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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 some 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 Trump Administration seeks to strengthen the relationship.

Successive U.S. Administrations have referred to the Saudi government as an important partner, and U.S. arms sales and related security cooperation programs have continued with congressional oversight and amid some congressional opposition. Since 2009, the executive branch has notified Congress of proposed sales to Saudi Arabia of major defense articles and services with a potential aggregate value of more than \$121 billion. The United States and Saudi Arabia concluded formal arms sale agreements worth more than \$58 billion, from FY2009 through FY2015.

Since March 2015, the U.S.-trained Saudi military has used U.S.-origin weaponry, U.S. logistical assistance, and shared intelligence in support of military operations in Yemen. Some in Congress express concern about Saudi use of U.S.-origin weaponry and question Saudi commitment to combating extremism. Legislation before the 115<sup>th</sup> Congress would place conditions on or disapprove of some proposed U.S. weapons sales (H.J.Res. 102, H.J.Res. 104, S.J.Res. 40, S.J.Res. 42). U.S. officials praise Saudi counterterrorism efforts, including action against the Islamic State.

In parallel to close security ties, official U.S. concerns about human rights and religious freedom in the kingdom have in part reflected deeper concerns for the kingdom's stability. Saudi activists advance limited economic and political reform demands, continuing trends that have seen Saudi liberals, moderates, and conservatives press for domestic change for decades. While some limited protests have occurred since unrest swept the wider region in 2011, clashes involving Saudi security forces have not spread beyond certain predominantly Shia areas of the oil-rich Eastern Province. The Obama Administration 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 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. A series of appointments and reassignments since 2015 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.

U.S. policymakers have sought to coordinate with Saudi leaders on regional issues and help them respond to domestic economic and security challenges. Saudi authorities are attempting to reorient and revitalize the nation's economy, while streamlining public expenditure. 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, Bahrain, Syria, Lebanon, and Iraq. 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 transitions, lower global oil prices, related Saudi budget pressures and reform plans, aggressive terrorist threats, more assertive Saudi foreign policy, and Saudi-Iranian tensions have fueled recent congressional discussions. U.S.-Saudi security cooperation and U.S. concern for the continuing global availability of Saudi energy supplies continue to anchor official bilateral relations as they have for decades. In this context, the Obama Administration's differences with Saudi leaders over Iran, the Iranian nuclear program, and the conflicts in Syria, Iraq, and Yemen drew increased public attention and generated debate.

Nevertheless, bilateral ties have been bolstered 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*). From late 2012 through late 2016, the Obama Administration notified Congress of proposed Foreign Military Sales to Saudi Arabia with a potential value of more than \$45 billion. President Donald Trump and Saudi officials announced agreement on some of these sales and others during the president's May 2017 trip to the kingdom, as part of a package that may potentially be worth more than \$110 billion. The package of previously discussed and newly proposed defense sales will address Saudi Arabia's needs for maritime and coastal security improvements, air force training and support, cybersecurity and communications upgrades, missile and air defenses, and enhanced border security and counterterrorism capabilities. (see "Arms Sales and Security Training" below and **Appendix B**).

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. 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 national committees that coordinate security/foreign policy and domestic/economic affairs. Some observers have speculated about potential rivalry 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. Concerns about Yemeni civilian deaths in Saudi airstrikes, 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 to urge all parties to seek a prompt settlement. President Obama maintained U.S. logistical support for Saudi operations in Yemen but decided in 2016 to reduce U.S. personnel support and limit certain U.S. arms transfers. President Trump has chosen to proceed with precision guided munition technology sales that the Obama Administration

deferred, and Secretary of State Rex Tillerson has renewed calls for a political settlement backed by military support to Yemen’s internationally recognized government.

**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:** 28,160,273 (July 2016 est., included ~30% non-nationals per 2015 U.N. data.); % under 25 years of age: 45.4%

**GDP (PPP; growth rate):** \$1.73 trillion; 1.2% (2016 est.)

**GDP per capita:** \$54,100 (2016 est.)

**Budget (revenues; expenditure; balance):** \$140.8 billion; \$220 billion; \$79 billion deficit, ~13.6% of GDP (2016)

**Projected Budget (revenues; expenditure; balance):** \$184 billion; \$237 billion; \$52.8 billion deficit (2017 est.)

**Literacy:** 94.7% (2015 est.)

**Unemployment:** 12.3% (Q4 2016 est., females 34.5%, males 5.9%)

**Oil and natural gas reserves:** 269 billion barrels (2016 est.); 8.489 trillion cubic meters (2016 est.)

**External Debt:** \$200.9 billion (December 2016 est.)

**Foreign Exchange and Gold Reserves:** ~\$553.7 billion (December 2016 est.)

**Sources:** CRS using State Department, Esri, and Google Maps data (all 2013), CIA, *The World Factbook*, estimates (February 2017), and Saudi government budget data (December 2016) and General Organization for Statistics.

U.S. support to the kingdom’s operations in Yemen and Saudi use of U.S.-origin weaponry has drawn new attention to congressionally reviewed arms sales. 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. In the 115<sup>th</sup> Congress, S.J.Res. 40 would require

the Trump Administration to provide a detailed briefing and make certifications regarding Saudi civilian protection measures, the flow of humanitarian goods to Yemen, and Saudi counterterrorism efforts prior to the transfer of any air-to-ground munitions to Saudi Arabia. Legislation proposed in the House and Senate during the 114<sup>th</sup> Congress would have placed similar conditions on sales of air-to-ground munitions to the kingdom (S.J.Res. 32 and H.J.Res. 90). Scrutiny also was applied to a proposed sale of tanks and related equipment in August 2016: joint resolutions of disapproval in the House and Senate (H.J.Res. 98 and S.J.Res. 39) would have prohibited the proposed sale, but were not adopted.

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 March 2017 notes that Saudi authorities counted 34 terrorist attacks in 2016, including an attempted IS-claimed suicide bombing against the U.S. Consulate General in Jeddah. It warns that "terrorist groups, including ISIS and its affiliates, have targeted both Saudi and Western government interests" and notes that "violence in Yemen has spilled over into Saudi Arabia on a number of occasions."<sup>1</sup> Saudi leaders and their IS adversaries have reiterated their hostility toward each other since late 2015, with Saudi leaders proposing new transnational counterterrorism cooperation and IS leaders re-declaring war against the royal family, condemning official Saudi clerics, and urging attacks inside the kingdom.

The Obama Administration, like its predecessors, engaged the Saudi government as a strategic partner to promote regional security and global economic stability. Nevertheless, a degree of discord between the Obama Administration and Saudi leaders became apparent, driven in part by differences of opinion over Iran, Syria, and Yemen, among other issues. In January 2017, President Trump and King Salman spoke via telephone, reaffirming bilateral ties and discussing a range of proposals for further strengthening relations, particularly in terms of counterterrorism, regional stability, and economic and energy cooperation. At the conclusion of President Trump's May 2017 visit, the U.S. and Saudi governments agreed to "a new Strategic Partnership for the 21<sup>st</sup> Century in the interest of both countries by formally announcing a Joint Strategic Vision."<sup>2</sup>

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. U.S. policy initiatives have long sought to help Saudi leaders address economic and security challenges in ways consistent with U.S. interests, and recent joint U.S.-Saudi diplomatic efforts to strengthen economic, educational, and interpersonal ties have focused on improving opportunities for the kingdom's young population. Tens of thousands of Saudi students continue to pursue higher education in the United States.

Some nongovernment observers have called for a reassessment of U.S.-Saudi relations amid the kingdom's ongoing military campaign in Yemen and resurgent questions about the relationship between Saudi-backed religious proselytization and the appeal of violent Islamist extremism. While U.S. officials have called for the kingdom to seek a negotiated settlement in Yemen, allow peaceful expressions of dissent at home, and contribute to efforts against extremism abroad, 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.

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<sup>1</sup> U.S. State Department, Saudi Arabia Travel Warning, March 29, 2017.

<sup>2</sup> The White House, Joint Statement Between the Kingdom of Saudi Arabia and the United States of America, May 23, 2017.



Saudi concerns about U.S. leadership and policies in the Middle East grew during the Administrations of Presidents George W. Bush and Barack Obama, 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, Israel and the Palestinians, Bahrain, Iraq, Syria, and Iran. Saudi officials oppose the changes to U.S. sovereign immunity law that were made by the 114<sup>th</sup> Congress through the Justice against Sponsors of Terrorism Act (S. 2040, P.L. 114-222) and have sought their amendment or repeal.<sup>3</sup>

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. King Salman eventually endorsed the JCPOA during his September 2015 visit to Washington, DC. President Trump and the king discussed “the importance of rigorously enforcing” the agreement and “addressing Iran’s destabilizing regional activities” in January 2017.<sup>4</sup> The May 2017 joint statement released following President Trump’s visit to the kingdom similarly condemns Iranian “malign interference in the internal affairs of other states” and says the JCPOA “needs to be re-examined in some of its clauses.”

Policy differences and specific current disagreements notwithstanding, leaders in both countries have long favored continuity over dramatic strategic shifts in the face of controversy, despite 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. The Trump Administration’s policies regarding Iran, Yemen, Syria, Iraq, and U.S.-Saudi economic and defense relations are still developing and may have considerable significance for U.S.-Saudi ties for years to come.

## 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.<sup>5</sup> 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 nonroyals 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

<sup>3</sup> 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.

<sup>4</sup> The White House, Readout of the President’s Call with King Salman bin Abd Al-Aziz Al Saud of Saudi Arabia, January 29, 2017.

<sup>5</sup> 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.



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 and economic stagnation. Relations between some members of the Shia minority population (~10%-15%) and the government remain tense, amid periodic localized confrontations between security forces, demonstrators, and armed youth in the oil-rich Eastern Province. Efforts to improve sectarian relations are complicated by anti-Shia terrorism, 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, after 2011, the government 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 decreased more than non-oil revenues have grown. As of 2017, Saudi leaders are now simultaneously managing ambitious and politically sensitive fiscal consolidation and economic transformation initiatives, with U.S. encouragement.

## **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 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 succession changes announced in April 2015.<sup>6</sup>

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.

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<sup>6</sup> The April 2015 succession changes reversed a key decision taken by King Abdullah before 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 Tuwajjiri. 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 nonroyal, 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.

Changes undertaken in 2015 (see **Figure 1** below) 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.<sup>7</sup>

Some individuals expected King Salman and his appointed successors to reverse some liberal initiatives launched under King Abdullah's tenure in an attempt to shore up domestic support for his succession changes and a more independent and active Saudi foreign policy.<sup>8</sup> In practice, King Salman's administration has taken a mixed approach. 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). In 2016, the Saudi government moved to curtail the powers of the Commission for the Promotion of Virtue and the Prevention of Vice (the kingdom's "religious police"), prohibiting them from independently arresting persons suspected of crimes.

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.<sup>9</sup> 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.<sup>10</sup>

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 reported 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. To date there have been no clear public signals that leading members of the

<sup>7</sup> 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.

<sup>8</sup> See, for example, Yaroslav Trofimov, "New Saudi King Brings Major Change at Home and Abroad," *Wall Street Journal*, April 29, 2015.

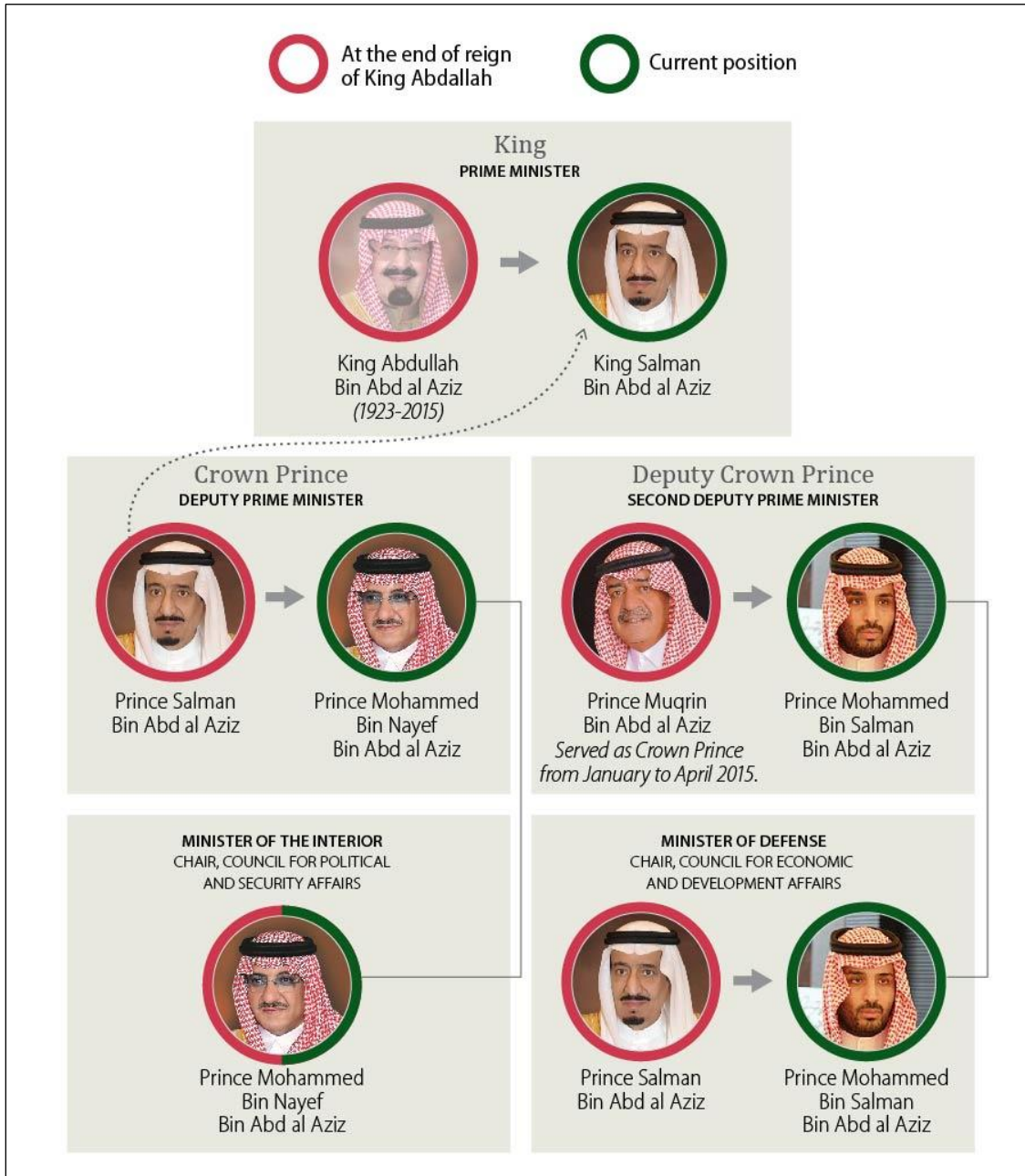
<sup>9</sup> King Salman and the late Crown Prince Nayef were full brothers: their sons—the current Crown Prince and Deputy Crown Prince—are full first cousins. Their "Sudayri" branch of the Al Saud family is named for their grandmother Hassa bint Ahmad al Sudayri—among the best known of the late King 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.

<sup>10</sup> 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.

royal family have reverted to the level of overt tension and competition that characterized intra-family relations in the mid-20<sup>th</sup> century.<sup>11</sup>

**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.

<sup>11</sup> 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.

## 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. Further cabinet changes since have been made in areas where performance has lagged or the king has sought to launch new initiatives.

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 since late 2015, and he is widely considered a key shaper of his father's decisions.<sup>12</sup> He has been the public face of the kingdom's ambitious *Vision 2030* and National Transformation Plan agendas, which seek to transform Saudi Arabia's economy and reduce its dependence on oil revenue.<sup>13</sup>

Reported personal ambitions aside, 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. Lower oil prices have prevailed since mid-2014, while Saudi oil production levels remained roughly constant through mid-2016.<sup>14</sup> 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, they could fuel stronger calls from citizens for political change.

Expenditure consistently exceeded budgeted levels from 2006 through 2015, and by late 2014, approximately one-half of Saudi government expenditures supported “salaries, wages, and allowances.”<sup>15</sup> 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.<sup>16</sup> Overall revenues declined, but non-oil revenues increased nearly 30%.

The Saudi Ministry of Finance stated in December 2015 that, over the next five years, the government planned 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.”<sup>17</sup> These goals are paired with a fiscal consolidation plan that seeks to balance the kingdom's budget by 2020. The 2016 budget projected a

<sup>12</sup> 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.

<sup>13</sup> Peter Waldman, “The \$2 Trillion Project to Get Saudi Arabia's Economy Off Oil,” *Bloomberg Businessweek*, April 25-May 1, 2016.

<sup>14</sup> 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.

<sup>15</sup> Kingdom of Saudi Arabia, Ministry of Finance, “Press Release: Recent Economic Developments and Highlights of Fiscal Years 1435/1436 (2014) & 1436/1437 (2015),” December 25, 2014.

<sup>16</sup> 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.

<sup>17</sup> *Ibid.*



fiscal deficit of nearly \$90 billion and was announced in conjunction with a series of planned budgeting and expenditure reforms.<sup>18</sup> The actual 2016 deficit was closer to \$79 billion, and is expected to decline further to ~\$53 billion in 2017, with improvements stemming from reduced expenditure and higher expected oil prices. To finance the 2015 and 2016 deficits, Saudi officials drew more than \$100 billion from state reserves and issued new domestic bonds to meet revenue needs.<sup>19</sup>

Saudi officials continue to review and revise state support to consumers and industry in the form of energy and utility subsidies, with some changes having already come into effect. Reviews of public land holdings are underway and the kingdom has announced plans to implement a value-added tax (VAT) system by 2018. In May 2016, the kingdom also announced the reorganization and consolidation of several important economic ministries in a bid to streamline operations, reduce costs, and support the implementation of planned reforms. Cuts to public sector salaries and bonuses were implemented in late 2016, but reversed in 2017 in response to improved fiscal performance.

The IMF has commended announced Saudi reform plans in the *Vision 2030* and National Transformation Plan initiatives, which in part reflect long-standing IMF recommendations that Saudi officials implement structural reforms to encourage private sector growth and improve employment opportunities for young Saudis.<sup>20</sup> Historically, Saudi policymakers have sought to accomplish these types of reforms while managing concerns for security, social stability, and cultural and religious values. In May 2017, IMF officials stated their view that the kingdom's leaders have "scope for more gradual implementation" of planned changes in order to allow citizens to adapt and preserve fiscal resources to respond to unanticipated needs.<sup>21</sup>

### **U.S. Support in Educating the Next Generation of Saudis**

The kingdom's investments in the education sector are an acknowledgement of the challenges related to preparing the large Saudi youth population (~45% 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 61,200 Saudi students in the United States during the 2015/2016 academic year.<sup>22</sup> In 2016, the kingdom announced plans to reduce funding for some overseas students, and some reports have suggested that the number of Saudi students enrolled in some U.S. universities is declining as program requirements are changed.<sup>23</sup>

## **Gender Issues, Minority Relations, and Human Rights**

Many gender-rights issues in Saudi Arabia remain subject to domestic debate and international scrutiny. Saudi women 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.<sup>24</sup> The late King

<sup>18</sup> Ibid.

<sup>19</sup> Simeon Kerr, "Saudi Arabia seeks \$30bn-\$50bn solar and wind energy investment," *Financial Times* (UK), January 17, 2017.

<sup>20</sup> Ibid.

<sup>21</sup> IMF Press Release 17/178, IMF Staff Completes 2017 Article IV Mission to Saudi Arabia, May 17, 2017.

<sup>22</sup> Institute of International Education, Open Doors Fact Sheet: Saudi Arabia, Educational Exchange Data from *Open Doors 2016*, November 2016.

<sup>23</sup> Elizabeth Redden, "Saudi Enrollment Declines," *Inside Higher Ed*, July 18, 2016.

<sup>24</sup> 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.

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 involving gender issues are possible.

The most recent (2016) U.S. State Department report on human rights in Saudi Arabia notes "women continued to face significant discrimination under law and custom, and many remained uninformed about their rights."<sup>25</sup> 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." 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 and 17 were appointed to seats.<sup>26</sup>

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 have created 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 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.<sup>27</sup>

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 views among some Saudi Shia of the state as being discriminatory and encouraging of anti-Shia extremism contribute to tensions. In May 2017, Saudi security forces traded fire with armed individuals in Nimr's home village of Al Awamiya, and one Saudi soldier was killed.

While Saudi authorities have created new space for some social and entertainment activities, they also 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 "breaking allegiance" to the king.<sup>28</sup> Some young Saudis who have produced social

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<sup>25</sup> U.S. State Department Country Reports on Human Rights Practices for 2016, Saudi Arabia, March 2017. 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."

<sup>26</sup> 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.

<sup>27</sup> 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.

<sup>28</sup> According to Amnesty International, the defendants were convicted on charges including "breaking allegiance to and disobeying the ruler, questioning the integrity of officials, seeking to disrupt security and inciting disorder by calling for demonstrations, disseminating false information to foreign groups and forming an unlicensed organization." Amnesty (continued...)

media videos criticizing the government and socioeconomic conditions in the kingdom also have reportedly been arrested. In February 2017, Human Rights Watch issued a report reviewing what it described as a “stepped up” campaign against activists.<sup>29</sup>

Some prominent arrests and public punishments have attracted attention to contentious social and human rights issues since 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.<sup>30</sup> 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, reportedly calling her back for questioning in February 2017.<sup>31</sup> 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.<sup>32</sup>

At the same time, King Salman, like the late King Abdullah, has moved to restrict and redefine some of the responsibilities and powers of the Commission for the Promotion of Virtue and Prevention of Vice (CPVPV), often referred to by non-Saudis as “religious police,” in response to public concerns. In April 2016, the government formally stripped the CPVPV of certain arrest powers, required its personnel to meet certain educational standards, and instructed them to improve their treatment of citizens. One year later, the commission remains in operation, in cooperation with security forces. The subject of the commission’s role in society remains a subject of debate, with periodic incidents involving CPVPV personnel and the government’s moves to embrace certain types of entertainment and social gatherings fueling discussion and debate among Saudi liberals and conservatives.

## Terrorism Threats and Bilateral Cooperation

The Saudi Arabian government states that it views Al Qaeda, Al Qaeda affiliates, the Islamic State, other Salafist-jihadist groups, and their supporters as direct threats to Saudi national security. In February 2017, the State Department described the Saudi government as “a strong partner in regional security and counterterrorism efforts.”<sup>33</sup> The U.S. government has reported that 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 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. 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).

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International, “Saudi Arabia punishes two activists for voicing opinion,” March 11, 2013.

<sup>29</sup> Human Rights Watch, “Saudi Arabia: Intensified Repression of Writers, Activists,” February 6, 2017.

<sup>30</sup> 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.”

<sup>31</sup> Ben Hubbard, “Saudi Arabia Frees Samar Badawi, Human Rights Activist, After Questioning,” *New York Times*, January 13, 2016.

<sup>32</sup> Human Rights Watch, “Saudi Arabia: 15-Year Sentence for Prominent Activist,” July 7, 2014.

<sup>33</sup> State Department Bureau of Near Eastern Affairs, Fact Sheet: U.S. Relations With Saudi Arabia, February 2, 2017.



Amid the Islamic State's rise, Saudi and U.S. officials have stated that Al Qaeda in the Arabian Peninsula (AQAP), based in Yemen and led by Saudi nationals, also poses a continuing terrorist threat to the kingdom. 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 AQAP during the course of the ongoing conflict in Yemen.

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.<sup>34</sup> After an initial period of clarification and refinement, the Islamic Military Alliance to Fight Terrorism initiative reportedly has attracted the support of 41 countries with a coalition force to be commanded by former Pakistan army chief General Raheel Sharif.<sup>35</sup> Questions about the arrangement's purpose, resources, forces, and limits remain to be fully answered. In May 2017, participants announced they had identified "a reserve force of 34,000 troops to support operations against terrorist organizations in Iraq and Syria when needed."<sup>36</sup> Some Saudi officials appear to want the coalition to confront terrorist threats and threats posed by nonstate actors to member countries, while some coalition members, notably Pakistan, appear to want to proscribe clearer boundaries on coalition activities, in part to avoid antagonizing Iran.<sup>37</sup>

## 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.<sup>38</sup> 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.<sup>39</sup> 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.<sup>40</sup> 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, and in July 2016, a series of three IS-linked suicide bombings targeted the U.S. Consulate General in Jeddah, the Prophet's Mosque in Medina, and a Shia mosque in the Eastern Province. Saudi officials have arrested more than 1,600 suspected IS supporters (including more than 400 in July 2015) and claim to have foiled several planned attacks.<sup>41</sup> In

<sup>34</sup> 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.

<sup>35</sup> Saeed Shah and Margherita Stancati, "Saudi-Led Antiterror Coalition Sharpens Its Focus," *Wall Street Journal*, April 18, 2017.

<sup>36</sup> Riyadh Declaration, Final Communiqué Arab-Islamic-American Leaders' Summit, May 21, 2017.

<sup>37</sup> Ibid.

<sup>38</sup> 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.

<sup>39</sup> OSE Report TRL2015080661723979, "First Statement From ISIL's 'Wilayah Al-Hijaz' Claims Deadly Attack On Saudi 'Emergency Forces'," August 6, 2015.

<sup>40</sup> Ahmed Al Omran, "Saudi Brothers Suspected of Links to Kuwait Mosque Bombing Arrested," *Wall Street Journal*, July 7, 2015.

<sup>41</sup> Ahmed Al Omran, "Saudi Arabia Arrests 431 People With Suspected Islamic State Links," *Wall Street Journal*, July 18, 2015; and, Isa al Shamani, "Forty-Six Saudi Women are with DA'ISH in Syria; 1,375 Individuals Accused of being Members of the Organization," *Al Hayah* (London), September 3, 2015; Reuters, Saudi Arabia says arrests 17 Islamic State attack plotters, September 19, 2016; Reuters, "Saudi Arabia arrests 46 militant suspects involved in Medina attack," April 30, 2017.

May 2014, the Saudi Interior Ministry estimated that at least 1,200 Saudis had then travelled to fight in Syria, and some independent estimates suggest the figure may have then been more than 2,500 Saudis.<sup>42</sup>

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 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.<sup>43</sup>

In a series of videos released in mid-December 2015, 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.<sup>44</sup> 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. Some analysts have examined the similarities and differences between the kingdom's official "Wahhabist" brand of Sunni Islam and the ideology espoused by the Islamic State. IS ideologues draw on the writings of Mohammed Ibn Abd al Wahhab and other clerics who have played a historic role in Saudi Arabia's official religious establishment, but pro-IS ideologues differ from official Saudi clerics in their hostility toward the Al Saud family and on other matters.<sup>45</sup>

## Terrorist Financing and Material Support: Concerns and Responses

According to U.S. government reports, 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 combatting terrorism financing in the Kingdom and has sought to further establish itself as a leader in disrupting terrorism finance within the Gulf region."<sup>46</sup> The U.S. government credits its

<sup>42</sup> Richard Barrett, *Foreign Fighters in Syria*, The Soufan Group, June 2014.

<sup>43</sup> 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.

<sup>44</sup> See Nawaf Obaid and Saud Al-Sarhan, "The Saudis Can Crush ISIS," *New York Times*, September 8, 2014.

<sup>45</sup> For a detailed look at this question, see Cole Bunzel, *The Kingdom and the Caliphate: Duel of the Islamic States*, Carnegie Endowment for International Peace, February 18, 2016.

<sup>46</sup> U.S. State Department Bureau of Counterterrorism, Country Reports on Terrorism 2015, April 2016. The report included nearly identical language from the 2013 and 2014 reports. According to a July 2016 State Department report, "Bulk cash (continued...)"

Saudi counterparts with taking terrorism threats seriously and praises Saudi cooperation in several cooperative initiatives, including Saudi Arabia's leadership alongside Italy and the United States in the multilateral Counter-ISIL Finance Group.

Overall, according to the State Department's 2015 *Country Reports on Terrorism* entry on Saudi Arabia,

Despite serious and effective efforts to counter the funding of terrorism originating within the Kingdom, some individuals and entities in Saudi Arabia continued to serve as sources of financial support for Sunni-based extremist groups, particularly regional al-Qa'ida affiliates such as the Nusra Front. While the Kingdom has tightened banking and charity regulations, and 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. In recent years the government has responded, and in 2015 it increased policing to counter this smuggling. Recent regional turmoil and a sophisticated use of social media have facilitated charities outside of Saudi Arabia with ties to violent extremists to solicit donations from Saudi donors.<sup>47</sup>

Saudi authorities have forbidden Saudi citizens from travelling to Syria to fight and have taken steps to limit the flow of privately raised funds from Saudis to armed Sunni groups and charitable organizations in Syria. 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.<sup>48</sup> The regulations drew 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."<sup>49</sup> The statement, coupled with state crackdowns on clerics deviating from the government's anti-terrorism messaging, appears to signal the kingdom's desire to undercut claims by the Islamic State, Al Qaeda, and their followers that support for the groups and their violent attacks is religiously legitimate. During President Trump's May 2017 visit to Riyadh, photos from the inauguration of the Saudi's new Global Center for Combating Extremist Ideology attracted significant international attention. In conjunction with the government's expanded efforts to dissuade Saudi citizens

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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, Saudi Arabia is still home to individuals and entities that continue to serve as sources of financial support for Sunni-based extremist groups. Saudi Arabia has publicly imposed targeted sanctions on more than 20 Hizballah-affiliated individuals and companies since May 2015. Funds are allegedly collected in secret and illicitly transferred out of the country in cash, often via pilgrims performing Hajj and Umrah. The government has responded in recent years and increased policing to counter this smuggling. Recent regional turmoil and sophisticated usage of social media have facilitated charities outside of Saudi Arabia with ties to extremists to solicit donations from Saudi donors. Some Saudi officials acknowledge difficulties in following the money trail with regard to illicit finance, in large part due to a preference for cash transactions and regulatory challenges posed by hawala networks, which are illegal and dismantled upon discovery." U.S. State Department, 2016 International Narcotics Control Strategy Report (INCSR)—Volume II: Money Laundering and Financial Crimes Country Database, July 2016.

<sup>47</sup> U.S. State Department Bureau of Counterterrorism, *Country Reports on Terrorism 2015*, April 2016.

<sup>48</sup> Saudi Ministry of Interior, *List of the Security and Intellectual Prohibitions for the Citizens and Residents*, Saudi Press Agency, March 7, 2014.

<sup>49</sup> 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.

from supporting the Islamic State and other extremist groups, Saudi security entities continue to arrest cells 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.<sup>50</sup> In the 900-page report, a chapter on alleged foreign support for the September 11 hijackers was redacted virtually in its entirety—Part Four of the report, often referred to as “the 28 pages” (actually 29)—because executive branch officials determined at the time that its public release was contrary to U.S. national security interests. The congressional Joint Inquiry’s report stated that the committee had “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. law enforcement and intelligence agencies subsequently investigated information in the redacted portion of the report further. Some information reportedly remains under investigation.

In the years since, speculation and periodic media reporting focused on the degree to which the redacted pages may have addressed the question of whether or not there was some degree of official Saudi complicity in the September 11 attacks. For years, some people who claimed to have read the formerly-classified sections of the report said it addressed some Saudi nationals’ links with individuals involved in the attacks.<sup>51</sup> 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.<sup>52</sup> On April 19, 2016, President Barack Obama stated that he had asked Director of National Intelligence James Clapper to review the redacted pages of the congressional Joint Inquiry’s report for potential release.<sup>53</sup>

On July 15, 2016, the Senate Select Committee on Intelligence released a declassified version of Part Four of the congressional Joint Inquiry as well as two declassified pages from the executive summary of the September 2005 Joint FBI-CIA Intelligence Report Assessing the Nature and Extent of Saudi Government Support of Terrorism.<sup>54</sup> The latter report focused in part on investigating information discussed in the 2002 Joint Inquiry and was originally submitted as required by the classified annex of the Intelligence Authorization Act for FY2004.

The “28 pages” of the congressional Joint Inquiry released in 2016 address a number of reports that individual Saudi nationals had contact with and may have provided assistance to some of the September 11, 2001 hijackers. Specifically, the pages discuss information that suggested that

“While in the United States, some of the September 11 hijackers were in contact with, and received support or assistance from, individuals who *may be* connected to the Saudi Government. There is information, primarily from FBI sources, that at least two of those individuals were *alleged by some* to be Saudi intelligence officers. The Joint Inquiry’s review confirmed that the Intelligence Community also has information, much of it which has *yet be independently verified*, indicating that individuals associated with the Saudi Government in the United States *may have* other ties to al-Qa’ida and other terrorist groups.” (emphasis added)

As noted above, the pages discuss allegations and not investigatory conclusions of law enforcement or intelligence officials.

The declassified pages from the September 2005 FBI-CIA report state that, “There is no evidence that either the Saudi government or members of the Saudi royal family knowingly provided support for the attacks of 11 September 2001 or that they had foreknowledge of terrorist operations in the Kingdom of elsewhere.” The executive summary of the joint FBI-CIA report further states that “there is evidence that official Saudi entities, [redacted portion], and associated nongovernmental organizations provide financial and logistical support to individuals in the United States and around the world, some of whom are associated with terrorism-related activity. The Saudi Government and many of its agencies have been infiltrated and exploited by individuals associated with or sympathetic to al-Qa’ida.”

The 2004 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].”<sup>55</sup> 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,”

<sup>50</sup> Joint Inquiry into Intelligence Community Activities Before and After the Terrorist Attacks of September 11, 2001, S.Rept. 107-351/H.Rept. 107-792.

<sup>51</sup> CBS News 60 Minutes, “Top secret ‘28 pages’ may hold clues about Saudi support for 9/11 hijackers,” April 8, 2016.

<sup>52</sup> Josh Meyer, “Saudis to Seek Release of Classified Parts of 9/11 Report,” *Los Angeles Times*, July 29, 2003.

<sup>53</sup> President Barack Obama interviewed by Charlie Rose, PBS, April 19, 2016.

<sup>54</sup> Both documents are available on the website of the Senate Select Committee on Intelligence.

<sup>55</sup> Final Report of the National Commission on Terrorist Attacks Upon the United States, July 22, 2004.

may have diverted funding to Al Qaeda.

In July 2016, Saudi Foreign Minister Adel al Jubeir argued that the pages' release exonerated the Saudi government with regard to allegations that it supported or had foreknowledge of the September 11 attacks, saying that "when the appropriate agencies, the 9/11 Commission and the FBI and CIA investigated those leads and came out with their conclusions they said that 'there's no there there.'"<sup>56</sup> The Saudi Embassy in Washington, DC, has consistently responded to news reports about the so-called 28 pages content by citing some of the findings of later investigations and noting the dismissal of lawsuits against the kingdom.<sup>57</sup>

See also CRS In Focus IF10438, *Finding #20 and the Case of the "28 Pages"*.

## U.S. Foreign Assistance to Saudi Arabia

The Obama Administration annually requested 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.<sup>58</sup> The Obama Administration's FY2017 budget request included this nominal amount and noted 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. President Trump's FY2018 budget request seeks \$10,000 in IMET for Saudi Arabia.

In some past years, Congress enacted prohibitions on IMET and other foreign assistance to the kingdom 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 were 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.

In June 2016, the Senate Appropriations Committee narrowly rejected a proposed committee amendment to the Senate version of the FY2017 Foreign Operations Appropriations Act (S. 3117) that sought to condition the provision of FY2017 IMET assistance to Saudi Arabia on certification of Yemen and terrorism related criteria.

## Arms Sales and Security Training

Saudi Arabia's armed forces have relied on U.S. arms sales, training, and service support for decades. Congress has broadly supported U.S. arms sales to the kingdom, while seeking to maintain Israel's qualitative military advantage over potential Arab adversaries and expressing concern about the merits or terms of individual cases in some instances. Congress has at times expressed concern about the potential for U.S. arms sales to contribute to or help drive arms races in the Gulf region and broader Middle East, but at present congressional consensus appears to back continued sales to U.S. partners as a means of improving interoperability, reducing the need for U.S. deployments, deterring Iran, and supporting U.S. industry. The United States Military Training Mission (USMTM) in Saudi Arabia and the Saudi Arabian National Guard Modernization Program (PM-SANG) oversee U.S. defense cooperation with the kingdom

<sup>56</sup> Royal Embassy of Saudi Arabia Information Office, "Saudi Foreign Minister: '28 Pages' Were Misleading," July 16, 2016.

<sup>57</sup> Royal Embassy of Saudi Arabia Information Office, "Saudi Arabia Responds to 60 Minutes Report," April 10, 2016.

<sup>58</sup> The Administration argues that the discount supports continued Saudi participation in U.S. training programs and this participation supports the maintenance of important military-to-military relationships and improves Saudi capabilities. The conference report for H.R. 3288 (H.Rept. 111-366) required the Administration to report to Congress within 180 days (by June 14, 2010) on the net savings this eligibility provides to Saudi Arabia and other IMET recipients.



and have been active under special bilateral agreements and funded by Saudi purchases since the 1950s and 1970s, respectively.

Since 2009, a series of high-value U.S. proposed arms sales to Saudi Arabia have been announced, including 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**.) In May 2017, President Trump signaled a continuation and deepening of bilateral defense cooperation, announcing completed and proposed defense sales during his visit to Riyadh with a potential value of more than \$110 billion. The sales include cases proposed and notified to Congress under the Obama Administration, sales developed under the Obama Administration on which Congress has been preliminarily consulted, as well as new sales that remain under development. Ongoing and proposed sale cases 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.

### **President Trump Announces Defense Sales During May 2017 Visit to Saudi Arabia**

In early May 2017, U.S. and Saudi officials accelerated consultations on a package of proposed and new defense sales to deepen U.S.-Saudi defense cooperation. As part of these consultations and in conjunction with President Trump's May 2017 visit, Saudi authorities signed a series of Letters of Offer and Acceptance for sales proposed and notified to Congress by the Obama Administration and U.S. officials presented Memoranda of Intent regarding sales that have been informally discussed with congressional committees of jurisdiction or that the Administration intends to develop further in consultation with Saudi officials and then propose to Congress.<sup>59</sup> In aggregate, the sales concerned may have an approximate value of more than \$110 billion dollars. They include the following:

- A Letter of Offer and Acceptance for four Littoral Combat Ships
- A Letter of Offer and Acceptance for 115 M1A2S tanks made by General Dynamics Corp., as well as munitions, and heavy equipment recovery systems
- A Letter of Offer and Acceptance for PAC-3 Patriot missiles
- A Letter of Offer and Acceptance for UH-60 Helicopters
- A Letter of Offer and Acceptance for CH-47 Chinook Helicopters
- A memorandum of intent for a \$18 billion program to upgrade Saudi Arabia's military command-and-control and defense communications infrastructure
- A memorandum of intent for a potential sale of the THAAD Anti-Missile System
- A proposed FMS sale to further improve the training and capacity of the Royal Saudi Air Force to include enhanced training on precision targeting capabilities, processes, and Law of Armed Conflict
- The formal notification of Congress of three proposed direct commercial sales of precision-guided munitions technology (see below)

Several of the LOA agreements signed include provisions calling for the production and/or final assembly of military equipment inside Saudi Arabia as part of the kingdom's initiative to strengthen its local defense production base, as its neighbors in the United Arab Emirates have done in recent years. Saudi Arabia intends to spend 50% of its defense dollars locally as part of its Vision 2030 initiative and has established a state-owned enterprise—Saudi Arabian Military Industries (SAMI)—to oversee local defense production and service development. In conjunction with President Trump's May 2017 visit, Lockheed Martin announced plans to produce 150 Blackhawk helicopters in Saudi Arabia through a joint venture, and Raytheon announced plans to establish a Saudi Arabia-based subsidiary for defense production and services.

### **Proposed Foreign Military Sales Draw Congressional Scrutiny**

President Trump's announcements come amid a period of more intense scrutiny of U.S. arms sales to Saudi Arabia among some Members of Congress, driven in part by reports of civilian casualties and deteriorating humanitarian conditions resulting from Saudi military operations in Yemen. Congress

<sup>59</sup> The executive branch has declined to make an accounting of the proposed sales publicly available. For an account based on an a reported White House document, see Aaron Mehta, "Revealed: Trump's \$110 billion weapons list for the Saudis," *Defense News*, June 8, 2017.

reviews proposed foreign military and commercial arms sales pursuant to the provisions of the Arms Export Control Act.<sup>60</sup> When the Obama Administration informally notified Congress of a proposed sale of precision guided munitions (PGMs) to Saudi Arabia, some Senators sought to delay its formal notification. After the formal notification in November 2015,<sup>61</sup> Senate Foreign Relations Committee leaders jointly requested that the Administration notify Congress 30 days prior to associated shipments.<sup>62</sup>

No related joint resolutions of disapproval of this proposed sale were introduced during the 30-calendar-day consideration period outlined in the AECA (22 U.S.C. 2776), but the delay and additional notification request demonstrated congressional concern. Then, in April 2016, legislation was introduced that sought to place conditions on future proposed sale notifications, previously approved sales, or transfers of PGMs to Saudi Arabia (S.J.Res. 32 and H.J.Res. 90). Proposed amendments to FY2017 defense legislation would have added some similar conditions on the use of funds to implement sales of PGMs (FY2017 National Defense Authorization Act, S. 2943) or prohibited the transfer of cluster munitions to Saudi Arabia (Defense Appropriations Act, H.R. 5293).

The Senate did not consider the PGM amendment submitted in conjunction with its consideration of the FY2017 NDAA, but the House narrowly defeated the Saudi cluster munitions prohibition amendment in a June 2016 House floor vote.<sup>63</sup> Saudi use of U.S. cluster munitions in Yemen has been reported, and unnamed U.S. officials have indicated that the Obama Administration placed a hold on further cluster munitions transfers.<sup>64</sup>

In August 2016, the Obama Administration notified Congress of a proposed sale of M1A2S tanks to Saudi Arabia, and some lawmakers wrote to request that President Obama withdraw the proposal, citing concerns about Yemen.<sup>65</sup> In September 2016, joint resolutions of disapproval of the proposed tank sale were introduced in the Senate (S.J.Res. 39) and House (H.J.Res. 98). U.S. tanks form the core of the Royal Saudi Land Forces fleet, and a series of contracts concluded since 2006 has seen Saudi M1 series tanks first sold to the kingdom in the 1990s upgraded to the M1A2S standard.<sup>66</sup> On September 21, the Senate voted to table a motion to discharge S.J.Res. 39 from the Senate Foreign Relations Committee (71-27, Record Vote 145).<sup>67</sup>

In the wake of an October 2016 Saudi airstrike on a funeral hall in Sanaa that killed 140 people, the Obama Administration announced that it was initiating a review of U.S. security assistance to Saudi Arabia. In December 2016, press reports cited Obama Administration officials as stating that a planned commercial sale of precision guided munitions technology, including more than 16,000 air-to-ground

<sup>60</sup> See CRS Report RL31675, *Arms Sales: Congressional Review Process*, by Paul K. Kerr.

<sup>61</sup> Defense Security Cooperation Agency Transmittal No. 15-57, November 16, 2015.

<sup>62</sup> 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). 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. 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.

<sup>63</sup> Hon. Conyers Amendment No. 40, Roll Call Vote 327, Consideration of H.R. 5293, June 16, 2016.

<sup>64</sup> John Hudson, “White House Blocks Transfer of Cluster Bombs to Saudi Arabia,” *Foreign Policy* (online), May 27, 2016. U.S. officials had previously said that they “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.” State Department Daily Press Briefing, August 20, 2015.

<sup>65</sup> See Hon. Lieu et al., Letter to President Barack Obama, August 29, 2016.

<sup>66</sup> A series of contracts have been signed to implement the sale proposed in Defense Security Cooperation Agency Transmittal No. 06-31, July 28, 2006.

<sup>67</sup> Congressional Record, September 21, 2016, pp. S5921-S5935.



munitions kits, would not proceed and that U.S. intelligence sharing would be further limited in favor of enhanced training for the Saudi Air Force.<sup>68</sup>

### **Developments in the 115<sup>th</sup> Congress**

Legislation seeking to place conditions on future transfers or sales of precision guided munitions technology was modified and reintroduced in the 115<sup>th</sup> Congress (S.J.Res. 40 and H.J.Res. 104) and would condition the sale or transfer of munitions on a presidential certification that

(1) 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).

(2) 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).

(3) The Government of Saudi Arabia is taking effective 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.

On May 19, 2017, just prior to his visit to the kingdom, President Trump notified Congress that he intends to proceed with three proposed direct commercial sales of precision guided munitions technology deferred by the Obama Administration, subject to congressional review.<sup>69</sup> The proposed sales would include equipment and services related to joint direct attack munitions (JDAMs), Paveway laser-guided munitions kits, and programmable bomb fuzes. Pursuant to Section 36(c) of the Arms Export Control Act, the executive branch may proceed with a proposed direct commercial sale case 30 days after formally notifying Congress. Legislation in the House (H.J.Res. 102) and Senate (S.J.Res. 42) would disapprove of the three proposed sales. On June 13, the Senate voted to reject a motion to discharge S.J.Res. 42 from the Senate Foreign Relations Committee (47-53, Record Vote 143).

As noted above, a separate previously notified foreign military sale of air-to-ground munitions from November 2015 also remains subject to a 30-day pre-shipment notification requirement, as requested by the Chair and Ranking Member of the Senate Foreign Relations Committee.

Critics of the proposed sales argued that Saudi airstrikes in Yemen using U.S. munitions and weapons platforms violate international humanitarian law and that further U.S. sales of identical or related items risk facilitating further such airstrikes or otherwise indelibly associating the United States with Saudi conduct. Proponents of the sales 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 air force. Proponents further argued that U.S.-Saudi collaboration on other issues—including efforts against the Islamic State—might be strengthened if the United States maintains and expands its support for the Saudi military.

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<sup>68</sup> Helene Cooper, “U.S. Blocks Arms Sale to Saudi Arabia Amid Concerns Over Yemen War,” *New York Times*, December 13, 2016.

<sup>69</sup> DDTC Transmittals No. DDTC 15-132 (JDAM), No. DDTC 16-011 (FMU-152A/B bomb fuzes), No. DDTC 16-043 (Paveway II & III, Enhanced Paveway II & III, Paveway IV), May 19, 2017.

## **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 “focused on the protection of critical infrastructure and the Saudi public.”<sup>70</sup> According to the State Department, “Through the OPM-MOI program, U.S. agencies are helping Saudi Arabia improve its ability to thwart terrorists before they act and to defend against terrorist attacks if they occur.”<sup>71</sup> In parallel to these advisory efforts, the United States Military Training Mission also oversees a Saudi-funded Training and Advisory Group supporting the Ministry of Interior’s Facilities Security Force (FSF-TAG), which protects key infrastructure locations. According to the Defense Security Cooperation Agency, as of September 2015, the U.S. government had reached sales agreements worth \$215 million in support of Saudi Ministry of Interior programs since FY2009.<sup>72</sup>

## **Consensus and Contention in the Middle East**

Close U.S.-Saudi security cooperation continues in parallel with work to overcome U.S.-Saudi differences of opinion on some regional security threats and over some preferred responses. The latter years of President Obama’s Administration were characterized by reports of tension 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 identified as issues of interests during President Trump’s May 2017 visit to the kingdom.

President Trump and King Salman bin Abd al Aziz agreed to a “Strategic Partnership for the 21<sup>st</sup> Century” during the president’s May 2017 trip to Riyadh. King Salman and President Obama had previously such a partnership in September 2015. President Trump and King Salman further agreed to a “Joint Strategic Vision for the Kingdom of Saudi Arabia and the United States of America” and announced plans for a “Strategic Joint Consultative Group” that is intended to meet “at least once a year, alternating between the two countries” to review bilateral cooperation. It remains to be seen if the new Administration’s stated desire to repair and deepen relations with the kingdom will result in more aligned and cooperative joint efforts on issues of common concern.

## **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 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

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<sup>70</sup> “Counterterrorism Coordination with Saudi Arabia” in U.S. State Department Bureau of Counterterrorism, Country Reports on Terrorism 2015, April 2016.

<sup>71</sup> Ibid.

<sup>72</sup> Defense Security Cooperation Agency Fiscal Year Series Data, September 30, 2015.

to chemical weapons use attributed to 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. Saudi leaders remain skeptical of Iran's intentions, but hold open the prospect of improved relations. In May 2017, Saudi Foreign Minister Al Jubeir said, "we welcome an Iran that doesn't interfere in the affairs of other countries. But this is not the Iran we see. ... we will continue to base our policy vis-a-vis Iran based on Iran's deeds."<sup>73</sup> Some nonofficial but prominent Saudis have suggested that the kingdom could seek nuclear "parity" with Iran or pursue other unspecified options as the JCPOA agreement is implemented. With limits on arms sales to Iran in place at least until 2020, expanded U.S.-Saudi defense cooperation and arms transfers should further improve Saudi Arabia's conventional military advantage and ability to meet potential unconventional threats from Iran or Iranian proxies. 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 encouraged fellow Arab states to condemn the diplomatic facility incidents and to unite against what they described as Iranian subversion in Arab countries. Several other countries 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 have since noted that Pakistan has not chosen to join the Saudi-led campaign in Yemen and has modulated its participation in and comments about the Saudi-sponsored Islamic Military Alliance to Fight Terrorism.

Some observers argued that while Saudi displeasure with the diplomatic facility incidents was understandable, its decision to execute Nimr and subsequent attempts to isolate Iran diplomatically in part reflect the kingdom's own "angst and perhaps even paranoia."<sup>74</sup> Some speculated that the Saudi actions and handling of broader disputes with Iran might be rooted in fear that the ongoing implementation of the JCPOA will result in the empowerment of Iranian rivals whom Saudi decisionmakers 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 steps to isolate Iran as a legitimate response not only to the diplomatic facility incidents but also to what they describe as a broad and long-running pattern of Iranian intrigue aimed at

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<sup>73</sup> Secretary of State Rex Tillerson and Foreign Minister Adel al Jubeir, Joint Remarks, Riyadh, Saudi Arabia, May 20, 2017.

<sup>74</sup> Bruce Riedel, "What the Iran deal has meant for Saudi Arabia and regional tensions," Brookings Institution, *Markaz*, July 13, 2016.

destabilizing regional rivals. Saudi Foreign Minister Adel Al Jubeir continually highlights what he describes as Iranian efforts at “subversion and interference in Arab countries, including inside Saudi Arabia and in neighboring countries.”<sup>75</sup> 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. 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.” Representatives of both governments publicly accuse each other of supporting terrorism, but leading diplomats also hold out the prospect of improved relations in exchange for an end to behavior by the other that they see as problematic.

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.

### The JCPOA: From Skepticism to Support to Calls for Review

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. 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 position on the terms of the JCPOA, as negotiated.<sup>76</sup> 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. 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.”<sup>77</sup> It is unclear what, if any, U.S. commitments, clarifications, or inducements may have contributed to the apparent shift in Saudi Arabia’s position.

Saudi officials have refrained from substantive comments on Iran’s implementation of the JCPOA, but frequently highlight what they see as a pattern of escalation in Iranian support to proxy groups since the JCPOA’s signing, rather than a decrease in such support. The May 2017 joint statement released following President Trump’s visit to the kingdom similarly condemns Iranian “malign interference in the internal affairs of other states” and says the JCPOA “needs to be re-examined in some of its clauses.”<sup>78</sup>

## 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

<sup>75</sup> Amir Vadhat and Jon Gambrell, “Saudis cut ties with Iran following Shiite cleric execution” *Associated Press*, Jan. 3, 2016.

<sup>76</sup> Royal Embassy of Saudi Arabia, Washington, DC, “Saudi Foreign Minister Meets with President Obama,” July 17, 2015.

<sup>77</sup> Joint Statement on the Meeting between President Barack Obama and King Salman bin Abd al Aziz Al Saud, September 4, 2015.

<sup>78</sup> The White House, Joint Statement Between the Kingdom of Saudi Arabia and the United States of America, May 23, 2017.

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.<sup>79</sup>

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 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 memorandum of understanding regarding cooperation in the possible future construction of a high-temperature gas-cooled reactor (HTGR) in the kingdom. A follow-on agreement for a joint feasibility study for HTGR construction in Saudi Arabia was signed in March 2017, and in May 2017 KA CARE Vice President Walid bin Hussein Abu al Faraj visited China with Saudi experts to begin related implementation planning.<sup>80</sup>

<sup>79</sup> 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.

<sup>80</sup> *World Nuclear News*, “China, Saudi Arabia begin HTGR feasibility study,” May 17, 2017.



It remains unclear whether Saudi Arabia would accept so-called “gold standard”<sup>81</sup> 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.

## Confrontation with Qatar

Saudi-Qatari disputes have periodically flared over the last 20-plus years in the wake of a 1992 border clash and the 1995 palace coup in Qatar that saw Hamad bin Khalifa al Thani replace his Saudi-aligned father as emir.<sup>82</sup> A 1996 counter coup attempt reportedly had Saudi backing, and Saudi Arabia has since taken issue with the pro-Islamist and independent foreign policy pursued by Emir Hamad and his son, the current Emir, Tamim bin Hamad. Saudi leaders also have opposed Qatar’s maintenance of ties to Iran, with which Qatar shares lucrative natural gas reserves.

Saudi Arabia and Qatar have both sought to shape the outcome of regional uprisings since 2011, in some cases using their own military forces, such as in Libya and Yemen. In Syria, Qatar has joined other GCC states in assisting groups opposed to President Bashar Al Assad, but the Syrian groups Qatar has helped have been accused of having ties to Al Qaeda. In March 2014, these and related differences—including over the 2013 military overthrow of an elected Muslim Brotherhood-linked President of Egypt—widened to the point where Saudi Arabia, UAE, and Bahrain withdrew their ambassadors from Doha. The Ambassadors returned in November 2014 in exchange for mutual pledges not to interfere in each other’s affairs, but the underlying policy differences remained.

Emir Tamim bin Hamad participated in the May 2017 U.S.-Gulf summit and met with President Donald Trump, but there were indications of Qatari-Saudi discord prior to and during the summit. On June 5, 2017, Saudi Arabia abruptly severed diplomatic relations with Qatar, closed the land border between the two countries, closed its air space and waters to Qatari vessels, prohibited Saudi nationals from visiting or transiting Qatar, and gave Qatari nationals 14 days to leave the kingdom. The moves followed a period of escalation in official Saudi-Qatari confrontation marked by mutual recriminations and accusations. Saudi Arabia accuses Qatar’s government of supporting terrorism, interfering in the internal affairs of fellow Arab states, and facilitating Iranian efforts to destabilize Saudi Arabia and its neighbors.<sup>83</sup> Qatar rejects

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<sup>81</sup> The United States has attempted to persuade certain countries with which it is negotiating nuclear cooperation agreements to forgo enrichment and reprocessing and conclude additional protocols. Washington has argued that its December 2009 nuclear cooperation agreement with the United Arab Emirates (UAE) could set a useful precedent for mitigating the dangers of nuclear proliferation. For example, President Obama argued in May 2009 that the agreement “has the potential to serve as a model for other countries in the region that wish to pursue responsible nuclear energy development.” Similarly, then-State Department spokesperson P.J. Crowley described the agreement as “the gold standard” during an August 5, 2010, press briefing. See President Barack Obama, Message to the Congress Transmitting a Proposed Agreement for Cooperation Between the Government of the United States of America and the Government of the United Arab Emirates Concerning Peaceful Uses of Nuclear Energy, May 21, 2009; and, State Department Press Briefing, August 5, 2010.

<sup>82</sup> For background, see Kristian Coates Ulrichsen, “Qatar: The Gulf’s Problem Child,” *Atlantic Monthly*, June 5, 2017, and, CRS Report R44533, *Qatar: Governance, Security, and U.S. Policy*, by Kenneth Katzman.

<sup>83</sup> Saudi Ministry of Foreign Affairs, Statement, June 5, 2017.

the charges and views Saudi Arabia as seeking to violate Qatari sovereignty and impose its will on the country's leaders and population.<sup>84</sup>

It remains to be seen whether or how the parties to this dispute might seek to pressure the United States to support their position. The United States maintains close defense cooperation, including arms sales, with both countries and continues to operate from military bases in Qatar. Limitations imposed on travel and transit to Qatar by Saudi Arabia could impact U.S. nationals and businesses, and U.S. nationals and businesses operating in the kingdom may face pressure to limit or curtail their contacts with Qatar as the dispute continues.

## Saudi Military Campaigns and Policy in Yemen

Saudi Arabia has long exercised a strong role in Yemen, seeking to mitigate potential threats to the kingdom through liaison relationships and security interventions. Saudi officials expressed increasing concern about developments in Yemen over the course of 2014, as the Saudi and GCC-backed transition process stalled and an alliance of northern Yemen-based insurgents and forces loyal to former president Ali Abdullah Saleh grew more aggressive in their attempts to coerce transitional President Abed Rabbo Mansour al Hadi.<sup>85</sup>

Some analysts have viewed Saudi support for President Hadi and the transition since 2011 as a hedge against potential threats to Saudi interests posed by a broad range of Yemeni political forces and armed movements. These include the ousted Saleh and his disgruntled supporters; the northern Yemen-based, Zaydi Shia *Ansar Allah* movement (Partisans of God, aka Houthi movement);<sup>86</sup> the tribal and Sunni Islamist supporters of the *Islah* (Reform) movement; and armed Salafi-jihadists like Al Qaeda in the Arabian Peninsula.<sup>87</sup> 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."<sup>88</sup> In October 2014, the U.S. State Department encouraged Yemenis to implement the September agreement peacefully and called for an inclusive resumption of the transition.<sup>89</sup>

<sup>84</sup> Qatar Ministry of Foreign Affairs, Statement, June 5, 2017.

<sup>85</sup> For background on Yemen, its transition process, conflict there, and U.S. Policy, see CRS Report RL34170, *Yemen: Background and U.S. Relations*, by Jeremy M. Sharp.

<sup>86</sup> 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 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!"

<sup>87</sup> See, for example, International Crisis Group, "The Huthis: From Saada to Sanaa," June 10, 2014.

<sup>88</sup> Statement of His Royal Highness Prince Saud Al-Faisal, Minister of Foreign Affairs of the Kingdom of Saudi Arabia Before the United Nations General Assembly, 69<sup>th</sup> Regular Session, September 27, 2014.

<sup>89</sup> Office of the State Department Spokesperson, Taken Question on Yemen, Washington, DC, October 31, 2014.



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."<sup>90</sup>

Days later, as Houthi forces advanced on the southern city of Aden, Saudi Arabia and members of a coalition launched air strikes in response to a specific request from President Hadi "to provide instant support by all necessary means, including military intervention to protect Yemen and its people from continuous Houthi aggression and deter the expected attack to occur at any hour on the city of Aden and the rest of the southern regions, and to help Yemen in the face of Al Qaeda and ISIL."<sup>91</sup>

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 have intercepted 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 Yemen.

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.<sup>92</sup> *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.<sup>93</sup>

Saudi officials have blamed their adversaries for reported civilian deaths and for deteriorating humanitarian conditions. In May 2017, Saudi Foreign Minister Al Jubeir accused Houthi-Saleh forces of conspiring to restrict flows of humanitarian goods to areas under their control and of profiting off the illicit diversion and sale of such goods. Saudi officials also underscore their view of the Houthis as a hostile minority movement that benefits from Iranian security support. 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.<sup>94</sup>

In April 2016, the United Nations helped broker a cessation of hostilities to facilitate intra-Yemeni negotiations in Kuwait, marking its third attempt at brokering an end to the conflict since the March 2015 Saudi intervention. Sporadic fighting continued during summer 2016 talks, though the Saudi-led coalition largely refrained from conducting airstrikes in Sana'a. The Hadi government and the Houthi-Saleh alliance were reportedly close to agreement, but differed over settlement sequencing in an atmosphere of

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<sup>90</sup> Minister of Foreign Affairs Stresses Depth of Historical and Strong Relations Between Saudi Arabia and Britain.

<sup>91</sup> Text of Hadi request letter in "GCC statement: Gulf countries respond to Yemen developments," *The National* (UAE), March 26, 2015.

<sup>92</sup> Ahmed Al Omran, Asa Fitch, and Adam Entous, "Saudi-Led Coalition Announces End of Yemen Military Operation," *Wall Street Journal*, April 21, 2015.

<sup>93</sup> 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.

<sup>94</sup> Sam LaGrone, "U.S. Navy Seizes Suspected Iranian Arms Shipment Bound for Yemen," April 4, 2016.

persistent mutual mistrust. The Hadi government preferred incremental confidence-building measures through which Houthi-Saleh forces would withdraw from cities and disarm in accordance with Resolution 2216 (April 2015). The Houthi-Saleh alliance refused to depart Sana'a and sought a comprehensive settlement to legitimize their control over northern Yemen and to secure Hadi's resignation.

In August 2016, the parties suspended the Kuwait talks and the war intensified. The Obama Administration called "on all parties to cease hostilities immediately," except for defensive operations.<sup>95</sup> In late August, Secretary of State John Kerry traveled to Saudi Arabia, where he proposed a new peace initiative calling for the Houthis to withdraw from the capital, while having their heavy weapons and ballistic missiles transferred to a third party. The proposal did not gain traction, and subsequent U.S.-Saudi differences over the conduct of Saudi military operations overshadowed continuing efforts to broker an end to the ongoing fighting.

By the spring of 2017, U.N. officials were warning of dire humanitarian consequences of continued fighting and reported that "all parties to the conflict are arbitrarily denying sustained humanitarian access and are politicizing aid."<sup>96</sup> The Trump Administration has stated that it "supports the efforts of the Special Envoy of the Secretary-General, Mr. Ismail Ould Cheikh Ahmed, to renew the cessation of hostilities and bring the parties back to the table for negotiations." The Administration also has stated that, "While the conflict continues, the parties must allow sustained access, both for humanitarian aid and for the commercial import of food, medicine, fuel and other basic supplies. These essential goods must be able to arrive through all of the ports of Yemen, and they must be able to move within Yemen."<sup>97</sup>

In May 2017, Secretary of State Rex Tillerson stated that "our emphasis is on finding a political solution" in Yemen, while adding that U.S. military support for Saudi Arabia would continue because the Houthi-Saleh forces "have to know that they will never prevail militarily."<sup>98</sup> Following their May 2017 meeting, President Trump and King Salman "stressed the need to work to resolve the crisis in Yemen," and President Trump "commended the Kingdom of Saudi Arabia for providing humanitarian and relief aid to the Yemeni people."<sup>99</sup> On May 30, U.N. Secretary General Special Envoy for Yemen Ismail Ould Cheikh Ahmed told the Security Council, "we are not close to a comprehensive agreement. The reluctance of the key parties to embrace the concessions needed for peace, or even discuss them, remains extremely troubling."

As noted above, the Trump Administration has announced its intention to proceed with the proposed sale of precision guided munitions technologies that were deferred by the Obama Administration and also has announced plans to offer a more robust training and capacity building program with the Saudi air force to include enhanced training on targeting and the Law of Armed Conflict. A U.S. Central Command Air Force spokesperson reported in February 2017 that U.S. military refueling missions for Saudi-coalition operations over Yemen increased by 50% in 2016 relative to 2015 and are ongoing.<sup>100</sup>

## 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

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<sup>95</sup> State Department Press Office Director Elizabeth Trudeau, Daily Press Briefing, August 15, 2016.

<sup>96</sup> Remarks of Under-Secretary-General for Humanitarian Affairs and Emergency Relief Coordinator Stephen O'Brien at Meeting of U.N. Security Council, U.N. Document S/PV.7897, March 10, 2017.

<sup>97</sup> Remarks of U.S. Deputy Representative to the United Nations Ambassador Michele Sison at Meeting of U.N. Security Council, U.N. Document S/PV.7897, March 10, 2017.

<sup>98</sup> Secretary of State Rex Tillerson and Foreign Minister Adel al Jubeir, Joint Remarks, Riyadh, Saudi Arabia, May 20, 2017.

<sup>99</sup> The White House, Joint Statement Between the Kingdom of Saudi Arabia and the United States of America, May 23, 2017.

<sup>100</sup> Oriana Pawlyk, "2 Years Into Yemen War, US Ramps Up Refueling of Saudi Jets," *Military Times*, February 15, 2017.

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 Houthi forces continue to threaten the kingdom's southern border, with some reported Iranian support.

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 2015 rocket attacks in southern Yemen were difficult blows in this regard.

Despite possible concerns over the ramifications of Saudi-led operations, the Obama and Trump Administrations have voiced diplomatic support for Saudi efforts to reinstall Hadi's government and provided logistical and intelligence support to Saudi-led military operations. A joint U.S.-Saudi planning cell was established to coordinate the provision of military and intelligence support for the campaign, but many of its personnel reportedly were withdrawn in June 2016.<sup>101</sup> The provision of U.S. assistance reportedly was adjusted over time to allow for U.S. vetting of Saudi-chosen targets.<sup>102</sup> Press reports citing unnamed U.S. officials have suggested that U.S. advice and assistance, while intended to support the Saudi campaign, was tailored to limit its potential scope and duration. U.S. officials have repeatedly spoken in clear terms about what they view as the importance of avoiding civilian casualties and reaching a negotiated solution to the crisis.

## 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."<sup>103</sup> 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-

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<sup>101</sup> Reuters, "U.S. withdraws staff from Saudi Arabia dedicated to Yemen planning," August 19, 2016.

<sup>102</sup> Maria Abi-Habib and Adam Entous, "U.S. Widens Role in Saudi-led Campaign Against Houthi Rebels in Yemen," *Wall Street Journal*, April 12, 2015.

<sup>103</sup> *Ibid.*

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. Saudi officials have intermittently stated that they "believe that changing the balance of power on the ground"<sup>104</sup> is important for pressuring Asad to accept a political settlement. In conjunction with U.S. and Russian efforts to establish a cessation of hostilities agreements, Saudi officials have voiced their support in principle while characterizing such agreements as potential tests of the Asad government's intentions and seriousness.

The U.S.-Saudi joint statement released following President Trump's May 2017 visit to the kingdom "emphasized the importance of reaching a permanent solution to the conflict in Syria based on the Geneva declaration and Security Council resolution 2254, in order to maintain the unity and integrity of Syrian territory so that it can be a country that represents the entire spectrum of the Syrian community and free from sectarian discrimination."<sup>105</sup>

## Iraq

In December 2015, Saudi officials reopened the kingdom's diplomatic offices in Iraq after a 25-year absence, marking a milestone in a relative normalization of Saudi-Iraqi relations that occurred after 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. Saudi Foreign Minister Al Jubeir's February 2017 visit to Baghdad marked further opening in Saudi-Iraqi relations, which U.S. officials have welcomed.

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 has not participated in air strikes in Iraq as part of the counter-IS coalition. Saudi officials have offered more than \$500 million in humanitarian assistance to displaced Iraqis, but to date Saudi Arabia and the other GCC states have not offered major new economic or security assistance initiatives to help stabilize Iraq. Saudi Arabia claims nearly \$16 billion in Iraqi government debt dating to the era of Saddam Hussein's war with Iran. In March, the official Saudi Press Agency denied Iraqi press reports that the kingdom intends to cancel the debt.<sup>106</sup>

Saudi officials likely view the empowerment of Iran-linked Shia 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. Al Sabhan alleged that an assassination attempt against him failed in August 2016, and in late August the Iraqi Foreign Ministry formally requested that he be replaced.<sup>107</sup> Ambassador Al Sabhan was subsequently reassigned, and Saudi officials reportedly signaled their intent to replace him during follow-on meetings to Foreign Minister Al Jubeir's February 2017 visit. Saudi Energy Minister Khalid al Falih visited Iraq in May 2017

<sup>104</sup> Ben Hubbard, "Government Forces, Backed by Russian Jets, Advance in Syria," *New York Times*, February 4, 2016.

<sup>105</sup> The White House, Joint Statement Between the Kingdom of Saudi Arabia and the United States of America, May 23, 2017.

<sup>106</sup> Ibrahim Al Hatlani, "Is Saudi Arabia really willing to normalize ties with Iraq?," *Al Monitor*, April 17, 2017.

<sup>107</sup> Ben Kesling, "Iraq Asks Saudi Arabia to Recall Ambassador Who Criticized Shiite Militias," *Wall Street Journal*, August 29, 2016.

and obtained Iraq's support for an extension of OPEC oil production reductions until March 2018. The visit was the first by a Saudi energy minister in three decades.

## 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.<sup>108</sup> An Egyptian court subsequently nullified a bilateral agreement to that effect, amid an ongoing public controversy in Egypt.

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 some new, overt contacts have occurred between Saudis and Israeli government officials. 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]."<sup>109</sup> In May 2017, President Trump flew directly to Israel from Saudi Arabia and upon his arrival said, "I was deeply encouraged by my conversations with Muslim world leaders in Saudi Arabia, including King Salman, who I spoke to at great length. King Salman feels very strongly, and I can tell you would love to see peace between Israel and the

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<sup>108</sup> 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.

<sup>109</sup> i24 News, "Netanyahu urges EU to adopt policy of moderate Arab states on Israel," January 22, 2016.



Palestinians.”<sup>110</sup> The U.S.-Saudi joint statement released following President Trump’s May 2017 visit to the kingdom says that the president and King Salman “stressed the importance of reaching a comprehensive peace between Israelis and Palestinians” and “agreed to do everything they can to promote an environment that is conducive to advancing peace.”<sup>111</sup>

Apart from any potential alignment of views or interests with Israel on some 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 clerics, including leading official clerics, appear to remain implacably hostile to Israel. Saudi Grand Mufti Abd al Aziz al Al Sheikh has described the Islamic State as a tool of Israel.<sup>112</sup>

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 (3) provide for the “[a]chievement of a just solution to the Palestinian Refugee problem in accordance with U.N. General Assembly Resolution 194.”<sup>113</sup> In September 2015, King Salman and President Obama “underscored the enduring importance of the 2002 Arab Peace Initiative, and underlined the necessity of reaching a comprehensive, just and lasting settlement to the conflict based on two states living side-by-side in peace and security.”<sup>114</sup>

Saudi authorities vociferously criticized Israeli conduct during the summer 2014 Gaza war with Hamas, condemning what they described as “Israeli inhuman aggression” and pledging Saudi support “to the Palestinian brothers in the West Bank and Gaza Strip to alleviate the difficult conditions in which they live because of the Israeli aggression and terrorism.”<sup>115</sup> 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. Hamas leaders reportedly have been critical of recent Saudi-Israeli contacts.<sup>116</sup>

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

<sup>110</sup> President Donald Trump, Remarks with Israeli President Reuven Rivlin, May 22, 2017.

<sup>111</sup> The White House, Joint Statement Between the Kingdom of Saudi Arabia and the United States of America, May 23, 2017.

<sup>112</sup> Saudi Gazette, “Islamic alliance will defeat Daesh: Grand Mufti,” December 28, 2015.

<sup>113</sup> Adopted in December 1948, General Assembly Resolution 194 states that “the refugees wishing to return to their homes and live at peace with their neighbours should be permitted to do so at the earliest practicable date, and that compensation should be paid for the property of those choosing not to return and for loss of or damage to property which, under principles of international law or in equity, should be made good by the Governments or authorities responsible.” This resolution is often cited by advocates for the right of Palestinian refugees to return to their former homes in what is now Israel. In April 2013, representatives of the Arab League agreed that land swaps could be an element of a conflict-ending agreement between Israel and the Palestinians. However, in early 2014, Arab foreign ministers reportedly informed Secretary of State John Kerry that they will “not accept Israel as a Jewish state nor compromise on Palestinian sovereignty in Jerusalem.” Elhanan Miller, “Arab ministers back Abbas in rejecting ‘Jewish’ Israel,” *Times of Israel*, January 13, 2014.

<sup>114</sup> Joint Statement on the Meeting between President Barack Obama and King Salman bin Abd alAziz Al Saud, September 4, 2015.

<sup>115</sup> Saudi Press Agency (Riyadh), Deputy Crown Prince Chairs Cabinet’s Session, August 18, 2014.

<sup>116</sup> Dov Lieber, “Hamas asks Saudis to prevent ‘normalization’ visits to Israel,” *Times of Israel*, July 31, 2016.

constitute an obstacle to peace, a flagrant violation of the resolutions of international legitimacy, and a blatant attack on the firm legitimate rights of the Palestinian people.<sup>117</sup>

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

The Kingdom considered the Prime Minister [of] the Zionist entity's statements and commitments regarding not establishment of the Palestinian state in his era as a flagrant challenge to the international will and principles of its legitimacy, resolutions and agreements. In this regard, the international community should fulfill its responsibilities towards these aggressive policies if we really want to reach a just, comprehensive and lasting solution to the conflict, restoration of the legitimate rights of the Palestinian people and establishment of an independent and viable state.<sup>118</sup>

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."<sup>119</sup>

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

Saudi Arabia was the second largest U.S. trading partner in the Middle East by overall value in 2016.<sup>120</sup> Israel was the first. According to the U.S. International Trade Administration, Saudi exports to the United States in 2016 were worth more than \$16.9 billion (down from the 2008 value of \$54.8 billion). In 2016, U.S. exports to Saudi Arabia were valued at more than \$18 billion (up nearly \$8 billion since 2009). To a considerable extent, the high value of U.S.-Saudi trade is dictated by U.S. imports of hydrocarbons from Saudi Arabia and U.S. exports of weapons, machinery, and vehicles to Saudi Arabia. Fluctuations in the volume and value of U.S.-Saudi oil trade account for declines in the value of Saudi exports to the United States in some recent years. Declines in global oil prices from their early 2014 highs have had a pronounced effect on the value of Saudi exports to the United States.

According to the U.S. Energy Information Administration, as of September 2016, Saudi Arabia was the second-largest source of U.S. crude oil imports, providing about 1.158 million barrels per day (mbd) of the 8.347 mbd in gross U.S. crude imports, behind only Canada.<sup>121</sup> As of 2013, oil exports to the United States accounted for roughly 15% of Saudi exports, with East Asia accounting for more than 68%.<sup>122</sup> As oil markets have remained adequately supplied since 2014, Saudi officials have attempted to preserve and

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<sup>117</sup> Saudi Press Agency, "Crown Prince Receives Palestinian President," November 20, 2013.

<sup>118</sup> Saudi Arabian Foreign Ministry, Foreign Minister Prince Saud al Faisal's Introductory Remarks to the Joint Press Conference with British Foreign Secretary Philip Hammond, March 24, 2015.

<sup>119</sup> Statement of Permanent Representative of the Kingdom of Saudi Arabia to the United Nations, November 8, 2013.

<sup>120</sup> Based on U.S. Department of Commerce International Trade Administration Global Patterns of U.S. Merchandise Trade, May 2017. Comparable 2016 figures for Israel, the largest U.S. trading partner in the Middle East, were more than \$22.2 billion in exports to the United States and more than \$13.1 billion in U.S. exports to Israel. U.S. exports to the United Arab Emirates in 2016 were worth more than \$22.3 billion.

<sup>121</sup> Based on EIA data, "Weekly Imports & Exports: Crude" and "Weekly Preliminary Crude Imports by Country of Origin," Four Week Averages, May 12, 2017.

<sup>122</sup> EIA Country Analysis Brief—Saudi Arabia, September 2014.



expand the kingdom's market share, with apparently mixed results.<sup>123</sup> Saudi Arabia produces an average of more than 10 mbd of its estimated 12.5 mbd capacity and has indicated that it may not expand that capacity in light of current trends in international oil markets.

Since Saudi Arabia remains dependent on oil export revenues for much of its national budget, low oil prices have been viewed with some public and official concern in the kingdom. To meet related challenges, Saudi authorities have devised a three-track strategy: (1) negotiation of agreements with oil producers to reduce output, (2) increases in domestic energy prices to reduce consumption, and (3) development of a plan to offer public shares in Saudi Aramco.

Mutual reliance on oil export revenues creates parallel interests and competition for market share between Saudi Arabia, Russia, Iran, and Iraq. In mid-2016, Saudi authorities reversed their commitment to maintaining high production levels in the face of sustained competition from U.S. producers and surplus conditions in global oil markets. In late 2016, Saudi Arabia convinced fellow OPEC members to embrace shared production cuts and reached an agreement with Russia to support a production cut arrangement that market observers credit with stabilizing prices in the \$50-\$55 dollar range. Sufficient global oil stocks have precluded further price rises, and in May 2017 Saudi and Russian authorities agreed to extend shared cuts through March 2018.<sup>124</sup>

Prior to increases on prices of subsidized domestic oil products, some reports warned that the volume of oil consumed in Saudi Arabia could exceed oil exports by 2030 if domestic energy consumption patterns did not change.<sup>125</sup> Declines in Saudi energy use in 2016 have been attributed in part to domestic price increases and may help make stakes in the kingdom's energy producers more attractive to investors drawn by the higher revenue potential of exports over domestic consumption.<sup>126</sup>

Saudi officials are planning a partial public offering of shares in Saudi Aramco, with proceeds benefitting the kingdom's Public Investment Fund to support Saudi economic transformation initiatives and help manage the kingdom's fiscal needs.<sup>127</sup> Market analysts are vigorously debating the potential value of the share offering, with Saudi officials reportedly hoping for a valuation of \$2 trillion and other sources suggesting a valuation of \$1 to \$1.5 trillion, with corresponding proceeds of the ~5% offering netting \$50 to \$100 billion.<sup>128</sup> Deputy Crown Prince Mohammed bin Salman said in a May 2017 interview that the Saudi government would retain sovereign control over oil and gas reserves and production decisions.<sup>129</sup>

## 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

<sup>123</sup> Anjali Raval, "Saudi Arabia loses oil market share to rivals in key nations," *Financial Times* (UK), March 28, 2016.

<sup>124</sup> Javier Blas and Jack Farchy, "Riyadh Dances With Trump But Goes Home With Putin to Prop Up Oil," *Bloomberg*, May 21, 2017; and, Stanley Reed, "As Their Clout Wanes, Saudi Arabia and Russia Extend Oil Production Cuts," *New York Times*, May 15, 2017.

<sup>125</sup> Glada Lahn and Paul Stevens, *Burning Oil to Keep Cool: The Hidden Energy Crisis in Saudi Arabia*, Chatham House (UK), December 2011; and, John Sfakianakis, "Saudi Arabia's Essential Oil," *Foreign Affairs*, January 8, 2014.

<sup>126</sup> Rania El Gamal, "Burning less oil at home will help Saudi exports and Aramco IPO," *Reuters*, March 7, 2017.

<sup>127</sup> Anthony Dipaola & Wael Mahdi, "QuickTake: Saudi Aramco," *Bloomberg*, May 5, 2017.

<sup>128</sup> Summer Said, "Potential Saudi Aramco IPO Wouldn't Include Oil Reserves," *Wall Street Journal*, January 24, 2016; Sam Wilkin, "Saudi Aramco's Valuation Could Top \$1 Trillion After Tax Cut," *Bloomberg*, March 28, 2017; Alan Livsey, "Lex in depth: The \$2tn Saudi Aramco question," *Financial Times* (UK), April 3, 2017; and, Simeon Kerr and Ahmed Al Omran, "Saudi Aramco IPO sparks fears of loss of cash cow," *Financial Times* (UK), May 10, 2017.

<sup>129</sup> Wael Mahdi, "Saudis to Control Crude Reserves, Output After Aramco IPO," *Bloomberg*, May 3, 2017.

on one hand you have those [Saudis] with a deep and abiding confidence in the kingdom—its religion, its culture, and they're excited about the future. On the other hand you have those who are deeply worried that somehow the culture is weak, that it is vulnerable, that social change might erode the very fabric of their society. The chorus of caution feels the need to control events, to keep out new ideas and outside views as if the proud heritage will be threatened....

As the Saudi leadership scans the neighborhood they see an uncertain future, political instability, economic chaos, refugee flows, and meddling from Iran and other regional players. Domestically they see a demand for jobs, the need for energy alternatives, and requests for more freedom and opportunity. They have a full plate.<sup>130</sup>

In July 2014, Smith described the regional challenges facing the kingdom as “a maelstrom.”<sup>131</sup>

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. Saudi Arabia's pursuit of an independent and assertive course on regional security issues and its leaders' ambitious plans to transform the kingdom's economy and fiscal base reflect these concerns and offer both new opportunities for U.S.-Saudi partnership and shared risks.

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 security ties would be difficult and costly for either side to fully break or replace. While Saudi and U.S. officials have taken steps to maintain and deepen these ties, 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. Increased U.S. willingness to arm and train Saudi security forces may reduce potential burdens on U.S. forces, but may also more deeply entangle the United States in dilemmas or disputes in cases where U.S. equipped- or -trained Saudi forces are deployed.

Over time, Saudi and U.S. officials have periodically attempted to articulate a shared “strategic vision” that includes, but extends beyond, defense and counterterrorism partnership. As the kingdom repositions itself as a hub for global investment, commercial ties and investment opportunities may forge new bonds between Saudis and Americans, even if U.S. firms may not enjoy the privileged role they once held in the increasingly open Saudi market.

If past patterns in the bilateral relationship prevail, leaders on both sides may seek to maintain U.S.-Saudi solidarity, while managing points of friction and resisting calls from some parties on both sides for a more fundamental reevaluation of a productive, if imperfect, partnership.

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<sup>130</sup> Ambassador James Smith (ret.), Remarks at National Council on U.S. Arab Relations Conference, October 2013.

<sup>131</sup> 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 18<sup>th</sup> century based on the hereditary rule of members of the Al Saud family. In the mid-18<sup>th</sup> century, a local alliance developed between the Al Saud and the members of a puritanical Sunni Islamic religious movement led by a cleric named Mohammed ibn Abd Al Wahhab. 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 20<sup>th</sup> century, an Al Saud chieftain named Abd al Aziz ibn Abd al Rahman Al Saud (commonly referred to as Ibn Saud) used force to unify much of the Arabian Peninsula under a restored Al Saud state. Ibn Saud's forces overcame numerous tribal rivals with the support of an armed Wahhabi contingent known as the Ikhwan (or brotherhood), and, at times, with the financial and military backing of the British government. By 1932, King Abd al Aziz and his armies had crushed an Ikhwan revolt, consolidated control over most of the Arabian Peninsula, and declared the establishment of the Kingdom of Saudi Arabia.

Six of Ibn Saud's sons—Kings Saud, Faisal, Khaled, Fahd, Abdullah, and Salman—have succeeded him as rulers of the Saudi kingdom during the subsequent eight decades. This era has been dominated by the development and export of the kingdom's massive oil resources, 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. Foreign Military Sales to Saudi Arabia**

January 2009 to August 2016; Possible values in billions of dollars

Formal Notification Date	System	Recipient Force	Pos. Value
August 2009	CNS-ATM	RSAF	\$1.500
August 2009	TASS	RSAF	\$0.530
December 2009	SANG Modernization	SANG	\$0.177
September 2010	Blanket Order Training Program	RSAF	\$0.350
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

Formal Notification Date	System	Recipient Force	Pos. Value
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
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
August 2016	M1A2S Tanks and Related Equipment	RSLF	\$1.150
December 2016	CH-47F Chinook Cargo Helicopters	RSLF Aviation Command	\$3.510
January 2017	Persistent Threat Detection System (PTDS) Aerostats	RSLF	\$0.525
May 2017	Naval Training Blanket Order	RSNF	\$0.250
June 2017	Air Force Training Blanket Order	RSAF	\$0.750
June 2017	AN/TPQ 53-V Radar and Support (Counter Indirect Fire)	RSLF	\$0.662
<b>Total</b>			<b>\$121.028</b>

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

**Notes:** Possible values noted in sale proposals may not match actual values of concluded contract sales. Direct Commercial Sales not included. 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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