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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 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. In recent years, shared concerns over Sunni Islamist extremist terrorism and Iranian government policies 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 the full effect has yet to be determined.

Amid regional turmoil, Obama Administration officials have referred to the Saudi government as an important regional partner, 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, naval vessels, missile defense systems, missiles, bombs, armored vehicles, and related equipment and services, with a potential value of more than \$100 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 the extent to which they share U.S. policy priorities. Nevertheless, U.S.-Saudi counterterrorism ties reportedly remain close, and Saudi forces have participated in some coalition strikes on Islamic State targets in Syria since 2014.

In parallel to 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 not spread beyond 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 Abd al Aziz in January 2015 brought to a close his long chapter of national leadership. His half-brother King Salman bin Abd al Aziz assumed the throne and has moved quickly to assert his authority at home and pursue Saudi prerogatives abroad. Succession arrangements have attracted particular attention in recent years, as senior leaders in the royal family have passed away or faced reported health issues. In recent years, 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' decisions will ensure stability. Shared security challenges have long defined U.S.-Saudi relations, and questions about Saudi domestic and foreign policy may become more pertinent as leadership changes occur in the kingdom and as conflicts and competition continue in the Middle East region. Saudi leaders' assertiveness in confronting perceived threats and the effects of their sharpening tensions with Iran could affect U.S. security interests, including with regard to Yemen, Egypt, Syria, Lebanon, Iraq, and Iran. Congress may examine these developments when considering the scope, terms, and merits of ongoing U.S.-Saudi partnership, proposed arms sales, and security commitments.

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Overview

The kingdom of Saudi Arabia's relations with the United States, its stability, and its future trajectory are subjects of continuing congressional interest. In particular, Saudi leadership transition, low global oil prices, related Saudi budget pressures, aggressive terrorist threats, more assertive Saudi foreign policy, and Saudi-Iranian tensions are fueling discussion. 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, although apparent U.S.-Saudi differences over Iran, the Iranian nuclear program, and the conflicts in Syria, Iraq, and Yemen drew increased public attention in 2015 and early 2016.

Bilateral ties have been bolstered in recent years by major new arms sales, continued security training arrangements, enhanced counterterrorism cooperation, and shared concerns about Iran, Al Qaeda, and the rise of the Islamic State organization (IS, aka ISIL/ISIS or the Arabic acronym Da'esh). Since late 2012, the Obama Administration has notified Congress of proposed Foreign Military Sales to Saudi Arabia with a potential value of more than \$42 billion, including a proposed sale of Multi-Mission Surface Combatant Ships potentially worth more than \$11.25 billion. Other sales would continue long-established training programs, upgrade legacy platforms, support critical infrastructure protection, and deliver advanced stand-off air weaponry and precision-guided air-to-ground munitions to equip Saudi-purchased U.S. fighter aircraft (see "Arms Sales and Security Training" below).

King Salman bin Abd al Aziz Al Saud succeeded his late half-brother King Abdullah bin Abd al Aziz following the latter's death in January 2015. King Salman later announced dramatic changes to succession arrangements left in place by King Abdullah, surprising observers of the kingdom's politics. After King Salman replaced his half-brother Crown Prince Muqrin bin Abd al Aziz with their nephew, Prince Mohammed bin Nayef bin Abd al Aziz, the Interior Minister and counterterrorism chief, the king then named his own young son, Prince Mohammed bin Salman bin Abd al Aziz, as Deputy Crown Prince and Defense Minister (see **Figure 1** and "Leadership and Succession" below).

The Crown Prince and Deputy Crown Prince are both members of the generation of grandsons of the kingdom's late founder, King Abd al Aziz bin Abd al Rahman Al Saud. Each has accumulated additional authority as the respective head of new national committees that coordinate security/foreign policy and domestic/economic affairs. Some observers have speculated about potential rivalry emerging between them in light of the elder Crown Prince Mohammed bin Nayef's long-established role as an internal security leader and the younger Deputy Crown Prince Mohammad bin Salman's efforts to raise his public profile as a shaper of the kingdom's national security and economic policies. Shifts in Saudi foreign policy toward a more assertive posture—typified by the kingdom's military operations in neighboring Yemen and its insistence on the departure of President Bashar al Asad in Syria—have accompanied the leadership changes.

Saudi leaders launched military operations in Yemen following the early 2015 ouster of Yemen's transitional government by the Zaydi Shia *Ansar Allah* (aka Houthi) movement and backers of former Yemeni President Ali Abdullah Saleh (see "Saudi Military Campaigns and Policy in Yemen" below). A U.S.-facilitated, Saudi-led coalition air campaign has conducted strikes across the country since late March 2015 aimed at reversing gains made by Houthi-Saleh forces and compelling them to negotiate with U.N.-recognized transition leaders. Yemeni civilian deaths in Saudi airstrikes, concerns about the operation's contribution to deteriorating humanitarian conditions, and gains by Al Qaeda and Islamic State supporters have led some Members of Congress and U.S. officials, including President Obama, to urge all parties to seek a prompt settlement.

Table I. Saudi Arabia Map and Country Data



Land: Area, 2.15 million sq. km. (more than 20% the size of the United States); Boundaries, 4,431 km (~40% more than U.S.-Mexico border); Coastline, 2,640 km (more than 25% longer than U.S. west coast)

Population: 27,752,316 (includes ~30% non-nationals, 2015 est.); % under 25 years of age: 46.2%

GDP (PPP; growth rate): \$1.68 trillion; 3.4% (2015 est.)

GDP per capita: \$54,600 (2015 est.)

Budget (revenues; expenditure; balance): \$193 billion; \$318 billion; \$125 billion deficit, ~18.8% of GDP (2015)

Projected Budget (revenues; expenditure; balance): \$137 billion; \$224 billion; \$86.9 billion deficit (2016 est.)

Literacy: 94.7% (2015 est.)

Unemployment: 11.6% (reflects males only, 2014 est.)

Oil and natural gas reserves: 268.3 billion barrels (2015 est.); 8.235 trillion cubic meters (2014 est.)

External Debt: \$166.1 billion (2014 est.)

Foreign Exchange and Gold Reserves: ~\$660.1 billion (December 2015 est.)

Source: CRS using State Department, Esri, and Google Maps data (all 2013), CIA World Factbook estimates (January 2016), and Saudi government budget data (December 2015).

The United States has provided logistical and intelligence support to the Yemen operation, and U.S.-origin weaponry features prominently in Saudi military operations. This has drawn new attention to congressionally reviewed arms sales to the kingdom. In late 2015, some Members of Congress scrutinized a proposed U.S. sale of thousands of guided air-to-ground munitions to Saudi Arabia in the context of concerns about the Saudi military's conduct in Yemen. Proposed

legislation in the House and Senate would place a series of conditions on future sales of air-to-ground munitions to Saudi Arabia (S.J.Res. 32 and H.J.Res. 90).

Inside the kingdom, arrests of Islamic State (IS) supporters have continued since 2014, as Islamic State affiliates have claimed responsibility for a series of deadly attacks against Saudi security forces and members of the kingdom's Shia minority across the country (see "The Islamic State's Campaign against the Kingdom" below). A U.S. State Department travel warning issued in September 2015 noted "attacks on U.S. citizens and other Western expatriates within the past year," described "multiple Islamic State of Iraq and the Levant (ISIL)-directed and -inspired attacks on mosques," and identified restricted areas for U.S. government personnel in eastern and southern Saudi Arabia. Saudi leaders and their IS adversaries reiterated their hostility toward each other in late 2015, with Saudi leaders proposing new transnational counterterrorism cooperation and IS leaders re-declaring war against the royal family and urging attacks inside the kingdom.

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 address economic and security challenges. Joint U.S.-Saudi diplomatic efforts to strengthen economic, educational, and interpersonal ties are intended to broaden the basis of the relationship and help meet the demands and aspirations of the kingdom's young population for employment and more economic growth. Tens of thousands of Saudi students continue to pursue higher education in the United States.

Since 2011, significant shifts in the political and economic landscape of the Middle East have focused 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 prominent in U.S.-Saudi relations than in the past.

Some non-government observers have called for a reassessment of U.S.-Saudi relations amid the kingdom's ongoing military campaign in Yemen and the diplomatic fallout from the kingdom's January 2016 execution of Shia cleric Nimr Baqir al Nimr and dozens of Al Qaeda members. U.S. officials have called for the kingdom to provide due process and allow peaceful expressions of dissent, but the history of U.S.-Saudi relations suggests that any more strident U.S. criticisms of the kingdom's policies may remain subjects of private U.S. diplomatic engagement rather than public official discussion. Some supporters of proposed legislation that would alter sovereign immunity provisions in cases involving terrorism in the United States also have raised questions about the Saudi Arabian government's past relationships to individuals who assisted or carried out the attacks of September 11, 2001 (H.R. 3815 and S. 2040).¹

Saudi concerns about U.S. leadership and policies in the Middle East have grown in recent years, in parallel to U.S. concerns about Saudi priorities and choices. In particular, Saudi leaders at times have signaled their displeasure with U.S. policy approaches to Egypt, Bahrain, Iraq, Syria, and Iran. Saudi official public 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. Nevertheless, King Salman publicly endorsed the JCPOA during his September 2015 visit to Washington, DC, which he described as a turning point toward a "new strategic alliance for the 21st century."² Saudi officials have criticized proposed changes

¹ For background see CRS Report RL34726, *In Re Terrorist Attacks on September 11, 2001: Claims Against Saudi Defendants Under the Foreign Sovereign Immunities Act (FSIA)*, by Jennifer K. Elsea

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

to U.S. sovereign immunity law and have threatened to withdraw Saudi state public and private sector investments from the United States if some proposed changes are adopted.³

Policy differences and specific current disagreements notwithstanding, leaders in both countries have long favored continuity over dramatic strategic shifts in the face of controversy and some Saudis' and Americans' calls for fundamental changes to the bilateral relationship. With a new generation of Saudi leaders assuming prominent positions in the kingdom and chaotic conditions persisting in the Middle East region, some change in U.S.-Saudi relations may prove inevitable. Its extent and implications remain to be seen.

Domestic Issues

Saudi Arabia is a monarchy governed in accordance with a 1992 Basic Law, and its legal system is largely rooted in the Hanbali school of Sunni Islamic law as interpreted and applied by state-appointed religious judges.⁴ Political decisionmaking in the kingdom continues to reflect a process of consensus-building among a closed elite presided over by senior members of the ruling Al Saud family. An appointed, 150-member national Shura Council provides limited oversight and advisory input on some government decisions, and municipal councils with both appointed and elected members serve as fora for public input into local governance. Members of the conservative Salafist Sunni religious establishment shape government decisionmaking on social and legal issues, and younger members of the ruling family and prominent non-royals have played a more publicly visible role in policy initiatives in recent years. At present, the balances of power, interests, and influence among the rising generation of leaders in the royal family are relatively opaque and appear to be evolving, subject to much international speculation.

Over time, Saudi leaders have sought to manage increasingly vocal and public demands from the country's relatively young population for improved economic opportunities, limited political participation, and improved social conditions. Efforts to do so have been balanced with the royal family's commitments to protect the kingdom's conservative Islamic traditions and address a host of regional and domestic security threats. Security forces monitor and tightly limit political and social activism in a domestic security environment that has been defined since the mid-1990s by persistent terrorist threats and to a lesser extent since 2011 by anxiety about potential unrest. Relations between the Shia minority population (~10%-15%) and the government remain tense, amid periodic localized confrontations between security forces, demonstrators, and armed youth. Efforts to improve sectarian relations are complicated by anti-Shia violence, official discrimination, and official Saudi concerns about perceived Iranian efforts to destabilize the kingdom by agitating Saudi Shia.

High prices in international oil markets amplified the earning power of the kingdom's oil exports for most of the period from 2005 to 2014, generating significant fiscal surpluses and leaving the country with sizeable foreign reserves and low levels of official debt. Nevertheless, since 2011, the government has launched large social spending programs to improve housing and infrastructure, raise public sector wages, expand education, and ease the burdens of unemployment. This spending has created some new fiscal burdens as state oil revenues have

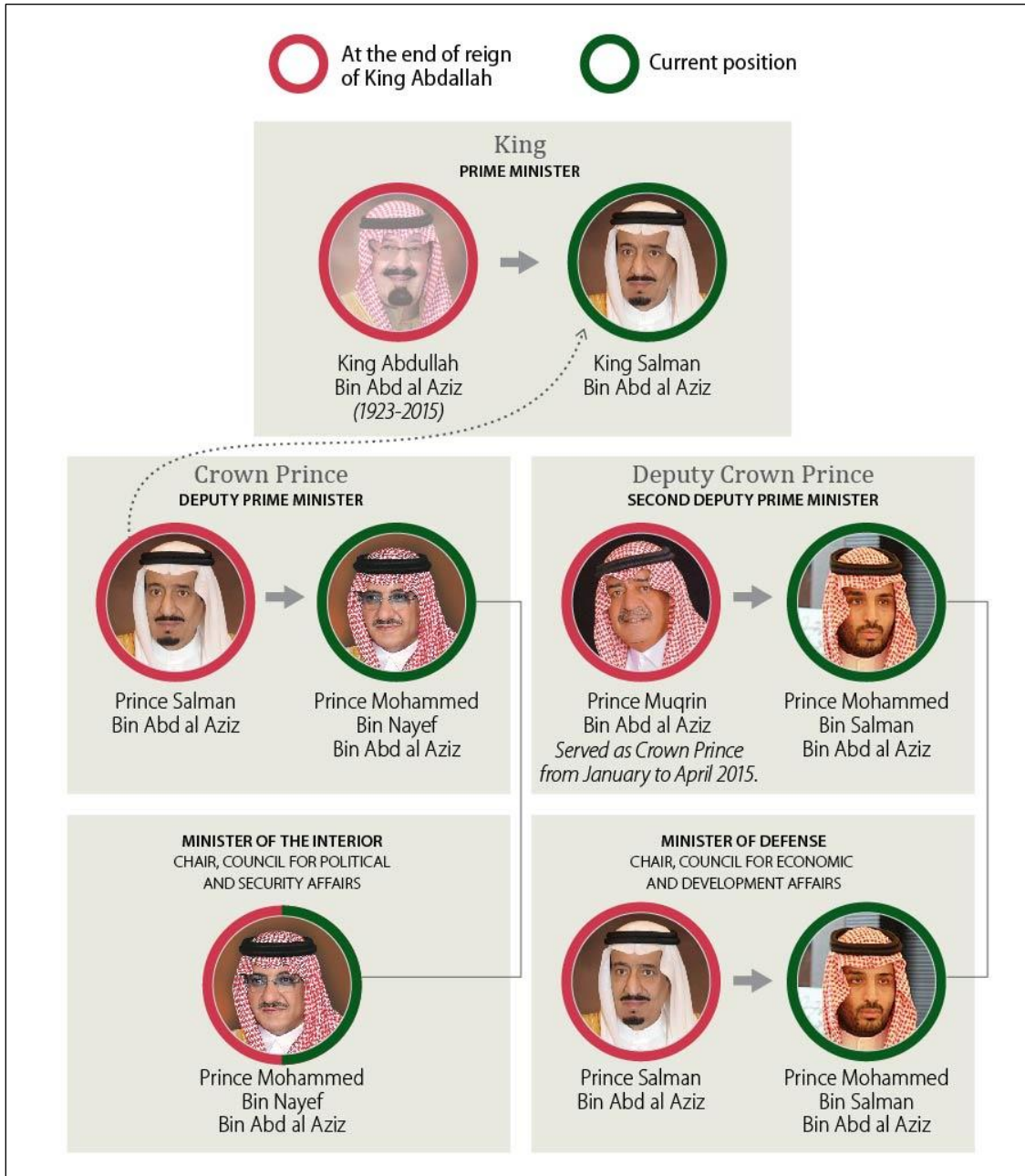
³ Mark Mazzetti, "Saudi Arabia Warns of Economic Fallout if Congress Passes 9/11 Bill," *New York Times*, April 15, 2016.

⁴ Limited civil service and commercial codes supplement the Islamic legal system, with some court reforms being implemented since 2011 to strengthen the training of judges and increase the consistency of judicial outcomes. For an overview of the politics surrounding reform debates and the legal system in Saudi Arabia, see Joseph A. Kéchichian, *Legal and Political Reforms in Saudi Arabia*, New York, Routledge, 2013.

decreased more than non-oil revenues have grown. King Salman announced public salary increases and other social measures in conjunction with his accession to the throne in 2015.⁵

Figure 1. Saudi Leadership and Succession Changes

Changes Effective January and April 2015



Source: Amber Hope Wilhelm, CRS. Official photos adapted from Saudi Arabian government sources.

⁵ Ben Hubbard, "Saudi King Unleashes a Torrent of Money as Bonuses Flow to the Masses," *New York Times*, February 19, 2015.

Leadership and Succession

By all accounts, King Salman and other Saudi leaders are likely to continue to face complex questions about political consent, economic performance, and social reform as they push ahead with new initiatives and as power is transferred from the sons of the kingdom's founder, King Abd al Aziz bin Abd al Rahman al Saud (aka Ibn Saud), to his grandsons. The willingness and ability of the monarchy's leaders to successfully manage their relationships with each other and with competing domestic interest groups is among the factors most likely to determine the country's future stability. Succession questions and intra-family politics thus may have direct implications for regional stability and for U.S. national security interests.

Most sources suggest that the Al Saud family has managed a recent series of 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 transition decisions taken since its establishment during King Abdullah's reign. This includes key transition decisions made prior to and in the wake of King Abdullah's death in January 2015, and in conjunction with the succession changes announced in April 2015.⁶

As noted above, decisions taken in 2015 saw King Salman assume the throne and place two members of the next generation of the Al Saud family in line to rule. This generation—grandsons of the kingdom's founder—is more numerous and has even more complex intra-family ties than those of its predecessors, making answers to current and future questions of governance and succession less certain. In recent years press reports and think tank analyses have explored the potential for competition among members of this generation, as positions of influence in government have been distributed and redistributed among them.

Changes undertaken in 2015 (**Figure 1**) left Crown Prince Mohammed bin Nayef and Deputy Crown Prince Mohammed bin Salman holding a range of positions that place them in powerful roles to shape Saudi foreign and domestic policy, under King Salman's overall guidance. Both princes were elevated to the line of succession at the expense of senior members of their fathers' generation. Crown Prince Mohammed bin Nayef has retained his duties as Minister of Interior and assumed leadership of a newly created Council for Political and Security Affairs. Deputy Crown Prince Mohammed bin Salman became Defense Minister and the head of the Council for Economic and Development Affairs.⁷ King Salman reportedly created the new councils to handle day-to-day decisions and raise issues for ministers and the king to resolve.

Debate among observers on these moves is still evolving, with some individuals suggesting that King Salman and his appointed successors might reverse some liberal initiatives launched under King Abdullah's tenure in an attempt to shore up domestic support for his transition preferences

⁶ The April 2015 succession changes marked the clear reversal of a key decision taken by King Abdullah in the run-up to his death—King Abdullah had named his half-brother Prince Muqrin as Deputy Crown Prince in March 2014, and Prince Muqrin briefly served as Crown Prince after King Abdullah's death. In April 2015, Saudi authorities stated that Prince Muqrin stepped down as Crown Prince at his own choosing and credited new Crown Prince Mohammed bin Nayef with selecting King Salman's son Mohammed bin Salman to serve as Deputy Crown Prince, with the approval of a majority of the Allegiance Council. In January 2015 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 Abd al Aziz 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 (the late King Abdullah's most prominent son) leads the security forces of the Ministry of the National Guard.

⁷ Deputy Crown Prince Mohammed bin Salman ceded the additional formal role he was given as head of his father's royal court to an adviser. Some press reports suggest he informally controls access to the king.

and a more independent and active Saudi foreign policy.⁸ Human rights advocates have criticized a trend toward increased implementation of death sentences against convicted prisoners since early 2015, although Saudi officials contend that judicial due process has been consistently observed in all cases. Municipal elections were held as planned in December 2015 and included participation by Saudi women candidates and voters for the first time, in accordance with reforms announced by the late King Abdullah (see “Gender Issues, Minority Relations, and Human Rights” below).

Observers have questioned whether an apparent consolidation of power among the branch of the Al Saud family from which both the Crown Prince and Deputy Crown Prince hail would alienate other family members, with others noting that intergenerational and intra-generational rivalries may be more relevant factors.⁹ Some members of the royal family apparently have raised concerns about the leadership of King Salman and his son, the Deputy Crown Prince, in a series of intra-family letters reported since 2015.¹⁰ Nevertheless, as of early 2016, there are no clear public signals that leading members of the royal family have reverted to the level of overt tension and competition that characterized intra-family relations in the mid-20th century.¹¹

In practice, Deputy Crown Prince Mohammed bin Salman has moved to assert more of a public national leadership role on a range of topics, generating considerable international speculation about the potential for rivalry or competition to harden between him and his elder cousin, Crown Prince Mohammed bin Nayef. Such potential exists, and has precedent in the family’s recent past, but intra-family dynamics historically have remained largely shielded from public view until disputes have deepened to the point that consensus breaks down.

Administrative Changes, Lower Oil Prices, and Fiscal Priorities

In public statements since early 2015, Saudi leaders have highlighted continuing regional security threats and domestic economic challenges and have sought to project an image of assertive engagement in implementing diplomatic, economic, and security policies. Upon taking power, King Salman reshuffled leaders of several ministries with responsibility for government programs in areas where domestic popular demands are high, in addition to abolishing several state councils and replacing them with the overarching security and economic councils described above.

⁸ See, for example, Yaroslav Trofimov, “New Saudi King Brings Major Change at Home and Abroad,” *Wall Street Journal*, April 29, 2015.

⁹ King Salman and the late Crown Prince Nayef were full brothers: their sons—the current Crown Prince and Deputy Crown Prince—are full first cousins. Their “Sudayri” branch of the Al Saud family is named for their grandmother Hassa bint Ahmad al Sudayri—among the best known of the late King Abd al Aziz’s late wives and one of three drawn from the Al Sudayri family. She was the mother of the late King Fahd bin Abd al Aziz, the late Crown Prince Sultan bin Abd al Aziz, the late Crown Prince Nayef bin Abd al Aziz, King Salman bin Abd al Aziz, Prince Ahmad bin Abd al Aziz, two other senior princes, and four daughters. Analysts of past Saudi succession dynamics often referred to King Fahd and his younger full brothers as the “Sudayri Seven,” because of their propensity to support one another. In the future, analysis of relationships and potential competition within the so-called Sudayri branch may be of more interest than analysis that presumes Sudayri solidarity in competition with other wings of the family. For detailed background on Saudi succession history and issues, see Joseph Kéchichian, *Succession in Saudi Arabia*, New York: Palgrave, 2001.

¹⁰ Some royal family members reportedly support the candidacy of the king’s full brother Prince Ahmad bin Abd al Aziz as an alternative to King Salman’s continued rule or the accession to power of Deputy Crown Prince Mohammad bin Salman. See David Ignatius, “A Cyclone Brews over Saudi Arabia,” *Washington Post*, October 13, 2015; and Hugh Miles, “Saudi Royal Calls for Regime Change in Riyadh,” *The Guardian* (UK) September 28, 2015.

¹¹ From 1958 to 1964, supporters of King Saud (the first son to succeed King Abd al Aziz) struggled for influence with supporters of Saud’s brother Faisal (the following successor). Disputes over Saudi foreign policy and the management of government finances contributed to the family’s decision to force King Saud from power in favor of Faisal, who served as king until he was assassinated by his nephew in 1975.

Close observers of Saudi domestic policy described the leadership and structural changes as indications of the king's desire to reinvigorate government policy approaches to pressing issues, with some observers attributing some of the changes to the king's desire to provide and secure a leadership role for his son, Deputy Crown Prince Mohammed bin Salman. The Deputy Crown Prince has outlined an ambitious program of economic reforms in a series of public interviews since late 2015, with international press outlets increasingly identifying him as a key shaper of his father's decisions.¹²

Reported personal ambitions aside, some Saudi policy changes are undoubtedly being driven by the reversal of the kingdom's prevailing fiscal position—from one of repeated surpluses to one of actual and projected deficits—rooted in drastic reductions in global market prices for crude oil. Oil prices have plummeted since mid-2014, while Saudi oil production levels have remained roughly constant.¹³

From 2011 to 2015, the kingdom approved a series of record-high annual budgets and launched major additional spending programs to meet economic and social demands. Some feared that if these demands were left unmet, it could fuel stronger calls from citizens for political change. Expenditure has consistently exceeded budgeted levels since 2006. By late 2014, approximately one-half of Saudi government expenditures supported “salaries, wages, and allowances.”¹⁴ Expenditure rose a further 13% beyond planned levels in 2015, with the majority being attributed to salary increases, social security and retirement benefits, and other royal decrees announced by King Salman upon his accession to the throne.¹⁵ Overall revenues declined, but non-oil revenues increased nearly 30%.

The 2016 budget projects a fiscal deficit of nearly \$90 billion and was announced in conjunction with a series of planned budgeting and expenditure reforms.¹⁶ Deputy Crown Prince Mohammed bin Salman has outlined an ambitious agenda to transform Saudi Arabia's economy and reduce Saudi Arabia's dependence on oil revenue.¹⁷ The Ministry of Finance stated in December 2015 that, over the next five years, the government plans on, inter alia, “embracing a set of policies and procedures designed to achieve wide structural reforms in the national economy and reduce its dependence on oil,” and “reviewing government support, including revision of energy, water, and electricity prices gradually.”¹⁸ Saudi officials are reviewing state support to consumers and industry in the form of energy and utility subsidies, and some announced price changes have already come into effect. Reviews of public land holdings and consideration of steps required to implement a Value Added Tax system also reportedly are underway.

¹² See for example, *The Economist*, “The Economist meets Saudi Arabia's deputy crown prince, the man who wields power behind the throne of his father, King Salman,” January 6, 2016.

¹³ Benchmark 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.

¹⁴ 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.

¹⁵ Ben Hubbard, “Saudi King Unleashes a Torrent of Money as Bonuses Flow to the Masses,” *New York Times*, February 19, 2015; and, Kingdom of Saudi Arabia, Ministry of Finance, “Budget Highlights for Fiscal Years 1436/1437 & 1437/1438,” December 29, 2015.

¹⁶ *Ibid.*

¹⁷ Peter Waldman, “The \$2 Trillion Project to Get Saudi Arabia's Economy Off Oil,” *Bloomberg Businessweek*, April 25-May 1, 2016.

¹⁸ *Ibid.*

To finance the 2015 deficit, Saudi officials drew more than \$60 billion from state reserves and issued new domestic bonds to meet revenue needs.¹⁹ The Ministry of Finance reported in December 2015 that public debt remained relatively low, but had tripled from 2014 levels to ~\$38 billion or 5.8% of 2015 GDP. In August 2015, the IMF reported that “while the deficit will decline in 2016 and beyond as one-off spending ends and large investment projects are completed, it will remain high over the medium-term.”²⁰ The IMF has recommended that Saudi officials implement structural reforms to encourage private sector growth and improve employment opportunities for young Saudis.²¹ Historically, Saudi policymakers have sought to accomplish these types of reforms while managing concerns for security, social stability, and cultural and religious values.

The kingdom’s investments in the education sector are an acknowledgement of the challenges related to preparing the large Saudi youth population (~46% under 25 years of age) to compete and prosper in coming decades. It also is possible that a more educated and economically engaged youth population could make new social and/or political reform demands. In this regard, joint efforts to expand the number of Saudi students enrolled in U.S. colleges and universities since the mid-2000’s may have cumulative economic, social, and political effects on Saudi society in future decades. The number of Saudi students pursuing higher education in the United States increased ten-fold from 2000 to 2015, including more than 59,900 Saudi students in the United States during the 2014/2015 academic year.²² In 2016, the kingdom announced plans to reduce funding for some overseas students, with reports suggesting that the number of Saudi students enrolled in U.S. universities may decline if program requirements are changed.²³

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. 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, and male guardianship rules continue to restrict their social and personal autonomy. Saudi officials regularly detain, fine, or arrest individuals associated with protests by advocates for Saudi women’s right to drive automobiles and travel freely.²⁴

¹⁹ Simeon Kerr, “Oil price drop leads to renewed speculation on Saudi riyal,” *Financial Times* (UK), August 25, 2015.

²⁰ IMF Executive Board Concludes 2015 Article IV Consultation with Saudi Arabia, IMF Press Release No. 15/383, August 17, 2015.

²¹ Ibid.

²² Institute of International Education, Open Doors Fact Sheet: Saudi Arabia, Educational Exchange Data from [Open Doors 2015](#), November 2015. In September 2015, Saudi Cultural Attaché Mohammad bin Abdullah al Isa was quoted by Saudi press sources as reporting that there were more than 125,000 Saudis in the United States as part of the scholarship program, including more than 75,000 students and their companions. Arab News (Jeddah), “Scholarship benefits for Saudis in US,” September 6, 2015.

²³ Elizabeth Redden, “Will Saudi Student Boom End?” *Inside Higher Ed*, February 25, 2016

²⁴ Women’s rights activists Loujain Hathloul and Maysa al Amoudi were detained at the Saudi-UAE border in December 2014 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.

The most recent (2015) U.S. State Department report on human rights in Saudi Arabia states that “women continued to face significant discrimination under law and custom, and many remained uninformed about their rights.” The report states that, despite conditions in which “gender discrimination excluded women from many aspects of public life... women slowly but increasingly participated in political life, albeit with significantly less status than men.”²⁵ In April 2015, King Salman removed the then-highest-ranking female government minister, Deputy Education Minister Norah al Faiz. The third nationwide municipal council elections were held in December 2015, and expanded the elected membership to two-thirds, lowered the voter registration age to 18 from 21, and were the first in which Saudi women could vote and stand as candidates. Female candidates won 21 of the 2,106 seats up for election and 17 were appointed to seats.²⁶

IS terrorist attacks against Shia minority communities, low-level unrest in some Shia communities in the oil-rich Eastern Province (see Ash Sharqiyah in **Table 1** above), and small protests by students and families of Sunni 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 ongoing protests and clashes with security forces in the Eastern Province. These clashes have intensified in the wake of the January 2016 execution of outspoken Shia cleric Nimr al Nimr, with arson attacks targeting public buildings in some Shia-populated areas and shooting attacks having killed and injured Saudi security personnel. Nimr had been charged with incitement to treason and alleged involvement with individuals responsible for attacks on security forces.

While Nimr had studied in Iran and Syria and used public sermons and statements as vehicles for acidic criticism of the Saudi royal family’s rule, a review of his available statements and sermons suggests that he did not explicitly advocate in public for the use of violence by Saudi Shia or for the adoption of Iranian-style theocratic government. Nevertheless, his rhetoric crossed several Saudi red lines in questioning the legitimacy of the Saudi royal family’s rule and in calling for mass protests and civil disobedience. The Saudi government has clearly stated its view of his activity as treasonous without reference to sectarian differences and has described his sentence as the result of due process, even as it has struggled to convince some international observers that the execution was just, warranted, or wise given the current regional security environment.

In line with the firm approach evident in Nimr’s October 2014 death sentence, 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 over the last several years. Islamic State-linked anti-Shia terrorist attacks (see below) and continuing Saudi Shia views of the Saudi state as being discriminatory and encouraging of anti-Shia extremism contribute to tensions.

More broadly, Saudi authorities have moved to further 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

²⁵ U.S. State Department Country Reports on Human Rights Practices for 2015, Saudi Arabia, April 2016. The report attributes the differences in status among men and women in political life to “guardianship laws requiring a male escort, restrictions on women candidates’ contact with male voters in this year’s elections, and the ban on women driving.”

²⁶ National Public Radio, “Saudi Women React To Election Results,” December 20, 2015; and, “After Historic Elections In Saudi Arabia, What’s The Future For Women?” December 22, 2015.

“breaking allegiance” to the king.²⁷ 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. 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 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.²⁸ The case has complicated Saudi Arabia’s bilateral relationships with Canada and some European governments pressing for Badawi’s release. Badawi’s sister Samar also is a human rights advocate—Saudi authorities questioned her in January 2016 and released her.²⁹ Her former husband is a prominent human rights activist and lawyer who also was jailed in 2014 on a range of charges related to his advocacy.³⁰

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 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.³¹ 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.”³²

²⁷ 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.

²⁸ According to the State Department’s 2015 Human Rights Report, “As of year’s end, Badawi remained in Burayman Prison in Jeddah; authorities had not yet carried out the remainder of the lashing sentence.”

²⁹ Ben Hubbard, “Saudi Arabia Frees Samar Badawi, Human Rights Activist, After Questioning,” *New York Times*, January 13, 2016.

³⁰ Human Rights Watch, “Saudi Arabia: 15-Year Sentence for Prominent Activist,” July 7, 2014.

³¹ Richard Barrett, *Foreign Fighters in Syria*, The Soufan Group, June 2014.

³² 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.

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.”³³ 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. Following the January 2016 execution of dozens of convicted AQAP suspects, including some prominent ideologues, Al Qaeda leader Ayman al Zawahiri released a statement condemning the Saudi government and calling for revenge.

Some observers, including some Members of Congress, have expressed concern about the apparent strengthening of Al Qaeda in the Arabian Peninsula during the course of the ongoing conflict in Yemen. Nevertheless, ongoing attacks and arrests linked to IS supporters inside Saudi Arabia since late 2014 suggest that, in the view of Saudi officials, the balance of threats posed by the Islamic State and AQAP may be shifting toward the Islamic State as the higher and more immediate priority.

The Islamic State’s Campaign against the Kingdom

Since 2014, IS supporters have claimed responsibility for several attacks inside the kingdom, including attacks on security officers and Shia civilians.³⁴ Claims for the attacks 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.³⁵ In June 2015, an IS-affiliated Saudi suicide bomber blew himself up in a Kuwaiti mosque, killing more than two dozen people and wounding hundreds.³⁶ On January 29, 2016, attackers struck a Shia mosque in Al Ahsa, killing two people and wounding seven others. An IS-claimed attack in April 2016 west of Riyadh killed a senior Saudi police official. 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.³⁷

The Islamic State arguably poses a unique political threat to Saudi Arabia in addition to the tangible security threats that its supporters have demonstrated through the recent attacks. IS leaders claim to have established a caliphate to which all pious Sunni Muslims owe allegiance, and they directly challenge the legitimacy of the Al Saud family, 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

³³ Ibid.

³⁴ Attacks include shootings of police officers, suicide bombing attacks on Shiite mosques in the Eastern Province, a suicide bombing at a prison checkpoint, an attack on Saudi security personnel in a mosque in the southwestern city of Abha, a shooting attack on a Shia meeting place in the Eastern Province, and a bombing attack targeting Ismaili Shia in the southern city of Najran

³⁵ OSE Report TRL2015080661723979, “First Statement From ISIL’s ‘Wilayah Al-Hijaz’ Claims Deadly Attack On Saudi ‘Emergency Forces,’” August 6, 2015.

³⁶ Ahmed Al Omran, “Saudi Brothers Suspected of Links to Kuwait Mosque Bombing Arrested,” *Wall Street Journal*, July 7, 2015.

³⁷ 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.

implementers of Salafist Sunni principles, calling them “the slaves of the Crusaders and allies of the Jews” and accusing them of abandoning Sunni Palestinians, Syrians, Iraqis, and others.³⁸

In a series of videos released in mid-December, Islamic State-controlled “provinces” launched a coordinated media campaign condemning the Al Saud family as apostate tyrants, promising attacks in the kingdom, and encouraging IS supporters to rise up and overthrow the Saudi government. The videos promised to free prisoners held in Saudi jails and condemned the Al Saud for protecting Shia in the kingdom and for cooperating with the United States and others in military operations targeting Muslims. Themes, terms, threats, and promises were largely consistent among the December 2015 videos, which were released by most of the self-declared IS “provinces” in Iraq and Syria as well as “provinces” in Yemen, Libya, and Egypt.

IS critiques of the Al Saud may have resonance among some Saudis who disagree with the government’s policies or those who have volunteered to fight in 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.³⁹ The Saudi government’s use of state-backed clerics to denounce the Islamic State signals Saudi rulers’ antipathy toward the group, but IS figures mock these clerics as apostates and “palace scholars.” The January 2016 edition of the Islamic State’s English-language magazine *Dabiq* contained a feature claiming to justify the assassination of several prominent Saudi clerics, exhorting its followers to do so.

In December 2015, Deputy Crown Prince Mohammad bin Salman announced that the kingdom would lead a 34-nation coalition of predominantly Muslim countries to confront and defeat terrorist threats.⁴⁰ However, in the wake of his announcement, several governments named as members of the coalition distanced themselves from the initiative, and many questions remain about what specific actions and resources may stem from coalition activities.

Terrorist Financing and Material Support: Concerns and Responses

According to U.S. government sources, financial support for terrorism from Saudi individuals remains a 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.”⁴¹ Saudi authorities have forbidden Saudi citizens from travelling to Syria to fight and

³⁸ U.S. government Open Source Enterprise (OSE) Report TRL2015051469325796, “ISIL Leader Urges Emigration to Islamic State, Dismisses Saudi Strikes in Yemen, Praises ‘Soldiers,’” May 14, 2015.

³⁹ See Nawaf Obaid and Saud Al-Sarhan, “The Saudis Can Crush ISIS,” *New York Times*, September 8, 2014.

⁴⁰ The coalition members reportedly include Saudi Arabia, Bahrain, Bangladesh, Benin, Chad, Comoros, Djibouti, Egypt, Gabon, Guinea, Ivory Coast, Jordan, Kuwait, Lebanon, Libya, Malaysia, Maldives, Mali, Morocco, Mauritania, Niger, Nigeria, Pakistan, the Palestinians, Qatar, Senegal, Sierra Leone, Somalia, Sudan, Togo, Tunisia, Turkey, the United Arab Emirates and Yemen.

⁴¹ 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. 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.

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 to 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.”⁴²

In January 2014, the kingdom issued a decree setting prison sentences for Saudis found to have travelled abroad to fight with extremist groups, including tougher sentences for any members of the military 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.⁴³ The regulations have drawn scrutiny and criticism from human rights advocates concerned about further restrictions of civil liberties.

In August 2014, Saudi Grand Mufti Shaykh Abd al Aziz 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.”⁴⁴ 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.⁴⁵ 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.

Saudi Arabia and Inquiries into the Terrorist Attacks of September 11, 2001

The report of the congressional Joint Inquiry into Intelligence Community Activities Before and After the Terrorist Attacks of September 11, 2001, released in December 2002, brought attention to the alleged role of Saudi Arabia in supporting terrorism.⁴⁶ In the 900-page report, a chapter on alleged foreign support for the September 11 hijackers was redacted virtually in its entirety— 28 pages in all—because executive branch officials determined at the time that its public release was contrary to U.S. national security interests.

In the years since, there has been speculation and periodic media reporting about the degree to which the redacted pages might address the question of whether or not there was some degree of official Saudi complicity in the

⁴² Ibid.

⁴³ Saudi Ministry of Interior, List of the Security and Intellectual Prohibitions for the Citizens and Residents, Saudi Press Agency, March 7, 2014.

⁴⁴ OSE Report IML2014081943429793, “Saudi Grand Mufti Issues Statement Saying ISIL, Al-Qa’ida Are ‘Khawarij,’ ‘Primary Enemies’ of Islam,” *Al Sharq* (Dammam), August 19, 2014.

⁴⁵ Fatiha Dazi-Heni, “Saudi Arabia: the political implications of a new regional policy and the jihadist challenge,” Arab Reform Initiative, September 3, 2015.

⁴⁶ Joint Inquiry into Intelligence Community Activities Before and After the Terrorist Attacks of September 11, 2001, S.Rept. 107-351/H.Rept. 107-792.

September 11 attacks. Some people who claim to have read the still-classified section of the report say it addresses some Saudi nationals' links with individuals involved in the attacks.⁴⁷ In 2003, the Saudi government appealed to U.S. authorities to publish the redacted pages so as to enable Saudi Arabia to rebut related allegations.⁴⁸ In 2016, the Saudi Embassy in Washington, DC, responded to news reports about the pages content by citing the findings of later investigations and the dismissal of subsequent lawsuits against the kingdom.⁴⁹

The final report of the bipartisan National Commission on Terrorist Attacks Upon the United States (aka "The 9/11 Commission") states that the Commission "found no evidence that the Saudi government as an institution or senior Saudi officials individually funded [Al Qaeda]."⁵⁰ The report also states, that Saudi Arabia "was a place where Al Qaeda raised money directly from individuals and through charities," and indicates that "charities with significant Saudi government sponsorship," may have diverted funding to Al Qaeda.

In 2015, the Central Intelligence Agency (CIA) released a redacted version of a June 2005 CIA Office of Inspector General report on CIA accountability regarding the findings and conclusions of the report of the congressional Joint Inquiry.⁵¹ The OIG report noted that many of the points raised in the congressional Joint Inquiry report with regard to Saudi Arabia addressed matters under the jurisdiction of the Federal Bureau of Investigation because they related to events and persons within the United States. The report states that the OIG review team "encountered no evidence that the Saudi Government knowingly and willingly supported al-Qa'ida terrorists." The report noted that some CIA offices that participated in the review "had not seen any reliable reporting confirming Saudi Government involvement with and financial support for terrorism prior to 9/11, although a few also speculated that dissident sympathizers within the government may have aided al-Qa'ida."

On April 19, President Obama stated that he had asked the Director of National Intelligence to review the redacted pages of the congressional Joint Inquiry's report for potential release and expected a recommendation soon.⁵² The President added, "it's important for there to be an orderly process where we evaluate this because what can end up happening is if you just dump a whole bunch of stuff out there that nobody knows exactly how credible it is, was it verified or not, it could end up creating problems."

In 2002, the congressional Joint Inquiry's final report stated that the committee "made no final determinations as to the reliability or sufficiency of the information regarding these issues [alleged foreign support for the hijackers] that was found contained in FBI and CIA documents. It was not the task of this Joint Inquiry to conduct the kind of extensive investigation that would be required to determine the true significance of such alleged support to the hijackers."

U.S. Foreign Assistance to Saudi Arabia

The Obama Administration requests that Congress appropriate 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.⁵³ The Administration's FY2017 budget request included this nominal amount and noted

⁴⁷ CBS News 60 Minutes, "Top secret "28 pages" may hold clues about Saudi support for 9/11 hijackers," April 8, 2016.

⁴⁸ Josh Meyer, "Saudis to Seek Release of Classified Parts of 9/11 Report," *Los Angeles Times*, July 29, 2003.

⁴⁹ Royal Embassy of Saudi Arabia Information Office, "Saudi Arabia Responds to 60 Minutes Report," April 10, 2016.

⁵⁰ Final Report of the National Commission on Terrorist Attacks Upon the United States, July 22, 2004.

⁵¹ CIA Office of Inspector General Report on Central Intelligence Agency Accountability Regarding Findings and Conclusions of the Report of the Joint Inquiry Into Intelligence Community Activities Before and After the Terrorist Attacks of September 11, 2001, June 2005. Released June 15, 2015.

⁵² President Barack Obama interviewed by Charlie Rose, PBS, April 19, 2016.

⁵³ 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.

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 some past years, 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. Congress would have more opportunity to exert influence over U.S. funded programs and to potentially apply pressure, if appropriated funds were involved.

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 B-1**). 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 are guiding 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 are set to considerably improve Saudi military capabilities, and appear to be seen by leaders in both countries as symbolic commitments to cooperation during a period of regional turmoil and leadership change.

Following the U.S.-Gulf Cooperation Council (GCC)⁵⁴ 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."⁵⁵

Since September 2014, the Obama Administration has notified Congress of proposed Foreign Military Sales to Saudi Arabia with a potential value of more than \$21 billion, including a proposed sale of Multi-Mission Surface Combatant Ships potentially worth more than \$11.25 billion. In recent months, some Members of Congress have scrutinized a proposed sale of thousands of guided air-to-ground munitions in the context of concerns about the Saudi military's recent conduct in Yemen, where Saudi Arabia seeks to forcefully reinstall the government of deposed President Abed Rabbo Mansour Hadi.

Proposed Sale of Air-to-Ground Munitions Draws Congressional Scrutiny

In mid-November 2015, the Obama Administration formally notified Congress of a proposed sale of thousands of guided air-to-ground munitions to Saudi Arabia with a potential value of \$1.29 billion.⁵⁶ Critics of the sale have argued that Saudi airstrikes in Yemen using U.S. munitions and weapons platforms have violated international humanitarian law and that further U.S. sales of

⁵⁴ The GCC countries are Saudi Arabia, Kuwait, the United Arab Emirates, Bahrain, Qatar, and Oman.

⁵⁵ 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

⁵⁶ Defense Security Cooperation Agency Transmittal No. 15-57, November 16, 2015.

identical or related items risk facilitating further such airstrikes or otherwise indelibly associating the United States with Saudi conduct. U.S. officials “have discussed reports of the alleged use of cluster munitions” in Yemen with Saudi officials and consider their use “permissible” if “used appropriately” and according to “end-use rules.”⁵⁷ The Spokesman for U.N. Secretary-General Ban Ki-moon warned in January 2016 that “the use of cluster munitions in populated areas may amount to a war crime due to their indiscriminate nature.”⁵⁸

Proponents of the sale have argued that in order to improve Saudi military operations and targeting, the United States should provide more advanced U.S. technology and expand training and intelligence support to the Saudi military. Proponents further argue that U.S.-Saudi collaboration on other issues—including efforts against the Islamic State—may be strengthened if the United States maintains its support for Saudi efforts.

Some Members of Congress expressed concern about the proposed sale and appear to have delayed its formal notification by placing a now-lifted hold on the informal notification of the proposed sale to Congress. In November 2015, Chairman Bob Corker and Ranking Member Ben Cardin of the Senate Foreign Relations Committee jointly requested that the Obama Administration notify Congress 30 days prior to any shipment related to the proposed sale. The request marked the first time that Congress has invoked an authority it added to the Arms Export Control Act in December 2014 through an amendment included in the Naval Vessel Transfer Act of 2013 (P.L. 113-276).⁵⁹ The pre-shipment notification would inform Congress that a shipment was about to occur, but would not require or preclude Congress from taking further action to modify or block the shipment.

No joint resolutions of disapproval were introduced in Congress related to the proposed sale during the period in which expedited consideration procedures provided for in Section 36B of the Arms Export Control Act would have applied. As of April 2016, proposed legislation introduced in the House and Senate would place conditions on future proposed sale notifications, approved sales, or transfers of air-to-ground munitions to Saudi Arabia (S.J.Res. 32 and H.J.Res. 90). The proposed legislation would condition the transfer of air-to-ground munitions to Saudi Arabia on a presidential certification to Congress that:

(1) The Government of Saudi Arabia is not providing funding, material support, or lethal aid to individuals or groups designated by the United States as foreign terrorist organizations pursuant to section 219 of the Immigration and Nationality Act (8 U.S.C. 118a), or Specially Designated Global Terrorists pursuant to Executive Order 13224 (22 U.S.C. 1701 note).

(2) The Government of Saudi Arabia and its coalition partners are taking all feasible precautions to reduce the risk of harm to civilians and civilian objects to comply with their obligations under international humanitarian law, which includes minimizing harm to civilians, discriminating between civilian objects and military objectives, and exercising proportional use of force in the course of military actions it pursues for the purpose of legitimate self-defense as described in section 4 of the Arms Export Control Act (22 U.S.C. 2754).

⁵⁷ State Department Daily Press Briefing, August 20, 2015.

⁵⁸ Statement attributable to the Spokesman for the Secretary-General on Yemen, New York, January 8, 2016

⁵⁹ Section 201 of the Naval Vessel Transfer Act of 2013 (P.L. 113-276) added Section 36(i) to the AECA. Potentially applicable to any foreign military sale requiring notification pursuant to Section 36(b) of the AECA, the 36(i) mechanism requires both the chair and ranking member of either of the two committees of jurisdiction (SFRC/HFAC) to jointly request that the President provide such a “pre-shipment notification” 30 days prior to a shipment.

(3) The Government of Saudi Arabia and its coalition partners are making demonstrable efforts to facilitate the flow of critical humanitarian aid and commercial goods, including commercial fuel and commodities not subject to sanction or prohibition under United Nations Security Council Resolution 2216 (2015).

(4) The Government of Saudi Arabia is taking all necessary measures to target designated foreign terrorist organizations, including al Qaeda in the Arabian Peninsula and affiliates of the Islamic State of Iraq and the Levant as part of its military operations in Yemen.

U.S. Support to the Saudi Ministry of Interior

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.”⁶⁰ 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 the Middle East

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 and January 2015 visits 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 Abd al Aziz also discussed these issues with President Obama during his September 2015 trip to Washington, DC. Saudi Arabia’s assertive policies toward regional crises and its worsening relations with Iran appeared to have created further complications in U.S.-Saudi relations in early 2016. These complications were the subject of much speculation and press reporting during President Obama’s April 2016 visit to Riyadh for the U.S.-GCC Summit.

Saudi Arabia and Iran

Iran’s regional policies and nuclear program are the focal point for many of Saudi Arabia’s current security concerns and thus are a key issue for Saudi-U.S. cooperation and debate. Statements by Saudi leaders suggest that they see Iran’s policies as part of an expansionist, sectarian agenda aimed at empowering Shia Muslims in the Middle East at the expense of Sunnis. Iranian leaders attribute similarly sectarian motives to their Saudi counterparts and remain critical

⁶⁰ Counterterrorism Coordination with Saudi Arabia” in U.S. State Department Bureau of Counterterrorism, Country Reports on Terrorism 2014, April 2015.

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 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, which resulted in the Joint Comprehensive Plan of Action (JCPOA) agreement in July 2015. Overall, however, Saudi leaders remain skeptical of Iran's intentions and reportedly resentful of the U.S. approach to the talks. Some non-official but prominent Saudis have suggested that the kingdom could seek nuclear "parity" with Iran or pursue other unspecified options as the agreement is implemented. Saudi leaders continue to emphasize their broader concerns about Iranian regional policies, and Saudi official statements suggest the kingdom remains committed to actively confronting Iranian initiatives in Syria, Iraq, Yemen, Lebanon, and other countries.

Tensions Escalate in 2016

Saudi Arabia severed its diplomatic relations, air connections, and trade ties with Iran in January 2016 in the wake of violent attacks and vandalism against the Saudi embassy in Tehran and consulate in Mashhad, Iran. The incidents in Iran occurred after Saudi Arabia executed an outspoken Shia cleric named Nimr al Nimr alongside dozens of Al Qaeda members: all had been convicted of treason and/or terrorism charges. The execution, diplomatic facility incidents, and resulting diplomatic fallout have sent Saudi-Iran relations plummeting to levels of confrontation and acrimony not seen since the late 1980s.

Saudi officials have encouraged fellow Arab states to condemn the diplomatic facility incidents and to unite against what they describe as Iranian subversion in Arab countries. Several other countries have downgraded or halted their diplomatic and/or trade ties with Iran in shows of solidarity with Saudi Arabia. Saudi officials also travelled to Pakistan and secured commitments from Pakistan's military authorities that attacks on Saudi territory would elicit a strong response from Pakistan, although some sources noted that Pakistan has not chosen to join the Saudi-led campaign in Yemen or pledged to provide offensive military forces as part of a nascent Saudi-sponsored "Islamic Coalition" against terrorism.

Some observers have argued that while Saudi displeasure with the diplomatic facility incidents is understandable, its decision to execute Nimr and subsequent attempts to isolate Iran diplomatically are driven primarily by the kingdom's own insecurity. Some speculate that the Saudi actions and handling of the dispute might be rooted in fear that the ongoing implementation of the JCPOA will result in the empowerment of Iranian rivals whom Saudi decision makers see as bent on regional domination and diminishing Saudi influence. Others speculate that Saudi leaders worry the JCPOA could open the door to more fundamental rapprochement between Iran and others, especially the United States. U.S. officials downplay the prospects for such a change, and some Members of Congress vocally oppose the idea.

Saudi officials justify recent steps to isolate Iran as a legitimate response not only to the diplomatic facility incidents but as what Saudi officials describe as a broad and long-running pattern of Iranian intrigue aimed at destabilizing regional rivals. On January 3, 2016, Saudi

Foreign Minister Adel Al Jubeir stated that “the history of Iran is full of negative and hostile interference in Arab countries, always accompanied with subversion.”⁶¹ Iranian military and intelligence intervention in Syria and close Iranian ties to Shia armed groups in Lebanon and Iraq appear to demonstrate that not all Saudi fears of Iranian security initiatives in predominantly Arab countries are unfounded, even if Iranian officials deny that their actions are part of a campaign against Saudi Arabia, Sunnis, or Arabs generally.

Saudi officials have denied that their policies are intended to be escalatory and they have publicly stated their hope that the row with Iran will not disrupt planned multilateral negotiations concerning the conflicts in Syria and Yemen. Nevertheless, U.N.-led talks regarding Yemen planned for mid-January were postponed after the parties did not agree on resumption, and Saudi officials spent much of January criticizing Iranian policy in Syria and reemphasizing their demands that Assad’s ouster be guaranteed in U.N.-backed Syria transition talks.

Saudi Deputy Crown Prince and Defense Minister Mohammed bin Salman said in a widely read January 4, 2016, interview in *The Economist* magazine that anyone pushing for direct war between Iran and Saudi Arabia “is somebody who is not in their right mind. Because a war between Saudi Arabia and Iran is the beginning of a major catastrophe in the region, and it will reflect very strongly on the rest of the world. For sure we will not allow any such thing.” Asked if he considered Iran to be Saudi Arabia’s biggest enemy, he said “we hope not.”

Short of outright war between the two regional contenders, the potential for the intensification of their apparent proxy wars exists. Such intensification could complicate the Administration’s desired outcome to crises in places like Syria, Yemen, Iraq, and Lebanon, and could threaten stated U.S. national security objectives across the Middle East. In early 2016 Saudi Arabia designated Lebanon’s Hezbollah as a terrorist organization and led efforts to encourage other Arab League states and multilateral bodies to do the same. Saudi officials also formally rescinded an offer to provide \$3 billion in funding for security assistance for Lebanon’s security forces based in part on Saudi concerns about the Iran-backed Hezbollah’s influence in the Lebanese government.

The JCPOA: From Skepticism to Support

From July to September 2015, some observers perceived ambiguity in Saudi Arabia’s position on the JCPOA in the absence of a direct and specific endorsement by senior Saudi leaders.⁶² Nevertheless, during his September visit to Washington, DC, King Salman “expressed his support” for the JCPOA, “which once fully implemented will prevent Iran from obtaining a nuclear weapon and thereby enhance security in the region.”⁶³ It is unclear what, if any, U.S.

⁶¹ Amir Vadhat and Jon Gambrell, “Saudis cut ties with Iran following Shiite cleric execution” *Associated Press*, January 3, 2016.

⁶² 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 [italics added].” 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 did not correspond exactly to those included in the JCPOA.

⁶³ Joint Statement on the Meeting between President Barack Obama and King Salman bin Abd alAziz Al Saud, September 4, 2015.

commitments, clarifications, or inducements may have contributed to the apparent shift in Saudi Arabia's position.

Saudi Arabia's Nuclear Plans

Many observers have speculated about how Saudi Arabian leaders might respond to any post-JCPOA strengthening of Iran over time or to any perceived failings by Iran or the United States to live up to their mutual commitments under the agreement. Specifically, analysts continue to debate whether the kingdom might seek to acquire a nuclear weapons capability, a nuclear threshold status, or a formal U.S. defense 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 energy policies that seek to match Iranian domestic nuclear fuel production capabilities—would take place, how practical such an option is, and what the effect of such a policy would be on U.S.-Saudi relations. 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.

Some Saudis have advocated for nuclear ambiguity while seeking to counter expectations that the kingdom would or could seek nuclear weaponry or enrichment technology from Pakistan or other sources. In a recent interview, Saudi Arabia's former Ambassador to the United States and long-time director of intelligence Prince Turki al Faisal bin Abd al Aziz Al Saud said:

In a speech I gave 4 years ago in the kingdom and subsequently reiterated, I said that should Iran acquire nuclear weapons, Saudi Arabia and the Gulf Cooperation Council (GCC) must look at all the available options to meet the potential threat that will come from Iran – including the acquisition of nuclear weapons.

I don't think we should close the door to ourselves before we see what is going to happen with Iran. And if that means that we go to develop nuclear weapons, then that is a choice that will have to be made by the GCC leadership, as I recommend, to meet that challenge. But there isn't going to be any buying of Pakistani or whatever source of weapons in that field. No country will sell, first of all.

Secondly, you can't simply just buy it off the shelf and say, "OK, I'm going to bring this nuclear weapon." Where are you going to put it? Who's going to deal with it? Who's going to handle it? Who's going to protect it, etc.? You need a whole complex infrastructure to service nuclear weapons. So it's not just simply buying from Pakistan. And that's never been considered an option in the kingdom, despite what American and European reporters have said or written.⁶⁴

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 order 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

⁶⁴ Dan Drollette Jr., "View from the inside: Prince Turki al-Faisal on Saudi Arabia, nuclear energy and weapons, and Middle East politics," *Bulletin of the Atomic Scientists*, Volume 72, Issue 1, January 2016.

uses,” that included a memorandum of understanding on the construction of two small South 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. In January 2016, Saudi Arabia and China signed an unspecified memorandum of understanding regarding cooperation in the possible future construction of a high-temperature gas-cooled reactor (HTGR) in the kingdom.

It remains unclear whether Saudi Arabia would accept so-called “gold standard”⁶⁵ restrictions on any 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. At the March 2016 Nuclear Security Summit, Saudi Arabia pledged \$10 million to support the creation of a center focused on preventing nuclear terrorism at IAEA headquarters in Vienna, Austria.

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.⁶⁶

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. These include the ousted Saleh and his disgruntled supporters; the northern Yemen-based, Zaydi Shia *Ansar Allah* movement (Partisans of God, aka Houthi movement);⁶⁷ the tribal and Sunni Islamist supporters of the *Islah* (Reform) movement; and

⁶⁵ 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.

⁶⁶ 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.

⁶⁷ The *Ansar Allah* movement is a predominantly Zaydi Shia 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 (continued...)

armed Salafi-jihadists like Al Qaeda in the Arabian Peninsula.⁶⁸ Saudi air, ground, and border forces fought Houthi militia members in late 2009 in a 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 2014, 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."⁶⁹ 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.⁷⁰

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 2015 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."⁷¹

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."⁷²

In the period since, Houthi fighters have launched attacks on Saudi border areas that have killed Saudi civilians and security personnel, and Saudi military operations have continued to strike Houthi and pro-Saleh positions across Yemen. Saudi forces report that they have intercepted Scud missile attacks from Yemen on several occasions. In August 2015, 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, Emirati, and other coalition forces have suffered dozens of casualties during ground operations in the area.

(...continued)

in the wake of the 2011 uprising and government collapse to embrace a broader populist, anti-establishment message. Members of its Zaydi Shia base of support are closer in their beliefs to Sunni Muslims than most other Shia, 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!"

⁶⁸ See, for example, International Crisis Group, "The Huthis: From Saada to Sanaa," June 10, 2014.

⁶⁹ 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.

⁷⁰ Office of the State Department Spokesperson, Taken Question on Yemen, Washington, DC, October 31, 2014.

⁷¹ Minister of Foreign Affairs Stresses Depth of Historical and Strong Relations Between Saudi Arabia and Britain

⁷² Text of Hadi request letter in "GCC statement: Gulf countries respond to Yemen developments," *The National* (UAE), March 26, 2015.

As the military campaign has continued, reports of civilian casualties and displacement; food, medicine, and water shortages; advances by AQAP forces; Islamic State attacks; and persistence by the Houthis and their pro-Saleh allies have fueled some international criticism of Saudi policy.⁷³ *Ansar Allah* leader Abd al Malik Al Houthi has lashed out at the Saudi-led operation as “aggression” against Yemenis and has sought to shift blame to 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.⁷⁴

Saudi officials have blamed their adversaries for reported civilian deaths and for deteriorating humanitarian conditions. The United States and other partner governments have seized a number of arms shipments off Yemen’s coast that are suspected of having originated in Iran.⁷⁵

Implications for U.S.-Saudi Relations

Saudi Arabia’s military intervention in neighboring Yemen has placed the United States in a difficult position. On the one hand, U.S. officials share Saudi concerns about the ouster of the Hadi government and the resulting growth of armed extremist threats from Al Qaeda and Islamic State supporters in Yemen. On the other hand, Saudi intervention has embroiled a key U.S. partner in a seemingly intractable armed conflict in which Saudi use of U.S.-origin weaponry appears to have contributed to mass displacement and resulted in civilian casualties and infrastructure damage. Extremist groups have gained new ground, and Iranian-backed Shiite Houthi forces continue to threaten the kingdom’s southern border.

The Saudi intervention in Yemen also may have broader implications for the kingdom’s future leadership and stability. Insofar as Deputy Crown Prince Mohammed bin Sultan has portrayed himself as the architect and leader of the intervention, its relative success or failure may shape perceptions of his competence and judgment. Saudi casualties in the campaign also have cost the kingdom’s military some key personnel and added to the domestic political sensitivity of the overall effort. The deaths of dozens of Saudi personnel in September and December rocket attacks in southern Yemen were difficult blows in this regard.

Despite possible concerns over the ramifications of Saudi-led operations, the Obama Administration has voiced diplomatic support for Saudi efforts to reinstall Hadi’s government and has provided logistical and intelligence support to Saudi-led military operations “in support of GCC actions to defend against Houthi violence.” A joint U.S.-Saudi planning cell reportedly coordinates 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.⁷⁶ Press reports citing unnamed U.S. officials have suggested that U.S. advice and assistance, while intended to support the Saudi campaign, has been tailored to limit its potential scope and duration.

⁷³ Ahmed Al Omran, Asa Fitch, and Adam Entous, “Saudi-Led Coalition Announces End of Yemen Military Operation,” *Wall Street Journal*, April 21, 2015.

⁷⁴ OSE 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.

⁷⁵ Sam LaGrone, “U.S. Navy Seizes Suspected Iranian Arms Shipment Bound for Yemen,” April 4, 2016.

⁷⁶ 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.

U.S. officials have spoken in clear terms about the importance of avoiding civilian casualties and reaching a negotiated solution to the crisis. In July 2015, 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.” The joint U.S.-Saudi statement released during King Salman’s September 2015 visit to Washington, DC, said:⁷⁷

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.

In response to questions about civilian casualties on December 11, 2015, State Department spokesman John Kirby said,

we take all accounts and allegations and claims of civilian deaths and casualties very, very seriously. We have consistently urged all sides of the conflict in Yemen to take all feasible precautions to reduce the risk of harm to civilians and to comply with their obligations under international humanitarian law, which includes respect to minimizing harm to civilians and differentiating between civilian objects and military objectives. We’ve also reinforced to members of the coalition in Yemen the need to avoid civilian casualties and the importance of precise targeting. We’ve encouraged them all to investigate any credible accounts of civilian casualties resulting from coalition strikes; to provide a timely, thorough, and objective accounting of the facts; and if appropriate, to address any factors that led them in order to prevent recurrence.

Kirby added the Administration’s view that “There’s an urgent need for a political solution to this crisis as well, and we urge all parties to move forward in that regard.” State Department spokesman Mark Toner reiterated these views on January 27, 2016, in the context of questions regarding a leaked U.N. Panel of Experts report that alleges that the Saudi-led coalition has been targeting civilians and civilian infrastructure in Yemen.

Saudi officials agreed to a temporary humanitarian ceasefire during December 2015 U.N.-led discussions in Geneva, Switzerland, but reports suggested that both sides violated the agreement, and further talks were delayed as Saudi airstrikes intensified in January 2016. U.N. Secretary General Ban Ki-moon’s spokesman issued a series of statements in January 2016 calling on all parties to cease hostilities and condemning attacks on civilians and civilian infrastructure, noting that such attacks constitute serious violations of international humanitarian law. Saudi Arabia has committed to conducting a national investigation of reported violations.

In April 2016, a U.N.-brokered cessation of hostilities agreement allowed for the opening of peace talks among Yemeni factions in Kuwait, based on U.N. Security Council Resolution 2216 (April 2015), which 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. On April 21, President Obama and the GCC leaders said in their joint summit statement from Riyadh that they “urged all parties to abide by

⁷⁷ Joint Statement on the Meeting between President Barack Obama and King Salman bin Abd alAziz Al Saud, September 4, 2015.

the cessation of hostilities so that humanitarian aid can be reached to the Yemeni people and the peace process can proceed.”⁷⁸

Syria

In general terms, Saudi officials have sought to position the kingdom as a patron and protector of Sunni Arab interests in Syria while pursuing Saudi national interests in Syria relative to Iran and fellow Sunni states such as Turkey and Qatar.

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.”⁷⁹ Both leaders called for Syrian President Bashar al Asad to leave power as part of such a solution.

Saudi Arabia has participated in U.S.-led coalition air strike operations against the Islamic State in Syria and had agreed to host U.S. efforts to train vetted Syrian opposition members prior to the Obama Administration’s October 2015 decision to alter the Syria train and equip program.

Saudi officials have been consistent advocates for increasing pressure on pro-Asad forces in Syria, and Saudi Foreign Minister Adel al Jubeir has frequently repeated the kingdom’s view that President Asad must leave office either through negotiations or through military means. Many observers have interpreted this formulation as a commitment by the Saudi government to provide continued material support to anti-Asad armed groups in the event that efforts to find a negotiated solution to the Syria crisis are unsuccessful.

Saudi Arabia supported the adoption of U.N. Security Council Resolution 2254 in December 2015 which endorses Saudi-supported plans for transition negotiations and U.N.-monitored ceasefire arrangements, but does not explicitly call or provide for Asad’s ouster.

In mid-December, Saudi officials hosted a meeting of Syrian opposition groups and armed anti-Asad forces—including some Islamist factions not internationally designated as terrorist groups. The meeting sought to build consensus among invitees about principles for such negotiations and ceasefires. The secular and Islamist opposition groups present agreed to back the new U.N.-led peace initiative, but insisted on Asad leaving power, with some armed Islamists voicing strong reservations about any initiative that might leave Asad in power or target all foreign fighters that have joined the anti-Asad cause.

The High Negotiations Committee (HNC) formed by the Riyadh conference participants attached a series of conditions to their willingness to participate in U.N.-sponsored talks, including the lifting of government sieges of rebel-held towns and an end to aerial bombing by Syrian and Russian forces. Riyadh conference participants jointly insisted on Asad leaving power as a result of any talks, with some armed Islamist participants voicing strong reservations about any initiative that might leave Asad in power during a transitional phase or target foreign fighters who have joined the anti-Asad cause. The HNC has opposed Russian proposals to include select Kurdish and other opposition representatives, insisting—apparently with Saudi Arabia’s backing—that it alone represents the Syrian opposition.

⁷⁸ The White House, Statements By President Obama and His Majesty King Salman of Saudi Arabia, April 21, 2016.

⁷⁹ *Ibid.*

U.S. officials encouraged the HNC to participate in the U.N.-led process without preconditions. In February 2016, U.N.-sponsored talks were adjourned amid disputes over the Asad government's proposals for a broad ceasefire and the HNC's demands for an end to the targeting of civilian areas as called for by Resolution 2254. A conditional and limited cessation of hostilities agreement was subsequently reached in late February and it deescalated fighting between most Syrian forces through late March 2016.⁸⁰ Nevertheless, the cessation of hostilities became increasingly fragile in April while U.N. talks reconvened to discuss possible transition arrangements. With Syrian government forces appearing to prepare for a wide-scale resumption of hostilities and Syrian government negotiators insisting on President Asad's right to remain in power as part of any transition, HNC representatives threatened to leave talks in Geneva.

As these developments have unfolded during 2016, Saudi officials have signaled their support for the HNC and implied that Saudi Arabia may be willing to provide additional support to armed Syrian opposition forces in the event that negotiations and the cessation of hostilities fail. On February 4, Saudi Foreign Minister Al Jubeir said, "We believe that changing the balance of power on the ground is going to open up the way to a political settlement."⁸¹ It remains unclear what steps the kingdom may take to do so.

Iraq

In December 2015, Saudi officials reopened the kingdom's diplomatic offices in Iraq after a 25-year absence, marking a milestone in a normalization of Saudi-Iraqi relations that has occurred since the 2014 change in Iraqi leadership from Nouri al Maliki to Prime Minister Hayder al Abadi. Saudi leaders viewed Maliki as unduly influenced by Iran and have appeared willing to engage Abadi in pursuit of better bilateral relations and in support of more inclusion of Iraq's Sunnis by Baghdad. In September 2015, King Salman and President Obama jointly encouraged Prime Minister Abadi to implement planned reforms in support of the fight against the Islamic State. Iraq-based IS supporters continue to threaten Saudi leaders, although the group has not launched any large-scale military operations against the kingdom from territory it holds in western Iraq. Saudi Arabia had not participated in air strikes in Iraq as part of the counter-IS coalition.

Saudi officials likely view the increasing empowerment of Iran-linked Shiite militia groups in Iraq with suspicion. In the context of the rupture of Saudi-Iranian relations in early 2016, Saudi Ambassador to Iraq Thamer al Sabhan suggested that the largely Shia Iraqi Popular Mobilization Forces should play a reduced role in counter-IS operations to avoid enflaming Sunni-Shia tensions. His remarks drew criticism from some Iraqi politicians and the Iraqi Foreign Ministry summoned Al Sabhan for consultations.

Following the April 2016 U.S.-GCC Summit, President Obama said, "We'll continue to offer support to Iraq as it liberates and stabilizes towns and cities from ISIL control, and we'll remain leading donors of humanitarian aid to the peoples of Syria and Iraq."⁸² Press reports suggested that U.S. efforts to convince the GCC states to offer greater economic and military assistance to

⁸⁰ The United Nations Security Council endorsed the terms of the agreement by adopting Resolution 2268 on February 26, 2016.

⁸¹ Ben Hubbard, "Government Forces, Backed by Russian Jets, Advance in Syria," *New York Times*, February 4, 2016.

⁸² The White House, Statements By President Obama and His Majesty King Salman of Saudi Arabia, April 21, 2016.

the Iraqi government were unsuccessful.⁸³ Saudi officials have offered more than \$500 million in humanitarian assistance to displaced Iraqis.

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 they have provided billions of dollars in financial assistance to the military-backed government. Some leading Saudi clerics defied the government's embrace of the Egyptian military's 2013 actions, illustrating the potential for rifts among the Saudi government, some members of the Saudi religious establishment, and their respective supporters over regional political developments.

Saudi financial and political support to the Egyptian government has continued since 2013, and King Salman has sought and obtained Egyptian support for Saudi military operations in Yemen. In September 2015, Egypt denied reports it had sent as many as 800 troops to Yemen, but Egyptian officials report that they have contributed naval forces in a mission that was extended in January 2016.

In April 2016, King Salman visited Cairo, Egypt, for consultations with Egyptian President Abdel Fatah al Sisi. During the visit, the leaders announced billions of dollars in joint investment and development agreements, along with plans to construct a bridge linking the two countries. King Salman also secured President Sisi's recognition of Saudi claims to sovereignty over two islands at the entrance to the Gulf of Aqaba—Tiran and Senafir—that had been under Egyptian control since 1950, when the two governments agreed to station Egyptian military forces on them to dissuade military operations by Israel in the area.⁸⁴

Some observers question whether Saudi financial commitments to Egypt will be sustainable as the kingdom manages declines in oil revenues and resulting fiscal adjustments, but Saudi officials have given no indication that they intend to dramatically alter current patterns of support.

The Israeli-Palestinian Conflict

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 tangibly closer Saudi-Israeli ties in recent years, although Israeli Prime Minister Benjamin Netanyahu speculated in January 2016 that "Saudi Arabia recognizes that Israel is an ally rather than an enemy because of the two principle threats that threaten them, Iran and Daesh [the Arabic acronym for the Islamic State]."⁸⁵ Apart from any potential alignment of views or interests on these regional threats, Saudi leaders and government officials remain vocal advocates for the Palestinians in the context of Israeli-Arab disputes. Official Saudi statements are routinely critical of Israeli policies, and many Saudi

⁸³ Kathleen Hennessey, Lolita C. Baldor and Adam Schreck, "Obama pushes Saudis, Gulf allies to step up Iraq aid," Associated Press, April 20, 2016.

⁸⁴ On January 30, 1950, the Egyptian Foreign Ministry informed the U.S. Embassy in Cairo of its action to militarily occupy the two islands "in perfect accord" with the Saudi Arabian government. See U.S. State Department Telegram 774.54/1-3050, The Ambassador in Egypt (Caffery) to the Secretary of State, Cairo, January 30, 1950, in *Foreign Relations of the United States, 1950, Volume 5*, p. 711. See also, Tamer El-Ghobashy and Margherita Stancati, "Saudi King's Speech to Egypt's Parliament Avoids Controversial Island Agreement," *Wall Street Journal*, April 10, 2016; "Protests in Cairo over Egypt-Saudi Tiran and Sanafir island deal," *Euronews*, April 16, 2016.

⁸⁵ i24 News, "Netanyahu urges EU to adopt policy of moderate Arab states on Israel," January 22, 2016.

clerics, including leading official clerics, appear to remain implacably hostile to Israel. Grand Mufti Abd al Aziz al Al Sheikh has described the Islamic State as a tool of Israel.⁸⁶

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.”⁸⁷ 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.”⁸⁸

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.”⁸⁹ Hamas leaders visited the kingdom in July 2015 and met with King Salman. Saudi officials said their policy toward Hamas has not changed, while some regional sources speculate how Hamas leaders will navigate the deteriorating relationship between their supporters in Iran and Saudi Arabia.

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 Abd al Aziz 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.⁹⁰

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,

⁸⁶ Saudi Gazette, “Islamic alliance will defeat Daesh: Grand Mufti,” December 28, 2015.

⁸⁷ 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.

⁸⁸ Joint Statement on the Meeting between President Barack Obama and King Salman bin Abd alAziz Al Saud, September 4, 2015.

⁸⁹ Saudi Press Agency (Riyadh), Deputy Crown Prince Chairs Cabinet’s Session, August 18, 2014.

⁹⁰ Saudi Press Agency, “Crown Prince Receives Palestinian President,” November 20, 2013.

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.⁹¹

In April 2015, 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."⁹²

U.S.-Saudi Trade and Energy Issues

Saudi Arabia remained the largest U.S. trading partner by overall value in the Middle East in 2015.⁹³ According to the U.S. International Trade Administration, Saudi exports to the United States in 2015 were worth more than \$22 billion (down from the 2008 value of \$54.8 billion). In 2015, U.S. exports to Saudi Arabia were valued at more than \$19.7 billion (up nearly \$9 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, low oil prices have been viewed with some mild public and official concern in the kingdom. In general terms, market observers have expected energy demand in South and East Asia to compensate for declining oil imports in North America, and Saudi officials have appeared committed to preserving and expanding the kingdom's share of global oil markets, with apparently mixed recent results.⁹⁴

According to the U.S. Energy Information Administration, as of April 2016, Saudi Arabia was the second-largest source of U.S. crude oil imports, providing about 1.122 million barrels per day (mbd) of the 7.782 mbd in gross U.S. crude imports, behind only Canada.⁹⁵ As of 2013, oil

⁹¹ 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.

⁹² Statement of Permanent Representative of the Kingdom of Saudi Arabia to the United Nations, November 8, 2013.

⁹³ Based on U.S. Department of Commerce International Trade Administration Global Patterns of U.S. Merchandise Trade, April 2016. Comparable 2015 figures for Israel, the second-largest U.S. trading partner in the Middle East, were more than \$24.4 billion in exports to the United States and more than \$13.5 billion in U.S. exports to Israel. U.S. exports to the United Arab Emirates in 2015 were worth more than \$22.9 billion.

⁹⁴ Anjali Raval, "Saudi Arabia loses oil market share to rivals in key nations," *Financial Times* (UK), March 28, 2016.

⁹⁵ Based on EIA data – "Weekly Imports & Exports: Crude" and "Weekly Preliminary Crude Imports by Country of (continued...)"

exports to the United States accounted for roughly 15% of Saudi exports, with East Asia accounting for more than 68%.⁹⁶

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."⁹⁷ In 2016, Saudi officials stated they are studying the prospect of a partial public offering of shares in Saudi Aramco, which some market analysts estimate could be valued in the trillions of dollars.⁹⁸ The Saudi government would retain sovereign control over oil reserves.

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.⁹⁹ In August 2015, IMF directors warned that a "sharp drop in oil revenues" would cause a "very large fiscal deficit," and underscored the need for "sizeable multi-year fiscal adjustment" including "comprehensive energy price reforms."¹⁰⁰ 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."¹⁰¹ Subsidy changes and taxation have been viewed as politically sensitive given the lack of popular representation in the kingdom's government, but, as discussed above (see "Administrative Changes, Lower Oil Prices, and Fiscal Priorities"), some changes in this direction are under way.

Outlook

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

(...continued)

Origin," Four Week Averages, January 22, 2016.

⁹⁶ EIA Country Analysis Brief—Saudi Arabia, September 2014.

⁹⁷ *Arab News* (Jeddah), "Saudi Aramco CEO: Oil industry 'needs timely investments,'" August 26, 2014.

⁹⁸ Summer Said, "Potential Saudi Aramco IPO Wouldn't Include Oil Reserves," *Wall Street Journal*, January 24, 2016.

⁹⁹ 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.

¹⁰⁰ IMF Executive Board Concludes 2015 Article IV Consultation with Saudi Arabia, Press Release No. 15/383, August 17, 2015.

¹⁰¹ Brad Bourland and Paul Gemble, "Saudi Arabia's coming oil and fiscal challenge," Jadwa Investments, July 2011.

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.¹⁰²

In July 2014, Smith described the regional challenges facing the kingdom as “a maelstrom.”¹⁰³

The period since has seen new pressures created by Islamic State attacks, King Abdullah’s death, the collapse of the Saudi-backed transitional government in neighboring Yemen, plummeting oil prices, Russian military intervention in Syria, and the results of multilateral nuclear negotiations with Iran, which have led to the removal of some sanctions on the kingdom’s chief rival.

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.

Saudi and U.S. officials have taken steps to continue and deepen these ties, with Saudi officials referring to the beginnings of a “new strategic alliance for the 21st century” even as they express frustration with U.S. policy decisions and pursue a more independent and assertive course on some issues.

The rise of the Islamic State in Iraq and Syria and shared concerns about limiting Iranian activity in certain countries present new shared risks and new opportunities for expanded security partnership. 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.

Leaders on both sides of the bilateral relationship appear committed to maintaining U.S.-Saudi partnership, but regional developments may continue to create points of friction and spur some calls on both sides for more fundamental reevaluations of U.S.-Saudi ties.

¹⁰² Ambassador James Smith (ret.), Remarks at National Council on U.S. Arab Relations Conference, October 2013.

¹⁰³ Ambassador James Smith (ret.), Conversation with Saudi-U.S. Relations Information Service, July 14, 2014.

Appendix A. Historical Background

The modern kingdom of Saudi Arabia is the third state established in the Arabian Peninsula since the end of the 18th century based on the hereditary rule of members of the Al Saud family. In the mid-18th 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. Alliances between the Al Saud family and supporters of Abd Al Wahhab (referred to by some as Wahhabis) built two states in the Arabian Peninsula during the next century. Each eventually collapsed under pressure from outside powers and inter- and intra-family rivalries.

During the first quarter of the 20th 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, the resulting socioeconomic transformation of the country, and accompanying religious and cultural debates spurred by rapid change. During this period, Al Saud rulers have managed a complex consensus-based system of governance, balancing the various interests of tribal, religious, regional, political, and economic constituencies.

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 has continued as new arms sales to Saudi Arabia—the largest in U.S. history—are implemented. Transition to a new generation of leadership in the Al Saud family, evolution in the Saudi economy, and instability in the regional security environment may continue to create challenges and opportunities for the U.S.-Saudi relationship.

Appendix B. Proposed Major U.S. Defense Sales to Saudi Arabia

Table B-1. Proposed Major U.S. Defense Sales to Saudi Arabia

October 2010 to November 2015, Possible Values in \$ billion

Formal Notification Date	System	Recipient Force	Pos. Value
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
October 2015	UH-60M Black Hawk Utility Helicopters	RSLF Aviation Command	\$0.495

Formal Notification Date	System	Recipient Force	Pos. Value
October 2015	Multi-Mission Surface Combatant Ships	RSNF	\$11.250
November 2015	Air-to-Ground Munitions	RSAF	\$1.290
February 2016	MK 15 Phalanx Close-In Weapons System (CIWS) Block 1B Baseline 2 Kits	RSNF	\$0.154
February 2016	USMTM Technical Assistance Field Teams and other Support	—	\$0.200
Total			\$111.624

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

Notes: Possible values noted in sale proposals may not match actual values of concluded contract sales. Table 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.

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