist supporters of the *Islah* (Reform) movement; and armed Salafi-jihadists, including Al Qaeda in the Arabian Peninsula.<sup>40</sup> Saudi air, ground, and border forces fought Houthi militia members in late 2009 in a

<sup>37</sup> The United States has attempted to persuade certain countries with which it is negotiating nuclear cooperation agreements to forgo enrichment and reprocessing and conclude additional protocols. Washington has argued that its December 2009 nuclear cooperation agreement with the United Arab Emirates (UAE) could set a useful precedent for mitigating the dangers of nuclear proliferation. For example, President Obama argued in May 2009 that the agreement "has the potential to serve as a model for other countries in the region that wish to pursue responsible nuclear energy development." Similarly, then-State Department spokesperson P.J. Crowley described the agreement as "the gold standard" during an August 5, 2010, press briefing. See President Barack Obama, Message to the Congress Transmitting a Proposed Agreement for Cooperation Between the Government of the United States of America and the Government of the United Arab Emirates Concerning Peaceful Uses of Nuclear Energy, May 21, 2009; and, State Department Press Briefing, August 5, 2010.

<sup>38</sup> For background on Yemen, its transition process, conflict there, and U.S. Policy, see CRS Report RL34170, *Yemen: Background and U.S. Relations*, by Jeremy M. Sharp.

<sup>39</sup> The *Ansar Allah* movement is a predominantly Zaydi Shiite revivalist political and insurgent movement that formed in the northern province of Sa'da in 2004 under the leadership of members of the Al Houthi family. It originally sought an end to what it viewed as efforts to marginalize Zaydi communities and beliefs, but its goals grew in scope and ambition in the wake of the 2011 uprising and government collapse to embrace a broader populist, anti-establishment message. Members of its Zaydi Shiite base of support are closer in their beliefs to Sunni Muslims than most other Shiites, and some Yemeni observers argue that the motives of the Houthi movement are evolving to include new political and social goals that cannot be explained strictly in sectarian terms. Skeptics highlight the movement's ideological roots, its alleged cooperation with Iran, and the slogans prominently displayed on its banners: "God is great! Death to America! Death to Israel! Curse the Jews! Victory to Islam!"

<sup>40</sup> See, for example, International Crisis Group, "The Huthis: From Saada to Sanaa," June 10, 2014.

campaign that ejected Houthi fighters who had crossed the Saudi border, but failed to defeat the movement or end the potential threat it posed to Saudi interests in Yemen.

In mid-2014, pro-Saleh and Houthi forces took control of the Yemeni capital, Sana'a, and, in late September, they continued military operations in contravention of an agreed power-sharing arrangement with the Hadi government. In response, Saudi Arabia's then-Foreign Minister the late Prince Saud al Faisal warned the U.N. General Assembly that the conflict in Yemen would "undoubtedly escalate and threaten the security and stability at the regional and international levels, and "could even reach a stage of no return regardless of the efforts and resources used to avoid such a situation."<sup>41</sup> In October 2014, the U.S. State Department encouraged Yemenis to implement the September agreement peacefully and called for an inclusive resumption of the transition.<sup>42</sup>

Houthi forces' unwillingness to withdraw from the capital and unilateral moves by Houthi leaders and Saleh supporters to circumvent Hadi's authority precipitated a crisis that culminated in the outbreak of renewed conflict and Hadi's resignation and de facto house arrest in January 2015. Houthi leaders announced a new governance plan in February and in March launched an offensive against pro-Hadi forces in central and southern Yemen, prompting the Saudi Foreign Minister to decry "the serious escalation in Yemen—carried out by an Al Houthi militia coup against constitutional legitimacy."<sup>43</sup> Days later, as Houthi forces advanced on the southern city of Aden, Saudi Arabia and members of a coalition launched air strikes in response to a specific request from President Hadi "to provide instant support by all necessary means, including military intervention to protect Yemen and its people from continuous Houthi aggression and deter the expected attack to occur at any hour on the city of Aden and the rest of the southern regions, and to help Yemen in the face of Al Qaeda and ISIL."<sup>44</sup>

The Obama Administration announced its support for Hadi and the provision of logistical and intelligence support to GCC-led military operations "in support of GCC actions to defend against Houthi violence." A joint U.S.-Saudi planning cell also was established to coordinate the provision of military and intelligence support for the campaign, and the provision of U.S. assistance reportedly has been adjusted over time to allow for U.S. vetting of Saudi-chosen targets.<sup>45</sup> Press reports citing unnamed U.S. officials suggest that U.S. advice and assistance has been intended to support the Saudi campaign, but to limit its potential scope and duration.

A Saudi military spokesman indicated that the immediate goals of Operation Storm of Determination (also called Decisive Storm in media accounts) were focused on eliminating specific potential military threats emanating from Yemen. Initial air strikes targeted ballistic missiles, air defense systems, Houthi formations near the Saudi border, command and control elements, and air force infrastructure seized by Houthi and pro-Saleh forces. More broadly, Saudi authorities stated that the campaign's goals included "ensuring the return of the state to extend its authority over all Yemeni territories, the return of the arms to the state, and non-threatening of the

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<sup>41</sup> Statement of His Royal Highness Prince Saud Al-Faisal, Minister of Foreign Affairs of the Kingdom of Saudi Arabia Before the United Nations General Assembly, 69th Regular Session, September 27, 2014.

<sup>42</sup> Office of the State Department Spokesperson, Taken Question on Yemen, Washington, DC, October 31, 2014.

<sup>43</sup> Minister of Foreign Affairs Stresses Depth of Historical and Strong Relations Between Saudi Arabia and Britain

<sup>44</sup> Text of Hadi request letter in "GCC statement: Gulf countries respond to Yemen developments," *The National* (UAE), March 26, 2015.

<sup>45</sup> Maria Abi-Habib and Adam Entous, "U.S. Widens Role in Saudi-led Campaign Against Houthi Rebels in Yemen," *Wall Street Journal*, April 12, 2015.

security of neighboring states.”<sup>46</sup> The Saudi military stated “the ultimate aim” was “to restore the legitimate government of Yemen to power.”<sup>47</sup>

Some international observers viewed these goals as overly ambitious for an air-only campaign and questioned the likelihood that the Saudi-led, U.S.-facilitated strikes could achieve those outcomes directly.<sup>48</sup> In the face of mounting criticism, Saudi leaders announced a shift in their goals and operations on April 22, stating that specific threat targets had been eliminated and the goals of their initial operation had been achieved. Saudi officials said that a new operation, named Restoring Hope, would focus on efforts to support a return to negotiations and facilitate the delivery of humanitarian assistance. U.S. officials welcomed the announcement and said “we look forward to a shift from military operations to the rapid, unconditional resumption of all-party negotiations” and to the operational shift “significantly increasing the opportunities for international and Yemeni humanitarian organizations to access and deliver assistance to the Yemeni people.”<sup>49</sup> United Nations Security Council Resolution 2216 (April 2015) demands that the Houthis “immediately and unconditionally” end the use of violence and urges all parties to agree to conditions that will allow for an end to violence and the resumption of “inclusive” U.N.-brokered talks.

Nevertheless, Houthi fighters have launched attacks on Saudi border areas and Saudi military operations have continued to strike Houthi and pro-Saleh positions across Yemen in the wake of the announcement. *Ansar Allah* leader Abdel Malik Al Houthi has lashed out at the Saudi-led operation as “aggression” against Yemenis and blamed the United States, alleging:

“The Americans determine targeting of every child, residential compound, house, home, shop, market, or mosque targeted in this country. They determined for the Saudi regime the targets to hit. Then, they supervised and ran the striking operation. Therefore, the Saudi regime is a soldier and servant of the Americans.”<sup>50</sup>

On April 24, a Saudi military spokesman told Egyptian media that the Houthis and others had misunderstood the implications of the announced operational shift: Saudi strikes were continuing, he stated, because the Houthis and others had made military advances following the Saudi announcement that it would respond to any such advances against pro-Hadi forces. According to the spokesman, “there will not be any military operations, unless the Houthi militias carry out movements on the ground.”<sup>51</sup> In the months since, cross border fire and reported raids by Houthi forces have killed Saudi civilians and security personnel along the kingdom’s southern border, and Saudi forces report they have intercepted Scud missile attacks on at least two occasions. In August, Saudi ground forces participated in military operations that resulted in the seizure of the southern port city of Aden, alongside forces from the United Arab Emirates. Saudi and Emirati forces have suffered casualties during ground operations in the area.

As the military campaign has continued, reports of civilian casualties and displacement, food, medicine and water shortages, advances by AQAP forces, and persistence by the Houthis and

<sup>46</sup> Custodian of the Two Holy Mosques Chairs Cabinet’s Session, March 30, 2015.

<sup>47</sup> MD Al Sulami: “Operation To Continue Till Goals Achieved,” *Arab News* (Jeddah), March 27, 2015.

<sup>48</sup> Maria Abi-Habib and Adam Entous, “U.S. Widens Role in Saudi-led Campaign Against Houthi Rebels in Yemen,” *Wall Street Journal*, April 12, 2015.

<sup>49</sup> Statement by NSC Spokesperson Bernadette Meehan, April 22, 2015.

<sup>50</sup> OSC Report IMN2015042022777830, “Yemen: Top Huthi Leader Says Israel, US Play Role in Saudi ‘Aggression,’ Vows To Counter ‘Invasion,’” Al-Masirah TV (Beirut) April 19, 2015.

<sup>51</sup> OSC Report IMN2015042541340921, “Egypt: Decisive Storm Spokesman Says Military Operations in Yemen Decided Based on Huthis’ Movements,” Al-Qahirah wa al-Nas (Cairo), April 24, 2015.

their pro-Saleh allies has fueled some international criticism of Saudi policy.<sup>52</sup> Saudi officials have blamed their adversaries for reported civilian deaths and for deteriorating humanitarian conditions. In July, President Obama and King Salman “spoke about the urgency of stopping the fighting in Yemen and the importance of ensuring that assistance can reach Yemenis on all sides of the conflict through international humanitarian channels.” In August, State Department spokesman Adm. John Kirby urged parties to abide by international humanitarian law and “allow for the unimpeded entry and then distribution of needed humanitarian assistance items.”<sup>53</sup> Kirby said “there’s a huge humanitarian crisis in there [Yemen] that must be addressed and cannot be addressed right now because aid can’t get to where it needs to go.”

The State Department also has said that the United States is not supporting Emirati efforts to provide public service and governance assistance in southern Yemen and has reiterated U.S. calls for “all parties to de-escalate hostilities and return to the political transition that was established by the Gulf Cooperation Council.”<sup>54</sup> State Department officials “have discussed reports of the alleged use of cluster munitions with the Saudis” and consider their use “permissible” if “used appropriately” and according to “end-use rules.”<sup>55</sup>

The joint U.S.-Saudi statement released during King Salman’s September 2015 visit to Washington, DC, said:<sup>56</sup>

On Yemen, the two parties stressed the urgent need to implement relevant United Nations Security Council resolutions, including UNSCR 2216, in order to facilitate a political solution based on the GCC Initiative and the outcomes of the National Dialogue. Both leaders expressed concern for the humanitarian crisis in Yemen. King Salman conveyed Saudi Arabia’s commitment to continue to assist the Yemeni people; to work with coalition and international partners to allow for unfettered access to assistance vetted by the UN and its partners, including fuel, to the impacted people of Yemen; and, to that end, to work toward opening Red Sea ports to be operated under UN supervision. Both leaders agreed to support and enable the UN-led humanitarian relief efforts.

## **Syria and Iraq**

Saudi military forces are listed as participants in coalition air strike operations against the Islamic State in Syria, and Saudi officials have agreed to host aspects of a new U.S. training program for vetted Syrian opposition members and other vetted Syrians. Saudi officials may prefer that efforts to expand training and assistance for Syrians focus on increasing pressure on pro-Asad forces rather than on defending opposition-held areas or fighting IS forces. In September 2015, King Salman and President Obama jointly reiterated their call for a “lasting solution” to the Syrian conflict that would “end the suffering of the Syrian people, maintain continuity of civilian and military government institutions, preserve the unity and territorial integrity of Syria, and ensure the emergence of a peaceful, pluralistic and democratic state free of discrimination or sectarianism.”<sup>57</sup> Both leaders called for Asad to leave power as part of such a solution.

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<sup>52</sup> Ahmed Al Omran, Asa Fitch, and Adam Entous, “Saudi-Led Coalition Announces End of Yemen Military Operation,” *Wall Street Journal*, April 21, 2015.

<sup>53</sup> State Department Daily Press Briefing, August 19, 2015.

<sup>54</sup> State Department Daily Press Briefing, August 31, 2015.

<sup>55</sup> State Department Daily Press Briefing, August 20, 2015.

<sup>56</sup> Joint Statement on the Meeting between President Barack Obama and King Salman bin Abd alAziz Al Saud, September 4, 2015.

<sup>57</sup> *Ibid.*

Saudi officials have welcomed Iraqi government officials in Riyadh following the change in leadership from Nouri al Maliki to Hayder al Abadi in Baghdad, and Saudi Arabia has renewed plans to reopen its embassy in Iraq. Saudi officials have offered more than \$500 million in humanitarian assistance to displaced Iraqis, and some regional media outlets speculate that the kingdom may offer expanded assistance to Iraqi Sunni tribal fighters organized to fight the Islamic State under the auspices of the Baghdad government's operations in Al Anbar Province. King Salman and President Obama jointly encouraged Prime Minister Abadi to implement planned reforms in support of the fight against the Islamic State.

## **Egypt and the Israeli-Palestinian Conflict**

With regard to Egypt, Saudi Arabia was critical of what it described as a U.S. failure to back a longtime ally when former President Hosni Mubarak initially came under pressure to resign in 2011. The Saudis later embraced the Egyptian military's July 2013 ouster of the elected government led by Mohammed Morsi, who was affiliated with the Muslim Brotherhood, and offered billions of dollars in financial assistance to the military-backed government. Some Saudi officials publicly promised to replace any U.S. assistance withheld in protest of the military's actions. Some leading Saudi clerics defied the government's embrace of the Egyptian military's move, illustrating the potential for rifts among the government, some members of the religious establishment, and their respective supporters. Saudi financial and political support to Morsi's successor and his government have continued, and King Salman sought and obtained Egyptian support for Saudi military operations in Yemen. On September 8, 2015, Egypt deployed as many as 800 troops to Yemen, marking its first significant contribution of ground forces to the Saudi-led Arab coalition fighting the Houthis in Yemen.

Shared antipathy to the Iranian government's policies, parallel cooperation with the United States, and shared terrorism concerns do not appear to have contributed to closer Saudi-Israeli ties in recent years. Saudi Arabia remains a vocal advocate for the Palestinian cause and statements by Saudi officials are routinely critical of Israeli policy. Nevertheless, the late King Abdullah remained committed to the terms of the peace initiative he put forward under the auspices of the Arab League in 2002, which calls for normalization of Arab relations with Israel if Israel were to (1) withdraw fully from the territories it occupied in 1967, (2) agree to the establishment of a Palestinian state with a capital in East Jerusalem, and provide for the (3) "[a]chievement of a just solution to the Palestinian Refugee problem in accordance with UN General Assembly Resolution 194."<sup>58</sup> In September 2015, King Salman and President Obama "underscored the enduring importance of the 2002 Arab Peace Initiative, and underlined the necessity of reaching a comprehensive, just and lasting settlement to the conflict based on two states living side-by-side in peace and security."<sup>59</sup>

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<sup>58</sup> Adopted in December 1948, General Assembly Resolution 194 states that "the refugees wishing to return to their homes and live at peace with their neighbours should be permitted to do so at the earliest practicable date, and that compensation should be paid for the property of those choosing not to return and for loss of or damage to property which, under principles of international law or in equity, should be made good by the Governments or authorities responsible." This resolution is often cited by advocates for the right of Palestinian refugees to return to their former homes in what is now Israel. In April 2013, representatives of the Arab League agreed that land swaps could be an element of a conflict-ending agreement between Israel and the Palestinians. However, in early 2014, Arab foreign ministers reportedly informed Secretary of State John Kerry that they will "not accept Israel as a Jewish state nor compromise on Palestinian sovereignty in Jerusalem." Elhanan Miller, "Arab ministers back Abbas in rejecting 'Jewish' Israel," *Times of Israel*, January 13, 2014.

<sup>59</sup> Joint Statement on the Meeting between President Barack Obama and King Salman bin Abd alAziz Al Saud, September 4, 2015.

Saudi authorities vociferously criticized Israeli conduct during the summer 2014 Gaza war with Hamas, condemning what they described as “Israeli inhuman aggression” and pledging Saudi support “to the Palestinian brothers in the West Bank and Gaza Strip to alleviate the difficult conditions in which they live because of the Israeli aggression and terrorism.”<sup>60</sup> Hamas leaders visited the kingdom in July 2015 and met with King Salman. Saudi officials said their policy toward Hamas has not changed.

Saudi Arabia supports the international recognition of a Palestinian state and full Palestinian membership at the United Nations. Following a November 20, 2013, meeting with Palestinian Authority President Mahmoud Abbas, then-Crown Prince and now-King Salman bin Abdelaziz released a statement renewing:

the kingdom’s firm stance in support of the Palestinian cause until the Palestinian people regain all their occupied territories, including Al-Quds [Jerusalem]. The Crown Prince expressed the kingdom’s condemnation of all Israeli plans to build settlements, stressing that these schemes constitute an obstacle to peace, a flagrant violation of the resolutions of international legitimacy, and a blatant attack on the firm legitimate rights of the Palestinian people.<sup>61</sup>

In response to March 2015 statements by Israeli Prime Minister Benjamin Netanyahu that cast doubt on Netanyahu’s support for a “two state solution” to the conflict, then-Foreign Minister Saudi al Faisal said,

The Kingdom considered the Prime Minister [of] the Zionist entity’s statements and commitments regarding not establishment of the Palestinian state in his era as a flagrant challenge to the international will and principles of its legitimacy, resolutions and agreements. In this regard, the international community should fulfill its responsibilities towards these aggressive policies if we really want to reach a just, comprehensive and lasting solution to the conflict, restoration of the legitimate rights of the Palestinian people and establishment of an independent and viable state.<sup>62</sup>

On April 6, the Saudi cabinet welcomed the International Criminal Court’s acceptance of “the State of Palestine as a full member,” saying it “strengthens its presence in the international field to preserve the rights of the Palestinian people.”

Saudi authorities declined a seat on the United Nations Security Council in October 2013, citing their views of its “double standards” and general “inability to carry out its duties and assume its responsibilities.” Saudi officials have called for “profound and comprehensive reform” of the Council, including “abandoning the veto system or restricting its use” and “expanded membership of the Council that includes permanent seats for Arab States, African States and other under-represented groups.”<sup>63</sup>

## **U.S.-Saudi Trade and Energy Issues**

Saudi Arabia remained the largest U.S. trading partner in the Middle East in 2014.<sup>64</sup> According to the U.S. International Trade Administration, Saudi exports to the United States in 2014 were

<sup>60</sup> Saudi Press Agency (Riyadh), Deputy Crown Prince Chairs Cabinet’s Session, August 18, 2014.

<sup>61</sup> Saudi Press Agency, “Crown Prince Receives Palestinian President,” November 20, 2013.

<sup>62</sup> Saudi Arabian Foreign Ministry, Foreign Minister Prince Saud al Faisal’s Introductory Remarks to the Joint Press Conference with British Foreign Secretary Philip Hammond, March 24, 2015.

<sup>63</sup> Statement of Permanent Representative of the Kingdom of Saudi Arabia to the United Nations, November 8, 2013.

<sup>64</sup> Comparable 2014 figures for Israel, the second-largest U.S. trading partner in the Middle East, were more than \$23 billion in exports to the United States and more than \$15 billion in U.S. exports to Israel. U.S. exports to the United (continued...)

worth more than \$47 billion (up more than \$25 billion from 2009 but below the 2008 figure of \$54.8 billion). In 2014, U.S. exports to Saudi Arabia were valued at more than \$18.7 billion (down slightly from 2013, but up roughly \$8 billion since 2009). To a considerable extent, the high value of U.S.-Saudi trade is dictated by U.S. imports of hydrocarbons from Saudi Arabia and U.S. exports of weapons, machinery, and vehicles to Saudi Arabia. Fluctuations in the volume and value of U.S.-Saudi oil trade account for declines in the value of Saudi exports to the United States in some recent years. Declines in global oil prices from their early 2014 highs have had a pronounced effect on the value of Saudi exports to the United States.

Since Saudi Arabia remains dependent on oil export revenues for much of its national budget, these trends have been viewed with some mild public and official concern in the kingdom. Rising demand in South and East Asia is expected to compensate for declining oil imports in North America in coming years, and Saudi officials appear committed to preserving and expanding their share of Asian oil markets. According to the U.S. Energy Information Administration, as of August 2015, Saudi Arabia was the second-largest source of U.S. crude oil imports, providing about 1.06 million barrels per day (mbd) of the 7.66 mbd in gross U.S. crude imports, behind only Canada.<sup>65</sup> As of 2013, oil exports to the United States accounted for roughly 15% of Saudi exports, with East Asia accounting for more than 68%.<sup>66</sup>

In 2015, Saudi Arabia produced an average of more than 10 mbd of its estimated 12.5 mbd capacity and had indicated that it may not expand that capacity in light of current trends in international oil markets. In August 2014, Saudi Aramco's chief executive outlined the company's plans for future investment, saying, "Although our investments will span the value chain, the bulk will be in upstream, and increasingly from offshore, with the aim of maintaining our maximum sustained oil production capacity at twelve million barrels per day, while also doubling our gas production."<sup>67</sup>

By some estimates, the volume of oil consumed in Saudi Arabia may exceed oil exports by 2030 if domestic energy consumption patterns do not change.<sup>68</sup> Some analysts have suggested that Saudi leaders could avoid the risks posed by this scenario by adopting "tough policy reforms in areas such as domestic pricing of energy and taxation, an aggressive commitment to alternative energy sources, especially solar and nuclear power, and increasing the Kingdom's share of global oil production."<sup>69</sup> However, subsidy changes and taxation are viewed as politically sensitive given the lack of popular representation in the kingdom's government. In July 2014, International Monetary Fund (IMF) directors said, "an upward adjustment in energy prices would support a strong fiscal position and the efficient use of energy. The price adjustment should be well-planned and communicated, while ensuring that vulnerable groups are not adversely affected."<sup>70</sup> In August 2015, IMF directors noted a "sharp drop in oil revenues" would cause a "very large large fiscal

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(...continued)

Arab Emirates in 2014 are estimated at more than \$22.1 billion.

<sup>65</sup> Based on EIA data – "Weekly Imports & Exports: Crude" and "Weekly Preliminary Crude Imports by Country of Origin – Four Week Average," August 28, 2015.

<sup>66</sup> EIA Country Analysis Brief—Saudi Arabia, September 2014.

<sup>67</sup> *Arab News* (Jeddah), "Saudi Aramco CEO: Oil industry 'needs timely investments,'" August 26, 2014.

<sup>68</sup> Glada Lahn and Paul Stevens, *Burning Oil to Keep Cool: The Hidden Energy Crisis in Saudi Arabia*, Chatham House (UK), December 2011; and, John Sfakianakis, "Saudi Arabia's Essential Oil," *Foreign Affairs*, January 8, 2014.

<sup>69</sup> Brad Bourland and Paul Gemble, "Saudi Arabia's coming oil and fiscal challenge," *Jadwa Investments*, July 2011.

<sup>70</sup> IMF 2014 Article IV Consultation with Saudi Arabia, Press Release No. 14/356, July 21, 2014.

deficit”, and underscored the need for “sizeable multi-year fiscal adjustment” including “comprehensive energy price reforms.”<sup>71</sup>

## **Outlook**

As described above, Saudi Arabia has close defense and security ties with the United States anchored by long-standing military training programs and supplemented by ongoing high-value weapons sales and new critical infrastructure security cooperation and counterterrorism initiatives. These ties would be difficult and costly for either side to fully break or replace. By all accounts, Saudi and U.S. officials are poised to continue and deepen these ties, with Saudi officials referring to the beginnings of a “new strategic alliance for the 21<sup>st</sup> century.” The rise of the Islamic State in Iraq and Syria presents new shared risks and new opportunities for expanded security partnership. As of September 2015, IS supporters appear to be committed to carrying out a terrorism campaign inside the kingdom. King Salman has warned of the shared threat posed by the Islamic State and has called for joint action to combat it. Nevertheless, differences in preferred tactics and methods may continue to complicate bilateral coordination on regional security issues, including on Iran and action against the Islamic State and other terrorist groups. Saudi officials have expressed frustration with some recent U.S. policy decisions and pursued an independent course on some issues, but, at present, leaders on both sides of the bilateral relationship appear fundamentally committed to maintaining U.S.-Saudi partnership.

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<sup>71</sup> IMF Executive Board Concludes 2015 Article IV Consultation with Saudi Arabia, Press Release No. 15/383, August 17, 2015.

## **Appendix. Historical Background**

The modern kingdom of Saudi Arabia is the third state established in the Arabian Peninsula since the end of the 18<sup>th</sup> century based on the hereditary rule of members of the Al Saud family. In the mid-18<sup>th</sup> century, a local alliance developed between the Al Saud and the members of a puritanical Sunni Islamic religious movement led by a cleric named Mohammed ibn Abd Al Wahhab. The Saudi-Wahhabi alliance built two states in the Arabian Peninsula during the next century that eventually collapsed under pressure from outside powers and inter- and intra-family rivalries.

During the first quarter of the 20<sup>th</sup> century, an Al Saud chieftain named Abd al Aziz ibn Abd al Rahman Al Saud (commonly referred to as Ibn Saud) used force to unify much of the Arabian Peninsula under a restored Al Saud state. Ibn Saud's forces overcame numerous tribal rivals with the support of an armed Wahhabi contingent known as the Ikhwan (or brotherhood), and, at times, with the financial and military backing of the British government. By 1932, King Abd al Aziz and his armies had crushed an Ikhwan revolt, consolidated control over most of the Arabian Peninsula, and declared the establishment of the Kingdom of Saudi Arabia.

Six of Ibn Saud's sons—Kings Saud, Faisal, Khaled, Fahd, Abdullah, and Salman—have succeeded him as rulers of the Saudi kingdom during the subsequent eight decades. This era has been dominated by the development and export of the kingdom's massive oil resources and the resulting socioeconomic transformation of the country. A series of agreements, statements by successive U.S. Administrations, arms sales, military training arrangements, and military deployments have demonstrated a strong U.S. security commitment to the Saudi monarchy since the 1940s. That security commitment was built on shared economic interests and antipathy to Communism and was tested by regional conflict during the Cold War. It has survived the terrorism-induced strains of the post-Cold War era relatively intact, and appears poised to continue as recently concluded arms sales to Saudi Arabia—the largest in U.S. history—are implemented.

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