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

**Christopher M. Blanchard**

Specialist in Middle Eastern Affairs

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## Summary

The kingdom of Saudi Arabia, ruled by the Al Saud family since its founding in 1932, wields significant global political and economic influence as the birthplace of the Islamic faith and by virtue of its large oil reserves. Close U.S.-Saudi official relations have survived a series of challenges since the 1940s, and, in recent years, shared concerns over Sunni Islamist extremist terrorism and Iranian regional ambitions have provided a renewed logic for continued strategic cooperation. The full effect of the ongoing upheaval in the Middle East and North Africa on the kingdom and on U.S.-Saudi relations has yet to be determined. Official U.S. concerns about human rights and religious freedom in the kingdom persist, and some Members of Congress have expressed skepticism about Saudi leaders' commitment to combating extremism and sharing U.S. policy priorities in the Middle East, North Africa, and South Asia. However, Bush and Obama Administration officials have referred to the Saudi government as an important regional partner in recent years, and U.S. arms sales and related security cooperation programs have continued with congressional oversight. Since October 2010, Congress has been notified of proposed sales to Saudi Arabia of fighter aircraft, helicopters, missile defense systems, missiles, bombs, armored vehicles, and related equipment and services, with a potential value of more than \$90 billion.

At home, Saudi leaders are weighing a litany of economic and political reform demands from competing, energized groups of citizen activists. The prevailing atmosphere of regional unrest and increased international scrutiny of domestic political developments further complicates matters. Groups representing liberal, moderate, and conservative trends have submitted advisory petitions to the kingdom's leaders since the 1990s. Initiatives to organize nationwide protests have been met with some popular criticism and official rejection, while local protests over discrete issues occur sporadically. Some observers fear that public confrontations with unpredictable consequences may result from the apparent incompatibility of a ban on all demonstrations and the enthusiasm of different activist groups, including Shiite citizens of the Eastern Province, government employees, students, and relatives of prisoners and terrorism suspects. The Obama Administration has endorsed Saudi citizens' rights to free assembly and free expression. Saudi leaders reject foreign intervention in the country's internal affairs.

The death of King Abdullah bin Abdelaziz in January 2015 brought to a close a long chapter of consistent leadership. Abdullah served as king from 2005 until his death, and previously served as Crown Prince to the late King Fahd. King Abdullah created some public space for domestic social reform debates and promoted the concept of a strong national identity among Saudis in the face of a determined domestic terrorism campaign. His half-brothers King Salman bin Abdelaziz and Crown Prince Muqrin bin Abdelaziz have assumed leadership of the kingdom in the wake of King Abdullah's death. Succession arrangements have attracted particular attention in recent years, as senior leaders in the royal family, including the king, have faced health crises, and questions remain about the transition to the next generation of the Al Saud family. In the past three years, a series of appointments and reassignments has altered the responsibilities and relative power of leading members of that generation, the grandsons of the kingdom's founder.

Current U.S. policy seeks to coordinate with Saudi leaders on regional issues and help them respond to domestic economic and security challenges. It remains to be seen whether U.S. initiatives and, more importantly, Saudi leaders' efforts will ensure stability. Shared security challenges have long defined U.S.-Saudi relations, and questions about political, economic, and social reform may become more pertinent in light of the calls for change and patterns of conflict that are now swirling around the kingdom.



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## Overview

King Salman bin Abdelaziz Al Saud succeeded his late brother King Abdullah in January 2015 and moved swiftly to answer questions about succession arrangements. Prince Muqrin bin Abdelaziz assumed the position of Crown Prince and Prince Mohammed bin Nayef bin Abdelaziz was named Deputy Crown Prince.

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

Since late 2012, the Administration has notified Congress of over \$24 billion in proposed arms sales to the kingdom including proposed sales that would continue long-established training programs, upgrade legacy platforms, support critical infrastructure protection, and deliver advanced stand-off air weaponry to equip Saudi purchased U.S.-fighter aircraft. Ongoing joint efforts to build stronger economic, educational, and interpersonal ties are intended to broaden the basis of the bilateral relationship and help meet the economic demands and aspirations of the kingdom's young population for employment and more social freedom.

The Obama Administration, like its predecessors, has engaged the Saudi government as a strategic partner to promote regional security and global economic stability. Current U.S. policy initiatives seek to help Saudi leaders, under the leadership of King Salman bin Abdelaziz, address economic and security challenges. U.S. government statements warn of ongoing terrorist threats in Saudi Arabia, including "increased media reports of threats to Saudi infrastructure and U.S. installations in the kingdom."<sup>1</sup> U.S. officials have not indicated that they expect large-scale public unrest to emerge in the near term.

It remains to be seen whether U.S. initiatives and, more importantly, Saudi leaders' own choices will enable the kingdom to meet the energy consumption, education, employment, and security needs that its citizens face. The kingdom's considerable financial clout and its deepening energy ties to major U.S. trading partners in Asia are important factors for U.S. and Saudi decision makers to consider when assessing the future of the bilateral relationship. Significant shifts in the political and economic landscape of the Middle East also have focused greater international attention on Saudi domestic policy issues and reinvigorated social and political debates among Saudis. These shifts may make sensitive issues such as political reform, unemployment, education, human rights, corruption, religious freedom, and extremism more important to U.S.-Saudi relations than in the past.

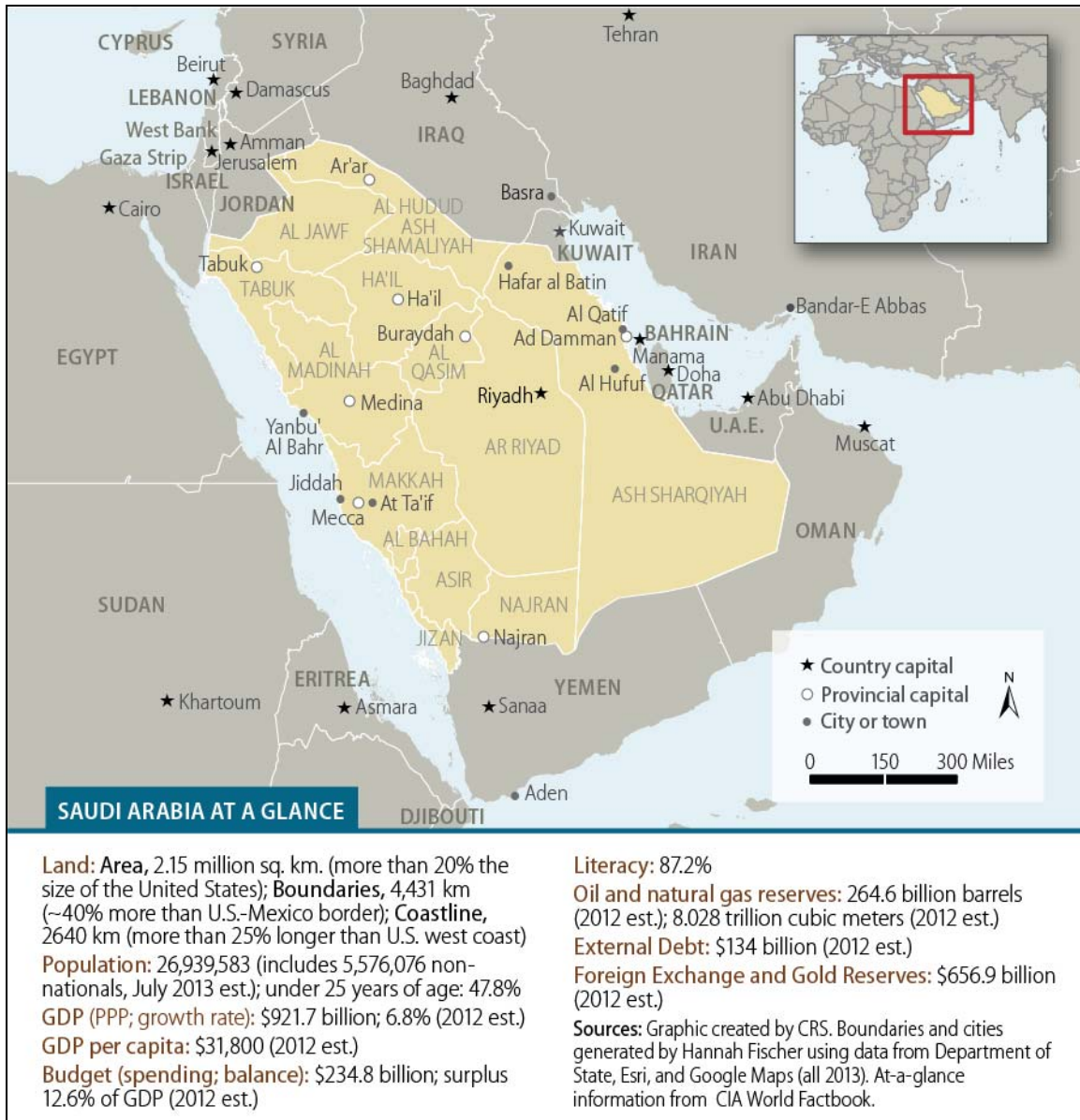
However, the history of these bilateral ties suggests that any official U.S. criticisms of the kingdom's restrictive political and social environment or any perceived failings by the Saudi government to live up to its reform or counterterrorism commitments are likely to remain subjects

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<sup>1</sup> U.S. Department of State Bureau of Consular Affairs, Travel Warning - Saudi Arabia, August 8, 2014.

of private diplomatic engagement rather than public discussion. Leaders in both countries have long prioritized continuity over policy differences in the face of controversy and some Saudis' and Americans' calls for change.

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



## Domestic Issues

U.S. officials credited the late King Abdullah's government with taking a more responsive and transparent approach to citizens' concerns than those of his predecessors, and observers will be watching closely for signals indicating whether King Salman will continue that approach or adopt his own. Regardless of the new king's personal style, decision making in the kingdom reflects consensus among a closed elite dominated by aging members of the Al Saud family. The

government seeks to manage increasingly vocal and public demands for improved economic opportunities, political rights, and improved social conditions while security forces monitor and tightly limit political activity and social activism. The government launched large scale social spending programs targeting housing and unemployment in response to popular demands since 2011, and has expelled hundreds of thousands of foreign workers to boost employment of Saudis.

Recently retired former U.S. Ambassador to Saudi Arabia James Smith attributes what he views 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. In October 2013, he said that:

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>2</sup>

In July 2014, Smith described the regional challenges facing the kingdom as “a maelstrom.”<sup>3</sup>

## **Leadership and Succession**

Saudi leaders are likely to continue to face complex questions about political consent, economic performance, and social reform while managing leadership transitions expected eventually to transfer power from the sons of the kingdom's founder, King Abdelaziz, to his grandsons. By most accounts, the Al Saud family has managed a series of recent leadership transition decisions smoothly, and an Allegiance Council made up of senior family members has been activated to formally consider and ultimately endorse transition decisions. Following the announcement of King Abdullah's death on January 22, 2015, the family moved swiftly to announce succession arrangements and leadership changes. Previously, in March of 2014, then-King Abdullah had named Second Deputy Prime Minister Prince Muqrin bin Abdelaziz as Deputy Crown Prince, a position that had not previously been identified or filled.<sup>4</sup> The royal family had used the position of Second Deputy Prime Minister to identify expected successors for decades.

Now-Crown Prince Muqrin is second-in-line to the throne after King Salman. More notably, Prince Mohammed bin Nayef bin Abdelaziz has been named Deputy Crown Prince and Second Deputy Prime Minister, making him the likely third-in-line for the throne and the first likely successor from the next generation of the Al Saud family. He will continue his duties as Minister of Interior. King Salman's son Prince Mohammed bin Salman has been named Defense Minister

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<sup>2</sup> Ambassador James Smith (ret.), Remarks at National Council on U.S. Arab Relations Conference, October 2013.

<sup>3</sup> Ambassador James Smith (ret.), Conversation with Saudi-U.S. Relations Information Service, July 14, 2014.

<sup>4</sup> Some observers speculated that in light of the late King Abdullah's then-poor health and the reported poor health of Crown Prince Salman bin Abdel Aziz, the king acted to formalize Prince Muqrin's possible ascendance based on a desire to guarantee a stable succession and formally imbue the future transition with the legitimacy of family consensus. Others view the move as an attempt to increase the likelihood that a successor might eventually designate King Abdullah's sons as heirs to the throne, in light of the king's reportedly close relationship with Prince Muqrin.

and head of the royal court. King Salman also has removed Khalid al Tuwaijiri, a prominent and reportedly reform-oriented adviser to the late King Abdullah, from his positions, including chief of the royal guard.

In recent years there has been increased press reporting of competition among the grandsons of King Abdelaziz and clear indications that positions of influence were being redistributed among them. However, there are no clear public signals that the royal family is poised to revert to the level of tension that characterized intra-family relations in the mid-20<sup>th</sup> century, which divided supporters of King Saud (the first son to succeed King Abdelaziz) and King Faisal (the following successor). Prince Miteb bin Abdullah (one of King Abdullah's sons) and Prince Mohammed bin Nayef (son of the late Crown Prince and long-serving Minister of Interior Nayef bin Abdelaziz) are among the most prominent members of the next generation of Al Saud princes. They lead the security forces of the Ministries of the National Guard and Interior, respectively. Three of the late King Abdullah's other sons have been placed in prominent positions: Prince Mishaal bin Abdullah serves as governor of Mecca Province, Prince Turki bin Abdullah serves as Governor of Riyadh Province, and Prince Abdelaziz bin Abdullah serves as Deputy Foreign Minister.

Other prominent next-generation princes in government service include intelligence director and former Saudi land forces commander and deputy defense minister Prince Khalid bin Bandar; his brother, Qassim Province governor Faisal bin Bandar; and Prince Saud bin Nayef and Prince Faisal bin Salman, governors of the Eastern Province and Medina Province, respectively. King Abdullah appeared to have marginalized other grandsons of King Abdelaziz, such as Prince Bandar bin Sultan and Prince Salman bin Sultan, who were removed from leadership roles in the intelligence service and the Ministry of Defense.

One critic of the Saudi monarchy has warned that the division of security ministries among leading princes is an indicator that the future could reflect “a kingdom with multiple heads” and “a decentralized monarchy consisting of multiple fiefdoms.”<sup>5</sup> The ability of the monarchy's next generation to successfully manage their relationships with each other and with competing domestic interest groups is among the factors likely to determine the country's future stability, with direct implications for regional stability and U.S. national security and economic interests. Deputy Crown Prince and Minister of Interior Prince Mohammed bin Nayef bin Abdelaziz Al Saud, Minister of the National Guard Prince Miteb bin Abdullah bin Abdelaziz Al Saud, and Intelligence Chief Prince Khalid bin Bandar bin Abdelaziz Al Saud have visited the United States for consultations with U.S. officials since early 2014.

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

In public statements, Saudi leaders have highlighted continuing regional security threats and domestic economic challenges in recent weeks and have sought to project an image of continuity and consistency in outlining their diplomatic, economic, and security policy plans for 2015. A cabinet reshuffle in December 2014 brought new leadership to the ministries of agriculture, communications and information technology, culture and information, health, higher education, Islamic affairs, social affairs, and transport.<sup>6</sup> Several of these ministries have responsibility for

<sup>5</sup> Madawi al Rasheed, “Saudi Arabia's Unpredictable Succession Plan,” *Al Monitor* (blog), April 23, 2013.

<sup>6</sup> Background information on Saudi cabinet members is available at [http://www.saudiembassy.net/about/Biographies-\(continued...\)](http://www.saudiembassy.net/about/Biographies-(continued...))



government programs in areas where domestic popular demands are high, and close observers of Saudi domestic policy have described the leadership changes as an effort to reinvigorate current policy approaches rather than a course correction or reversal. On January 23, King Salman announced the continuation of the current cabinet under his leadership.

Drastic reductions in global market prices for crude oil are driving questions about Saudi Arabia's oil production plans and fiscal outlook. Prices for Brent crude oil and West Texas Intermediate crude oil have dropped by more than half to roughly \$46 per barrel from June 2014 to January 2015. Saudi Arabia has enjoyed large budget surpluses in recent years as a result of formerly high oil prices, and the kingdom's leaders have used expansionary spending on social programs, housing, education, and infrastructure in a bid to prevent domestic unrest. Since 2011, the kingdom has approved a series of record annual budgets and launched major additional spending programs to meet economic and social demands that some feared could fuel stronger calls from citizens for political change.

Actual spending reached an all-time high in 2013, and the 2014 budget set a higher spending target than 2013, with 38% of total spending earmarked for education and healthcare initiatives. Defense and security spending exceeded 30% of the budget in 2013. In December 2013, an IMF official observed that significant Saudi labor force growth in the coming decade will require "a large increase in the absorption of nationals into private sector jobs ... to avoid an increase in unemployment." The kingdom's investments in the education sector are an acknowledgement of the challenges related to preparing the large Saudi youth population to compete and prosper in coming decades. It also is possible that a more educated and economically engaged youth population could make new social or political reform demands as well. In this regard, recent U.S. efforts to expand the number of Saudi students enrolled in U.S. colleges and universities may have cumulative economic, social, and political effects in future decades. According to U.S. Ambassador to Saudi Arabia Joseph Westphal, as of mid-2014 there were more than 83,000 young Saudi men and women studying at U.S. universities and colleges.<sup>7</sup>

The kingdom ran a budget deficit of \$14.4 billion in FY2014 as a result of a more than 28% increase in expenditures and declining oil revenues. The FY2015 budget presumes a slight increase in spending in spite of lower oil prices, and the Saudi Ministry of Finance expects that the kingdom will post a larger deficit of \$38.6 billion in FY2015. Approximately one-half of Saudi government expenditures support "salaries, wages, and allowances."<sup>8</sup>

Overall, analysts view recent Saudi budget and oil production decisions as indications that the kingdom's leaders are prepared to engage in deficit spending and draw on an estimated \$750 billion in foreign currency reserves.<sup>9</sup> Some observers speculate that these decisions are driven by a desire to pressure adversaries in Iran and Russia, maintain Saudi Arabia's share in Asian oil markets, continue the growth of the non-oil sector at home, and reduce the economic viability of unconventional oil production in North America and other regions. Saudi officials, including Oil

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<sup>7</sup> Abdul Hannan Tago, "King's scholarship program takes U.S. ties to a new level," *Arab News* (Jeddah) May 9, 2014.

<sup>8</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>9</sup> Jay Solomon and Summer Said, "Why Saudis Decided Not to Prop Up Oil, In American Shale Oil, A Perceived Threat to OPEC Market Share," *Wall Street Journal*, December 21, 2014.

Minister Ali Al Naimi, have stated that they do not expect oil prices to rebound to mid-2014 levels in the near future and that Saudi Arabia is positioned to weather pressures created by low oil prices better than other high-cost producers.<sup>10</sup>

## Gender Issues, Minority Relations, and Human Rights

The late King Abdullah recognized women's right to vote and stand as candidates in 2015 municipal council elections and expanded the size of the national Shura Council to include 30 women in the current session. These moves, while controversial in the kingdom, have been seen by some outsiders as signs that managed, limited political and social reforms are possible. Many gender-rights issues remain subject to domestic debate and international scrutiny: Saudi women continue to face restrictions on travel and employment; male guardianship rules continue to restrict their social and personal autonomy; and Saudi officials regularly detain, fine, or arrest individuals associated with protests by advocates for Saudi women's right to drive automobiles and travel freely. The most recent U.S. State Department report on human rights in the kingdom identifies "a lack of equal rights for women" in the kingdom, and states that, despite conditions in which "discrimination based on widespread gender segregation excluded women from many aspects of public life ... women increasingly participated in political life, albeit with significantly less status than men did."

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

Saudi authorities also have moved to restrict the activities of groups and individuals advocating for political change and campaigning on behalf of individuals detained for political or security reasons, including advocates for the rights of terrorism suspects. In March 2013, Saudi authorities convicted two prominent human rights activists and advocates for detainee rights, Mohammed al Qahtani and Abdullah al Hamid, on a range of charges, including "breaking allegiance" to the king.<sup>11</sup> Some young Saudis who have produced social media videos criticizing the government and socioeconomic conditions in the kingdom have reportedly been arrested. At the same time, the late King Abdullah moved to restrict and redefine some of the responsibilities and powers of the Commission for the Promotion of Virtue and Prevention of Vice, often referred to by non-Saudis as "religious police," in response to public concerns.

<sup>10</sup> Steven Mufson, "How low can oil prices go? Welcome to the oil market's old normal," *Washington Post* – Wonkblog Online, January 12, 2015.

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

A series of other prominent arrests and public punishments have attracted attention to contentious social and human rights issues in recent months. Women's rights activists Loujain Hathloul and Maysa al Amoudi were detained at the Saudi-UAE border in December for attempting to drive and publicizing their efforts and detention using social media. Their cases were referred to the Specialized Criminal Court (also referred to as the terrorism court), where cases involving those accused of "undermining social cohesion" are tried. 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.

## **Security Threats and Bilateral Cooperation**

The Saudi Arabian government views Al Qaeda, its affiliates, other Salafist-Jihadist groups, and their supporters as direct threats to Saudi national security and has taken increased action in recent months to prevent Saudis from travelling abroad in support of extremist groups or otherwise supporting armed extremists. The aggressive expansion of the terrorist insurgent group known as the Islamic State in neighboring Iraq and in Syria has raised Saudi Arabia's level of concern about the group, and may be leading the Saudis to seek stronger partnerships with the United States, select Syrian opposition forces, Iraqi Sunnis, and select regional countries. Recent State Department reports have credited the Saudi government with working to preserve "a strong counterterrorism relationship with the United States" characterized by "enhanced bilateral cooperation."<sup>12</sup> Saudi and U.S. officials have stated that Al Qaeda in the Arabian Peninsula (AQAP), based in Yemen and led by Saudi nationals, constitutes the leading terrorist threat to the kingdom. The State Department has assessed that AQAP has "continued its efforts to inspire sympathizers to support, finance, or engage in conflicts outside of Saudi Arabia and encouraged individual acts of terrorism within the Kingdom."<sup>13</sup> In July 2014, AQAP reportedly attacked a remote Saudi-Yemeni border checkpoint, killing and wounding Saudi security officers. However, if recent trends hold, the Islamic State may pose an even greater ideological and security threat to the kingdom's stability.

## **The Islamic State and Related Security Issues**

King Abdullah's January 2015 address to the consultative Shura Council (delivered by now-King Salman) cited "extremely sensitive and delicate international and regional conditions" and pledged to continue the kingdom's uncompromising approach to those seeking to undermine security and unity in Saudi Arabia. Attacks on border personnel and facilities (presumably by Islamic State fighters) along the Iraqi border in July 2014 and January 2015 drew new attention to the threat of potential infiltration and attacks from violent extremists in Iraq. Saudi officials linked the Islamic State to an attack on Saudi Shiites in the Eastern Province village of Dalwa in November 2014 that killed 8 people and wounded 13 others. Security forces detained more than 75 people in connection with the attack, including dozens who had been imprisoned in the past or were facing trial for terrorism charges. Following the attack, Islamic State leader Abu Bakr al

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<sup>12</sup> U.S. State Department Bureau of Counterterrorism, *Country Reports on Terrorism 2013*, April 2014.

<sup>13</sup> *Ibid.*

Baghdadi released a message threatening the kingdom and calling on the group's supporters there to attack Shiites, Saudi security forces, and foreigners.<sup>14</sup> In May 2014, the Saudi Interior Ministry estimated that at least 1,200 Saudis had travelled to fight in Syria, and some independent estimates suggest the figure may be more than 2,500 Saudis.<sup>15</sup>

Saudi officials have agreed to host aspects of a new U.S. training program for vetted Syrian opposition members and other vetted Syrians, but Saudi officials may prefer that efforts to expanded training and assistance focus on increasing pressure on pro-Asad forces rather than on defending opposition-held areas. Saudi military forces continue to conduct air strikes as part of coalition operations against the Islamic State in Syria. On the diplomatic front, Saudi officials have welcomed Iraqi government officials in Riyadh following the change in leadership from Nouri al Maliki to Haider al Abbadi in Baghdad, and Saudi Arabia has renewed plans to reopen its embassy in Iraq.

## Terrorist Financing and Material Support: Concerns and Responses

According to U.S. government sources, financial support for terrorism from Saudi individuals likely remains a serious threat to the kingdom and the international community, even though the Saudi government has “affirmed its commitment to combating terrorist fundraising and sought to further establish itself as a regional leader in disrupting terrorist finance efforts.”<sup>16</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. Nevertheless, references by some Saudi officials and clerics to genocide against Syrian Sunnis and foreign invasion by Iran and Hezbollah contribute to popular perceptions of the crisis in Syria as one that demands action by Saudi individuals.

In January 2014, the kingdom issued a decree setting prison sentences for Saudis who may be found to have travelled abroad to fight with extremist groups, including tougher sentences for any

<sup>14</sup> Baghdadi said, “O sons of al Haramayn [the two holy mosques]...O people of tawhid [monotheism]... O people of wala’ and bara’ [allegiance and disavowal]... the serpent’s head and the stronghold of the disease are beside you. Thus, draw your swords and break their sheaths. Divorce the Dunya [world], for there will be no security nor rest for Al Salul [derogatory term for the Saudi royal family] and their soldiers after today. There is no place for the mushrikin [polytheists] in the peninsula of Mohammed. Draw your swords. Deal with the rafidah [Rejectionists, derogatory term for Shiites] first, wherever you find them, then Al Salul and their soldiers before the Crusaders and their bases. Deal with the rafidah, Al Salul, and their soldiers. Dismember their limbs. Snatch them as groups and individuals. Embitter their lives and make them occupied with themselves instead of us. Be patient and do not hasten. Soon—in sha’llah [God willing]—the vanguards of the Islamic State will reach you.” U.S. Government Open Source Center Report TRR2014111361251279, “ISIL Amir Al-Baghdadi Accepts Pledges of Allegiance, Announces 'Expansion' to Saudi Arabia, Yemen, Twitter in English, Arabic November 13, 2014.

<sup>15</sup> Richard Barrett, Foreign Fighters in Syria, The Soufan Group, June 2014.

<sup>16</sup> Ibid. According to a March 2014 State Department report, “Bulk cash smuggling from individual donors and Saudi-based charities has reportedly been a major source of financing to extremist and terrorist groups over the past 25 years. With the advent of tighter bank regulations, funds are reportedly collected and illicitly transferred in cash, often via pilgrims performing Hajj and Umrah. Despite serious and effective efforts to counter the funding of terrorism originating from within its borders, entities in Saudi Arabia likely continue to serve as sources of cash flowing to Sunni-based extremist groups. Some Saudi officials acknowledge difficulty in following the money trail with regard to illicit finance due to the preference for cash transactions in the country and the regulatory challenge posed by *hawalas*. Recent turmoil in Syria and the expanding usage of social media have allowed charities outside of Saudi Arabia with ties to extremists to solicit donations from Saudi donors, a trend that is proving difficult to stop.” U.S. State Department, 2014 International Narcotics Control Strategy Report (INCSR)—Volume II: Money Laundering and Financial Crimes Country Database, March 2014.

members of the military who may be found to have done so. The decree was followed by the release in March 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>17</sup> The regulations have drawn scrutiny and criticism from human rights advocates concerned about further restrictions of civil liberties.

In August 2014, Saudi Grand Mufti Sheikh Abdelaziz bin Abdullah bin Mohammed Al al Shaykh declared “the ideas of extremism ... and terrorism” to be the “first enemies of Muslims,” and stated that all efforts to combat Al Qaeda and the Islamic State were required and allowed because those groups “consider Muslims to be infidels.”<sup>18</sup> The statement, coupled with state crackdowns on clerics deviating from the government’s anti-terrorism messaging, 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.

In conjunction with the government’s expanded efforts to dissuade Saudi citizens from supporting the Islamic State and other extremist groups, Saudi security entities continue to arrest cells of individuals suspected of plotting attacks, recruiting, or fundraising for terrorist groups. In addition to the arrests noted above, in May 2014, security officers announced the arrest of more than 60 individuals as part of what they described as an active terrorist cell with ties to Yemen and Syria, and, in August 2014, officials reportedly raided a small community northwest of the capital in pursuit of individuals suspected of recruiting Saudis to join the Islamic State abroad. On September 1, the kingdom announced the arrest of 88 people suspected of involvement in active terrorist plots, 59 of whom reportedly had been arrested in the past on terrorism related charges.

## U.S. Foreign Assistance to Saudi Arabia

The Obama Administration requests appropriations of a small amount of International Military Education and Training assistance funding for Saudi Arabia (approximately \$10,000) in its annual budget requests. This nominal amount makes Saudi Arabia eligible for a substantial discount on the millions of dollars of training it purchases through the Foreign Military Sales program.<sup>19</sup> In prior years, Congress has enacted prohibitions on IMET and other foreign assistance to Saudi Arabia in annual appropriations legislation, subject to waiver provisions, and the Bush and Obama Administrations have subsequently issued national security waivers enabling the assistance to continue. Saudi officials have been privately critical of the congressional prohibitions and appear to prefer to avoid contentious public debate over U.S. foreign assistance, arms sales, and security cooperation. The Saudi-funded nature of the U.S. training reflects Saudi Arabia’s ability to pay for the costly programs. It may also point to a shared view among Saudi leaders and successive U.S. Administrations that U.S.-funded training programs for Saudis would be more vulnerable to potential congressional scrutiny and pressure.

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<sup>17</sup> Saudi Ministry of Interior, List of the Security and Intellectual Prohibitions for the Citizens and Residents, Saudi Press Agency, March 7, 2014.

<sup>18</sup> OSC Report IML2014081943429793, “Saudi Grand Mufti Issues Statement Saying ISIL, Al-Qa’ida Are ‘Khawarij,’ ‘Primary Enemies’ of Islam,” *Al Sharq* (Dammam), August 19, 2014.

<sup>19</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.

## Arms Sales and Security Training

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

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 industrial, energy, maritime, and cyber security offices within the Saudi government. In parallel to these ministry advisory efforts, the United States Military Training Mission also oversees a Saudi-funded Training and Advisory Group supporting the Ministry of Interior's Facilities Security Force (FSF-TAG), which protects key infrastructure locations.

## Consensus and Contention in Regional Affairs

President Obama's March 2014 visit to Riyadh occurred in the midst of rising international speculation about reportedly growing differences between U.S. and Saudi leaders on key issues, most notably the conflict in Syria, Iran's nuclear program, and U.S. policy toward Egypt. Saudi Foreign Minister Prince Saud al Faisal bin Abdelaziz Al Saud referred to tactical differences in public comments prior to the visit, and such differences have been apparent in comparing U.S. and Saudi policies toward Syria and Iran, where Saudi leaders appeared to object to a perceived U.S. shift away from confrontation and toward negotiated settlements. Saudi leaders view Iran's nuclear program as inherently threatening, notwithstanding Iranian assurances of its supposedly peaceful purposes. Nevertheless, the Saudi cabinet responded to the 2013 interim nuclear agreement with Iran by describing it as:

a primary step towards a comprehensive solution to the Iranian nuclear program, as long as good intentions are provided and as long as it concludes in a Middle East and Gulf region free of all weapons of mass destruction, including nuclear weapons. The Kingdom hopes that such a step will be followed by more important steps leading to a guarantee of the right for all countries in the region to peacefully use nuclear energy.

**Table I. Proposed Major U.S. Defense Sales to Saudi Arabia**

October 2010 to October 2014, \$ billion

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

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

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

Although the public Saudi reaction was more positive than many experts expected, it remains to be seen how Saudi Arabian leaders would respond to the outcome of ongoing U.S. negotiations with Iran or any perceived failings by Iran or the United States to live up to their commitments as outlined in the agreement or subsequent ones. Analysts continue to debate whether the kingdom would seek to acquire its own nuclear weapons capability if Iran did so. Saudi officials 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 leaders had reportedly invited Iranian Foreign Minister Javad Zarif to visit the kingdom, but in January 2015 some Iranian media outlets cited hostile Saudi remarks in reporting preparations for such a visit had been cancelled. Saudi leaders held consultations in Riyadh with Iranian Deputy Foreign Minister Amir Abdollahian in August 2014.

Statements by some Saudi leaders suggest that they see Iran's policies as part of an expansionist, sectarian agenda aimed at empowering Shia Muslims in the region at the expense of Sunnis. Iranian leaders attribute similarly sectarian motives to their Saudi counterparts. Saudi leaders are particularly critical of Iranian support for the government of Bashar al Asad in Syria. Saudi officials favored U.S. military intervention to a negotiated agreement in response to alleged chemical weapons use by the Asad regime in August 2013. Saudi support for the Sunni monarchy in Bahrain and antipathy toward outgoing Iraqi Prime Minister Nuri al Maliki and his Shia allies reflects similar Saudi suspicion of Shia and Iranian intentions. Saudi leaders also have been critical of U.S. attempts to pressure Bahraini leaders to accommodate the demands of Bahrain's largely Shia opposition.

With regard to Egypt, Saudi Arabia was critical of what it described as a U.S. failure to back a longtime ally when former President Hosni Mubarak initially came under pressure to resign. The Saudis later embraced the Egyptian military's July 2013 ouster of the elected government led by Mohammed Morsi, who was affiliated with the Muslim Brotherhood, and offered billions of dollars in financial assistance to the military-backed government. Some Saudi officials publicly promised to replace any U.S. assistance withheld in protest of the military's actions. Some leading Saudi clerics defied the government's embrace of the Egyptian military's move, illustrating the potential for rifts among the government, some members of the religious establishment, and their respective supporters.

By all accounts, the late King Abdullah remained committed to the terms of the peace initiative he put forward under the auspices of the Arab League in 2002, which calls for normalization of Arab relations with Israel if Israel were to (1) withdraw fully from the territories it occupied in 1967, (2) agree to the establishment of a Palestinian state with a capital in East Jerusalem, and provide for the (3) "[a]chievement of a just solution to the Palestinian Refugee problem in accordance with UN General Assembly Resolution 194."<sup>20</sup> However, 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>21</sup> Saudi Arabia supports the

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<sup>20</sup> 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>21</sup> Saudi Press Agency (Riyadh), Deputy Crown Prince Chairs Cabinet's Session, August 18, 2014.



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

the kingdom's firm stance in support of the Palestinian cause until the Palestinian people regain all their occupied territories, including Al-Quds [Jerusalem]. The Crown Prince expressed the kingdom's condemnation of all Israeli plans to build settlements, stressing that these schemes constitute an obstacle to peace, a flagrant violation of the resolutions of international legitimacy, and a blatant attack on the firm legitimate rights of the Palestinian people.<sup>22</sup>

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>23</sup>

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

Saudi Arabia remained the largest U.S. trading partner in the Middle East in 2013.<sup>24</sup> According to the U.S. International Trade Administration, Saudi exports to the United States in 2013 were worth more than \$51.8 billion (up more than \$29.7 billion from 2009 but below the 2008 figure of \$54.8 billion). Through September 2014, Saudi exports to the United States were valued at \$38.7 billion. In 2013, U.S. exports to Saudi Arabia were valued at more than \$18.9 billion (up nearly \$8.2 billion since 2009). Through September 2014, U.S. exports to Saudi Arabia were valued at \$13.3 billion.

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. Efforts in the United States to produce more oil domestically have lowered U.S. imports of oil overall and contributed to conditions in international oil markets that have put downward pressure on oil prices. Declines in global oil prices are thus likely to have a pronounced effect on the value of Saudi exports to the United States.

Since Saudi Arabia remains dependent on oil export revenues for much of its national budget, these trends have been viewed with some mild public and official concern in the kingdom. Rising demand in South and East Asia is expected to compensate for declining oil imports in North America in coming years, and Saudi officials appear committed to preserving and expanding their share of Asian oil markets. According to the U.S. Energy Information Administration, as of mid-

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<sup>22</sup> Saudi Press Agency, "Crown Prince Receives Palestinian President," November 20, 2013.

<sup>23</sup> Statement of Permanent Representative of the Kingdom of Saudi Arabia to the United Nations, November 8, 2013.

<sup>24</sup> Comparable 2013 figures for Israel, the second-largest U.S. trading partner in the Middle East, were more than \$22.6 billion in exports to the United States and more than \$13.7 billion in U.S. exports to Israel. U.S. exports to the United Arab Emirates in 2013 are estimated at more than \$24.6 billion.

August 2014, Saudi Arabia was the second-largest source of U.S. crude oil imports, providing more than 1 million barrels per day (mbd) of the 7.63 mbd in gross U.S. crude imports, behind only Canada.<sup>25</sup> As of early 2013, oil exports to the United States accounted for roughly 15% of Saudi exports, with East Asia accounting for more than 50%.<sup>26</sup>

In 2013 and early 2014, Saudi Arabia produced an average of more than 9 mbd of its estimated 12.5 mbd capacity and had indicated that it may not expand that capacity in light of current trends in international oil markets. In August 2014, Saudi Aramco's chief executive outlined the company's plans for future investment, saying, "Although our investments will span the value chain, the bulk will be in upstream, and increasingly from offshore, with the aim of maintaining our maximum sustained oil production capacity at twelve million barrels per day, while also doubling our gas production."<sup>27</sup>

By some estimates, the volume of oil consumed in Saudi Arabia may exceed oil exports by 2030 if domestic energy consumption patterns do not change.<sup>28</sup> Some analysts have suggested that Saudi leaders could avoid the risks posed by this scenario by adopting "tough policy reforms in areas such as domestic pricing of energy and taxation, an aggressive commitment to alternative energy sources, especially solar and nuclear power, and increasing the Kingdom's share of global oil production."<sup>29</sup> However, subsidy changes and taxation are viewed as politically sensitive given the lack of popular representation in the kingdom's government. In July 2014, International Monetary Fund (IMF) directors suggested that, "an upward adjustment in energy prices would support a strong fiscal position and the efficient use of energy. The price adjustment should be well-planned and communicated, while ensuring that vulnerable groups are not adversely affected."<sup>30</sup>

## Outlook

As described above, Saudi Arabia has close defense and security ties with the United States anchored by long-standing military training programs and supplemented by ongoing high-value weapons sales and new critical infrastructure security cooperation and counterterrorism initiatives. These ties would be difficult and costly for either side to fully break or replace. The rise of the Islamic State in Iraq and Syria presents new shared risks and new opportunities for expanded security partnership. King Salman has warned of the shared threat posed by the Islamic State and has called for joint action to combat it. Nevertheless, differences in preferred tactics and methods may continue to complicate bilateral coordination on regional security issues, including on action against the Islamic State and other terrorist groups. Saudi officials have expressed frustration with some recent U.S. policy decisions, but, at present, leaders on both sides of the bilateral relationship appear fundamentally committed to maintaining U.S.-Saudi partnership.

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<sup>25</sup> Based on EIA data – "Weekly Imports & Exports: Crude" and "Weekly Preliminary Crude Imports by Country of Origin – Four Week Average," August 27, 2014.

<sup>26</sup> EIA Country Analysis Brief – Saudi Arabia, February 2013.

<sup>27</sup> *Arab News* (Jeddah), "Saudi Aramco CEO: Oil industry 'needs timely investments,'" August 26, 2014.

<sup>28</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>29</sup> Brad Bourland and Paul Gemble, "Saudi Arabia's coming oil and fiscal challenge," *Jadwa Investments* (Riyadh), July 2011.

<sup>30</sup> IMF Executive Board Concludes 2014 Article IV Consultation with Saudi Arabia, Press Release No. 14/356, July 21, 2014.

## **Appendix. Historical Background**

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

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

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

### **Author Contact Information**

Christopher M. Blanchard  
Specialist in Middle Eastern Affairs  
cblanchard@crs.loc.gov, 7-0428