Saudi First

Kingdom Pursues Independent Path

Karen Elliott House
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Acknowledgments

This paper is based on four visits I made to Saudi Arabia in October 2019, October 2021, March 2022, and March 2023 and updates a paper I authored in April 2019 titled Profile of a Prince: Promise and Peril in Mohammed bin Salman’s Vision 2030.

I appreciate all the Saudi officials, Saudi people, and Saudi experts who shared their insights that inform this paper.

About the Author

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She won a Pulitzer Prize for International Reporting in 1984 for her coverage of the Middle East. She is on the board of the RAND Corporation.

Her earlier Belfer Center reports on Saudi Arabia including, Profile of a Prince: Promise and Peril in Mohammed bin Salman’s Vision 2030 (2019), Saudi Arabia in Transition: From Defense to Offense, But How to Score? (June 2017), and Uneasy Lies the Head that Wears a Crown (April 2016) can be found at belfercenter.org/
Key Takeaways:

- Vision 2023 has transformed the Kingdom since it launched in 2016.

- Kingdom records record GDP growth of 8.7% in 2022, highest among G-20.

- Crown Prince pursues aggressive “Saudi First” policy, over cooperation with U.S.

- Kingdom seeks self-reliance in weapons production to cut deep dependence on the U.S.

- Working females drove Saudi unemployment to 8% in 2022 from 14.9% two years earlier.

- Foreign workers are needed to fill the workforce gap left after half a century of rigid religiosity.
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People walk past a banner showing Saudi Crown Prince Mohammed bin Salman, outside a mall in Jiddah, Saudi Arabia, Friday, Dec. 6, 2019. Arabic reads: “vision of 2030”. (AP Photo/Amr Nabil)
Introduction

In 2021, at Saudi Arabia’s Future Investment Initiative, prominent U.S. investors once again were visible after boycotting the 2018 session to protest the brutal killing of Saudi journalist Jamal Khashoggi. While Saudi Crown Prince Mohammed bin Salman was personally absent, his message was delivered loud and clear at the opening ceremony when disco queen Gloria Gaynor belted out her signature song: “You think I’d crumble? You think I’d lay down and die? Oh no not I, I will survive.”

Crown Prince Mohammed bin Salman (MBS) has not only survived, he is thriving. At home and abroad he is recording successes most thought unimaginable a few years ago when doubting Saudis worried that his Vision 2030 reforms were too ambitious and feared that the Biden administration’s displeasure with the Kingdom’s human rights record and especially with the Crown Prince, would leave their country unprotected in the face of future attacks by neighboring Iran.

Yet this past year, Saudi GDP grew at a record 8.7%, the highest of any G-20 nation.¹ Oil prices remained high and non-oil revenue grew at 5.4%, well ahead of the 1.9% in 2016 before the launch of Vision 2030 reforms to try to wean the country off oil.² Female participation in the Saudi labor force rose to 37%, surpassing the government goal of 30% by 2030. And unemployment which peaked at 14.9% in 2020 fell to 8% last year. Unemployment for females is half the level of three years earlier.³

² file:///Users/karenhouse/Downloads/Chartbook%20-%20April%202023.pdf page 13
³ Ibid. page 7.
Moreover, the Kingdom’s oil company, Saudi Aramco, recorded a $161 billion profit in 2022, the largest profit ever produced by a publicly listed company anywhere. And for the first time in nearly a decade, the government boasted a budget surplus of $27.68 billion. Even the Saudi soccer team won a Cinderella victory over Argentina, which went on to win the 2022 World Cup in Qatar. All good news for a Crown Prince determined to prove his staggeringly ambitious reform plans may be grandiose, but they are achievable – by him.

Abroad, the young Crown Prince is assertively pursuing an independent and prominent role on the world stage. The prince, who President Biden labeled a “pariah” and pledged to punish, instead turned the tables to punish Mr. Biden. When the American president flew to Saudi Arabia ahead of last year’s mid-term elections to ask for more oil to reduce gasoline prices for U.S. voters, the prince just said “no.” To underscore his message that Saudi Arabia is not a U.S. puppet, he deepened cooperation with China, who President Biden labels America’s biggest threat, and Russia, who Washington is actively confronting in a hot war in Ukraine.

MBS is skillfully playing a tough hand of great power poker to benefit Saudi Arabia. While the world awaited a U.S. brokered normalization of Israeli-Saudi relations, the Kingdom announced a Chinese brokered restoration of diplomatic relations between Saudi Arabia and its long-time enemy, Iran. While the U.S. debates how to reshape its role in the Middle East to enable a “pivot” to Asia and intensified competition with China, MBS has used his relations with China — heavily dependent on Saudi oil — and with Russia — a Saudi ally in controlling global oil production — to keep prices high, to show Washington that Saudi Arabia has other great power options.

This report is based on four extended trips to the Kingdom since the author’s April 2019 paper, Profile of a Prince: Promise and Peril in Mohammed bin Salman’s Vision 2030. While this report will focus primarily on changes in foreign and defense policy in the Kingdom, it also will update readers on the breathtaking changes in economic and cultural life of the Saudi people including:

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- A nation that once forbade music of any sort and all gender mixing now hosts three-day rock concerts with 600,000 young Saudi men and women gyrating happily on public streets.

- Women, once forbidden to drive or leave the country or check into a hotel without a male guardian, now work side by side with male counterparts in prominent roles and come and go as they please driving their own cars.

- Five-star hotels and a host of world class restaurants underpin the country’s ambition to be a tourist destination not just for Muslim pilgrims but also for international big spenders.

- Gone are meticulous efforts to strictly control visas to infidels; foreigners can now get quick e-visas once they book a flight to the Kingdom.
Saudi First: Kingdom Pursues Independent Path

Surprise Overture to Iran Brokered by China

The Saudi Crown Prince remains deeply unpopular with a segment of influential Americans who dislike his human rights record, believe oil is destroying the climate, and loathe President Trump who befriended MBS. But, like him or not, the 37-year-old defacto leader of Saudi Arabia will become King when his 87-year-old father dies and will be a consequential player on the world stage.

As Meghan O’Sullivan and Jason Bordoff, two academic energy experts, write in Foreign Affairs, “…as the transition to a net-zero world proceeds, the bigger danger to climate change will be insufficient attention to energy security.” The U.S. and global economy remain deeply dependent on oil and will for decades as the transition to clean energy will be complex and costly. Therefore the need to cooperate with the Kingdom to assure its security and that of Mideast oil must remain a U.S. priority.

What is starkly clear from this author’s latest visit to Saudi Arabia and meetings with the most senior leadership is that the Crown Prince doesn’t much care what American naysayers think. He is laser-focused on one thing: building an economically powerful nation that he believes in a few decades could catapult into the top 10 economies of the world. To have any chance of achieving that lofty goal, he must protect Saudi Arabia’s vast new development from potentially devastating attacks by Iran or any other country. Vision 2030, which calls for $3.3 trillion of investment in modernization, is now at the half-way mark to completion.

Protecting Saudi Arabia and his legacy have made national security more important than ever to the Kingdom.

As a result, the Crown Prince is making a virtue of relying less on a reluctant U.S. to protect his nation. For at least a decade since the presidency of Barack Obama,

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7 “Saudi Arabia targets $3.3 tr of cumulative investment till 2030, says deputy minister,” Arab News August 7, 2022; https://www.arabnews.com/node/2137966/business-economy. Also, author interviews with several senior officials in March 2023 who confirm that the Crown Prince seeks to raise the original 8 trillion Saudi Riyal budget for Vision 2030 to 12 trillion Saudi Riyal or $3.3 trillion by new borrowing.
American presidents have talked of pivoting from the Mideast to Asia to compete with China's growing global influence.

China has replaced the U.S. as Saudi Arabia’s largest trading partner due to Beijing’s dependence on Saudi oil. While senior Saudi officials insist they don’t trust Beijing, the Crown Prince has certainly decided to use China’s growing presence in the Mideast to test its value to the Kingdom.

In March 2023, MBS cleverly chose China to broker the surprising normalization of relations between Riyadh and Tehran, broken seven years ago when Iranians attacked the Saudi embassy in Tehran after Saudi Arabia executed a Shiite cleric for his alleged role in anti-government protests in Shia-dominated Qatif, Saudi Arabia.

By cooperating with China to mend Saudi-Iranian relations, the Crown Prince accomplished several things. First, he gave China a diplomatic victory while again sidelining the Biden Administration. Second, he tested whether Iran’s growing domestic economic and political problems could be exploited to ease Iranian threats against Saudi Arabia. Saudis aren’t optimistic Iran will live up to its pledge to respect “the sovereignty of states and the non-interference in internal affairs of states.” However, both China and Iran have put themselves up before the world for success or failure. And, if the gambit fails, Saudi Arabia has shown the world it tried to reduce tensions with Iran.⁸

“If it works, good,” says a senior Saudi official. “If not, we tried.” He added, “China probably won’t curb arms sales to Iran as China makes a lot of money selling arms. When we tell the Chinese that those arms are being used against us, they just offer to sell us any weapons we want.”⁹


⁹ Author interview with a Saudi security official in Riyadh on March 15, 2023
Saudi-Israel Normalization and Cost to the U.S.

The most important purpose of the Saudi decision to mend relations with Iran is the hope that it will finally pressure the Biden administration to abandon Iran and efforts to revive a moribund nuclear deal and belatedly provide genuine security guarantees to Saudi Arabia. It wants performance, not promise from U.S. administrations. After all, the U.S. was brokering normal relations between Israel and Saudi Arabia hoping to announce a diplomatic victory before being disrupted by China’s own diplomatic success in the region. Now, if President Biden wants to recoup lost clout in the Mideast, he’ll need to take seriously Saudi security demands as a quid pro quo for normalizing with Israel. Or that is the hope of senior Saudi officials.

As usual, the Crown Prince’s asks are outsized. Fed up with a decade of what Saudi officials see as dithering by U.S. administrations pledging to support Saudi Arabia but holding up arms sales or putting certain weapons requests off limits, Riyadh wants concrete guarantees: the U.S. must declare Saudi Arabia a strategic ally, provide Riyadh with reliable access to U.S. arms, and support Riyadh’s plans to enrich uranium and develop its own fuel production for the 16 nuclear reactors that the Kingdom intends to build to serve its future energy needs. In addition, Riyadh also seeks a free trade agreement with the U.S.

It is likely Congress will oppose, but once again, the Crown Prince is displaying his penchant for bold risks. Iran quite likely will not live up to its promises. Mr. Biden may prove unable to persuade Congress to accommodate any of the Saudi demands, thus further eroding Riyadh’s relations with U.S. lawmakers.

But a growing number of Saudi officials believe U.S. global dominance is not what it once was, and that Washington is increasingly going to need partners as it mistakenly (in Saudi estimation) confronts both Russia and China simultaneously. At some point, the fiscal costs of the U.S. backed war against Russia in Ukraine will necessitate a brokered peace that will reveal Washington’s huge expenditures in Ukraine were a waste like those of earlier decades seeking to impose U.S. hegemony in Iraq and Afghanistan, the Saudis believe. Saudi leaders don’t intend to sacrifice
their oil revenue to punish Russia for its invasion of Ukraine. “It’s not our fight,” says one minister.¹⁰

With U.S. shale oil production again in decline, Americans will once again become more dependent on global oil supplies from the oil cartel dominated by Saudi Arabia and Russia. In short, Saudi can afford to continue to play great power politics always seeking advantage for Saudi Arabia without completely alienating the U.S. which, in Riyadh’s view, will need partners like Saudi Arabia in the future as Washington confronts both Russia and China. Of course, given Saudi’s reliance on U.S. spare parts for its overwhelmingly American made military, if current global turbulence should transform into a hot confrontation so intense that nations are forced to take sides, Saudi Arabia would have no choice but to choose America to save its own military capabilities.

Anger at Private Dialogue with Americans

A forum in March 2023 in Al Ula, a city on the ancient trade routes from Asia to Europe, underscored the big shift underway in American and Saudi attitudes toward the relationship of their two countries. Throughout the two days of talks (not for attribution) featuring senior Saudis and Americans from government and academia, it was the Americans who repeatedly stressed the benefits of close U.S.-Saudi relations. In contrast, senior Saudi officials sternly emphasized the Kingdom has had enough of American hubris, hypocrisy and broken promises.

“You tell us not to talk to Russia, your opponent, but you are talking to Iran, our opponent,” said a senior minister. “You say don’t buy Chinese weapons. ‘Do you have an alternative,’ we ask? ‘Yes,’ you say, ‘but we can’t sell it to you.’” Yet another minister added, “You said you were behind us in our war in Yemen, but you proved a no show.”

The two sides mostly talked past each other for two days and American entreaties of the benefits of U.S. Saudi cooperation fell short.

¹⁰ Ibid.
Indeed, recent opinion polls in Saudi Arabia show 57% of Saudis favor strong relations with China compared to only 41% for the U.S. Russia earned 53% of Saudis support as an important partner. The poll was conducted by Washington Institute of Near East Policy which late last year questioned in person a statistically accurate sample of 1000 Saudis. At the same time, Americans’ distaste for Saudi Arabia is growing.\textsuperscript{11} A poll in late 2022 by Morning Consult, a business intelligence company established in 2014, found that 49% of Americans see Saudi Arabia as either unfriendly or an outright enemy. The feeling is bipartisan with 52% of Democrats, 49% of Republicans, and 46% of Independents holding that view.\textsuperscript{12}

Undeniably, Saudi Arabia under Mohammed bin Salman is no longer a passive purchaser of U.S. weapons. The Crown Prince continues to underscore he is an independent player on the world stage. No longer does Riyadh keep disputes with the U.S. largely in diplomatic channels to avoid upsetting the American public. Disputes are not new. What is new is the way they are being handled.

Throughout the ups and downs in the nearly 80-year U.S.-Saudi relationship, the two nations have continued to work together, though not as smoothly as either side wished. From the outset when President Franklin Roosevelt in 1945 met with Ibn Saud, the father of King Salman and grandfather of MBS, things were not all harmonious. Ibn Saud sought a commitment from Roosevelt not to allow Jews driven from Germany by Hitler to settle in Palestine. When Roosevelt asked his advice on what to do, Ibn Saud said the victorious allies should give the Jews and their “descendants the choicest lands and homes of the Germans who had oppressed them”.\textsuperscript{13} Roosevelt died shortly after that meeting and his successor President Harry Truman quickly recognized the new State of Israel which declared its independence in May 1948, something successive Saudi kings have opposed to the present.

Again, the Crown Prince has asserted his independence on this thorny issue as on all other foreign policy issues. Defending Palestinian rights, he has made clear to at least two U.S. administrations, will not stop him from pursuing his Saudi first agenda. In short, make it worth my while, he is saying. Give me the security

\begin{itemize}
\item \textsuperscript{12} “Saudi Arabia’s Image in America Continues to Sink as Formal Relations Hit Nadir,” Morning Consult, October 27, 2022; https://morningconsult.com/2022/10/27/views-of-saudi-arabia-in-america-opec-oil/#:-
\item \textsuperscript{13} “FDR’s Last Personal Diplomacy: Ibn Saud and the Quest for a Jewish Homeland,” by Cynthia Koch in Commentary, October 28, 2016; https://fdrfoundation.org/fdrs-last-personal-diplomacy-ibn-saud-and-the-quest-for-a-jewish-homeland/\
\end{itemize}
guarantees I seek in exchange for recognizing Israel and I’ll do it. Because the Crown Prince is vividly aware of leading, not following, he tells those close to him he will not follow tiny Bahrain, the United Arab Emirates, Morocco, and Sudan in joining the Abraham Accords (brokered under the Trump administration) and recognizing Israel. Instead, Saudi normalization with Israel would be a new initiative by the Crown Prince intended to pave the way for other major Islamic nations like Indonesia and Malaysia to recognize the Jewish state.14

“We will normalize with Israel” a senior Saudi foreign policy expert tells me. “I don’t know if it will be three weeks or three years.”

But, he insisted, Riyadh will not give up on its quid pro quo demands, including that the Kingdom be allowed to enrich uranium because that is essential for Saudi Arabia’s economic future beyond oil. “We don’t want to sell tons of uranium ore but much higher value enriched uranium,” says the official. The largest purchasers of enriched uranium are the U.S., China, and France, all of whom use nuclear reactors to generate electricity. The Kingdom has “significant” deposits of uranium ore, perhaps as much as 5% of global reserves, according to Saudi energy minister, Prince Abdulaziz bin Salman, MBS’ older half-brother.15 Saudi officials insist they do not intend to divert the enriched uranium to make a bomb but rather to fuel 16 nuclear reactors the Kingdom plans to build to help provide for its energy needs. In the past, India and Pakistan made similar claims to the U.S., allowing Washington to provide nuclear reactors and technology to both nations. Each subsequently exploded a bomb and has now become a full-fledged nuclear power.

The Kingdom’s continued distrust of Iran is a powerful motivation to team up with Israel, which also fears Iran. Israel has insisted it will not allow Iran to get a nuclear weapon, something feared by both Tel Aviv and Riyadh. That fear is more palpable in Saudi Arabia because, unlike Israel, it doesn’t have nuclear weapons. Saudi officials say they don’t believe the U.S. will make good on its pledge to prevent Iran from going nuclear and thus, as a senior official said in March 2023, “We have to accept

14 Author interview with a senior official in Riyadh in March 2023
15 Author interview with Prince Abdulaziz bin Salman, Minister of Energy, Riyadh, October 2021
reality and figure a way to live with a nuclear Iran. So, we will go from hostile relations to better relations.”

Whether that proves the triumph of hope over experience remains to be seen. Clearly officials in Saudi Arabia are torn between wanting a strike by the U.S. and Israel that eliminates Iran’s nuclear capability and the fear that such a strike would lead Iran to retaliate with a devastating attack on Saudi Arabia putting at risk everything the Crown Prince has worked to create over the past seven years. Asked in March which Saudi Arabia fears most, an attack on Iran’s nuclear facilities or no attack on Iran’s nuclear facilities, repeated Saudi ministers ducked, insisting both options are too horrifying to discuss. Thus, Saudi officials insist, a third way must be found. If Iran begins to improve its behavior, the Kingdom is willing to engage in commercial trade and investment to create incentives for Tehran not to attack Saudi Arabia.\(^{16}\)

To further erode Iran’s reach in the Mideast, Saudi Arabia is also seeking to restore relations with Syria, whose brutal ruler Bashir Al Assad has murdered half a million of his own citizens with the help of Russia and Iran and displaced half of that country’s 23 million citizens. Over recent years Saudi Arabia has supplied and funded an array of local rebel groups in hopes of dislodging President Assad. Now, the Crown Prince and his ministers want to turn a new page by restoring Syria to the Arab League in hopes contact with Mr. Assad will prove more constructive than armed conflict. The Arab League unanimously welcomed Syria back in May.

Across the region, the pugnacious policies that saw Saudi invade Yemen in 2015, break relations with Iran in 2016, seek to isolate Qatar in 2017, quarrel with the UAE over Yemen in 2019, order Lebanon’s ambassador out of Riyadh in 2021, and refuse to help its impoverished government seem to be giving way to a new strategy to reduce tensions with Iran and restore unity in the Arab world. Relations with Qatar and the UAE have been repaired and efforts are underway to smooth the other contentious regional relationships, especially Syria. A more harmonious Arab world could enhance the clout of Saudi Arabia, undeniably now the most assertive and successful Arab nation. Two previous contenders for Arab leadership, Egypt and Iraq, are incapacitated by poverty in the first and divisive factions in the second. And if the Crown Prince achieves his ambition of leading other large Muslim nations to rapprochement with Israel, he could enhance the global clout he’s determined Saudi Arabia deserves.

\(^{16}\) Author interview with a senior Saudi official
Military Self-Sufficiency

The Kingdom’s ambition for greater independence is clear. For now, Riyadh’s deep distrust of Washington continues to be matched with an equally deep dependence on the U.S. for its security. When the U.S. led a coalition of nations in 1991 to evict Saddam Hussein from Kuwait to keep him from advancing and seizing Saudi oil fields, Saudi troops did little fighting and when they did, they mostly underachieved. Not much has changed in the 30 years since.

Here, too, the Saudi regime has big ambitions for reform. MBS, who served as defense minister from 2015 to 2022 before turning it over to his younger brother Prince Khalid bin Salman, loves to look at data. But what he saw when he explored Saudi defense spending versus military performance was alarming.

Saudi Arabia has the third largest defense budget in the world—right behind the U.S. and China. Yet, its military capability is ranked 22nd, by Global Firepower, an independent group launched in 2005 by several NATO countries and the U.S. to rank annually the military capabilities of 145 nations. Iran, the Saudi nemesis, ranks 17th while spending less than half the Kingdom’s $69 billion 2023 defense budget to fund both the Iranian Revolutionary Guards and its conventional military.17

Recognizing a problem is much easier than solving it. For most of the nearly 80 years of U.S.-Saudi relations, the Kingdom has essentially been a U.S. protectorate operating under one paternalistic American administration after another. Large purchases annually of U.S. arms served to sustain the U.S.-Saudi prenup: American defense companies earned huge profits and Saudi’s military, intended largely to soak up unemployed Bedouins, got shiny new equipment to admire if not master. When Saudi Arabia faced danger, the U.S. was there. In 1980, when the Soviet Union invaded Afghanistan, President Jimmy Carter dropped his focus on human rights and declared that the U.S. would use military force to defend its interests in the Persian Gulf. A decade later this so-called Carter Doctrine led President George H.W. Bush to launch Desert Storm to protect Saudi Arabia’s oil fields from an invasion by Saddam Hussein’s troops which already occupied and held Kuwait’s oil resources.

But this relationship began to fray in 2012 when Barack Obama allowed Syria to cross his “redline”—no use of chemical weapons in Syria’s civil war. The president failed to respond militarily as the Saudis hoped when Bashar Al-Assad fired rockets filled with sarin gas into towns around Damascus killing at least 1,400 civilians. Instead, he worked with Russia and others to persuade Syria to sign the Chemical Weapons Convention and agree to destroy its chemical weapons which was accomplished in August 2014. Saudis express similar unhappiness that the U.S. failed to respond forcefully when Iranian drones in September 2019 struck Saudi oil installations, knocking out half its production capacity. But Saudi officials acknowledge now they asked the U.S. not to strike Iran for fear the Iranians would retaliate against the Kingdom and damage its Vision 2030 development projects.

Vision 2030 enunciates a goal to reduce the Kingdom’s overwhelming dependence on U.S. weaponry by building a domestic arms industry. In 2016 only 2% of Saudi’s defense budget was spent locally; a whopping 80% was spent in the U.S. The Saudi goal is to spend 50% of its defense budget inside the Kingdom by 2030, sharply reducing the U.S. share to 20%. Obviously if this could be achieved, Saudi Arabia would not only create more jobs for young Saudis but also need to earn fewer U.S. dollars from oil sales to pay for weapons imports.18

Figure 1. Progress Toward Kingdom’s Vision 2023

<table>
<thead>
<tr>
<th>Objective</th>
<th>2016 Baseline</th>
<th>2022 Progress</th>
<th>2030 Target</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raise the share of non-oil exports in non-oil GDP</td>
<td>16%</td>
<td>25%</td>
<td>50%</td>
</tr>
<tr>
<td>Increase non-oil government revenue</td>
<td>163B</td>
<td>410B</td>
<td>1T</td>
</tr>
<tr>
<td>Raise female participation in the workforce</td>
<td>22%</td>
<td>30%</td>
<td>37%</td>
</tr>
<tr>
<td>Increase the Private Sector’s contribution of GDP</td>
<td>40%</td>
<td>41.4%</td>
<td>65%</td>
</tr>
<tr>
<td>Increase contribution of small and medium enterprises (SME’s) to GDP</td>
<td>20%</td>
<td>28.6%</td>
<td>35%</td>
</tr>
<tr>
<td>Lower rate of unemployment</td>
<td>11.6%</td>
<td>8%</td>
<td>7%</td>
</tr>
<tr>
<td>Localize military equipment spending</td>
<td>2%</td>
<td>15%</td>
<td>50%</td>
</tr>
<tr>
<td>Raise home ownership</td>
<td>47%</td>
<td>60%</td>
<td>70%</td>
</tr>
</tbody>
</table>

By 2022, local purchases accounted for 15% of Saudi defense spending according to Walid Abukhaled, CEO of SAMI, Saudi Arabian Military Industries.\textsuperscript{19} SAMI is a government-owned defense company launched in 2018 with ambitions to become among the top 25 defense companies in the world by 2030. Abukhaled, an industrial engineer educated at the University of South Florida, Tampa, spent 20 years working at General Electric in its Mideast offices and as CEO of Northrup Grumman Aviation Arabia.

Saudi Arabia seeks to emulate Turkey, South Korea, and Singapore in creating a strong domestic arms industry that can produce conventional armaments for use in the Kingdom and also for export to other middle powers. Becoming a top 25 defense company in sales by 2030 won’t be easy. Mr. Abukhaled says he briefed the Crown Prince on SAMI’s goals early last year in the runup to a large defense industry show in Riyadh. “I told him we will be top 25 by 2030,” he recalls. “The Crown Prince said, ‘We should be top 10.’”

The Kingdom hopes to use its outsized defense budget to push large U.S. weapons manufacturers to set up headquarters in the Kingdom and manufacture armaments there. The Saudi government has announced that no government contracts will be awarded after 2024 to any company not headquartered locally. While many defense companies have created subsidiaries in the Kingdom, most continue to have their Mideast headquarters in the UAE because its laws are still seen as more reliable and its culture more compatible by Western companies than those of Saudi Arabia despite the many changes unfolding in the Kingdom.

A visit to Advance Electronics Company (AEC), once 50% owned by Boeing but now 100% owned by SAMI, offers a chance to look at Saudi defense manufacturing. Located in a sprawling compound of buildings covering 10,000 square meters on the outskirts of Riyadh, AEC underscores how nascent the Saudi defense industry is. The company has three core competencies, explains CEO Zaid Al-Mussellam: engineering its own products, manufacturing products under license, and repair.\textsuperscript{20}

Among its 2,800 employees are 900 engineers that include Saudi females. Most of the employees oversee sophisticated machinery that produces and tests parts so precise that touring the plant requires wearing a lab coat and mask to protect everything

\textsuperscript{19} Author interview in Al Ula, Saudi Arabia, March 6, 2023
\textsuperscript{20} Author interview in Riyadh, March 15, 2023
from tiny dust particles. Here and there a female works alongside her Saudi male counterpart. Two female engineers wearing abayas but no face coverings are working in a cluster of women segregated from the main floor. Each explains she prefers a female-only work environment which AEC provides. Shatha, an industrial engineer, and Raghad, a mechanical engineer, were among the first females hired by AEC in 2017. Now the company employs 400 women and plans to hire more.

Most of the products manufactured here are distinctly not high tech. Among those made entirely by AEC’s own patents are a radio for communication by army units and an air observation system to detect low flying objects. AEC also manufactures a Damocles targeting pod, a huge bomb-like object under the wing of a plane to identify land targets and launch laser guided munitions.

Finally, AEC touts its repair abilities. Their workers, explains Mr. Al-Mussellam, can repair a Lockheed LANTRIN in three weeks. Previously, the same repair took 18 months and required removing the LANTRIN from a fighter plane and sending it to the U.S.

**Needed: New U.S.-Saudi Defense Dialogue to Aid Self-Defense**

A total transformation will take decades, but the Kingdom seems more motivated than in the past to seek some self-sufficiency as it realizes oil revenues won’t forever fund big defense spending. However, the more pressing defense issue of how to make U.S.-Saudi security relations more effective remains largely unanswered even as the future threats from Iran seem unlikely to diminish.

The U.S. and Saudi Arabia long have had an annual defense dialogue. Their armed forces are in constant contact on the ground and perform joint military exercises several times a year. Most of the Saudi military equipment is interoperable with that of the U.S. from which so much of Saudi armaments were purchased. Yet little serious dialogue has occurred on how to help the Kingdom better provide for its own security.
“Make no mistake, reorganizing U.S. security cooperation with the Kingdom is a heavy lift that requires adroit U.S. diplomacy, strong communication with Riyadh, and cooperation between the Pentagon and State department,” says Bilal Saab, author of *Rebuilding Arab Defense: U.S. Security Cooperation in the Middle East*.21 The Saudis, he writes, “finally have a willingness to reform and the right set of ideas for national defense” but the U.S. is “half-stepping with its response.”

### Dancing in the Streets

What definitely isn’t half-stepping is cultural reform in the Kingdom.

Each visit brings shocking new signs of social freedoms and of Saudis’ willingness to enjoy them. At this year’s Formula One race in Jeddah, tens of thousands remained behind after the race to dance to rock and rap provided by MDLBeast, a music company owned by two Saudis in their 40s. Ramadan Haratini, the CEO, meets me dressed in distinctly non-Saudi attire. He is wearing a teal blue and white patterned...
shirt with his graying hair shaved on the sides of his head and the top pulled into a small pony tail. He and his COO, Talal Al Bahiti, recall assembling surreptitiously in Jeddah homes in their 20s to play music. Someone guarded the doors to carefully screen who attended and to watch for any signs of approaching religious police who might hear their music. Mr. Haratini says he, like another Saudi rapper, Qusai Kheder, rapped in Arabic on tame topics like engagement and marriage. Now, he says, Saudi artists are rapping about all topics of the day utilizing clever lyrics and double entendres.

The Kingdom highlighted its new entertainment liberties a few years back by paying top dollar for performances by Mariah Carey and the Korea’s BTS K-pop artists, but Mr. Haratini and Mr. Al Bahiti wanted to showcase local artists. So, in 2019, they launched Soundstorm, a concert they hoped would attract 70,000 Saudis over three days. Instead, 400,000 tickets were sold. At the latest Soundstorm concert this year, some 600,000 Saudis attended, says Mr. Haratini.

“2019 was our Woodstock,” says Mr. Haratini referring to the famous music festival in 1969 when some 400,000 young Americans braved rain and mud for three days of music and came to define a generation rejecting war and helping change the image of America.

Similarly, he says his motivation was to “change the world’s perception of Saudis.” In short, to update the country’s image from religious rigidity to modern youth enjoying life. Ticket prices range from about $10 for early purchase general admission to nearly $700 for something called a VIB (“Very Important Beast”), ticket. This allows listeners to view the concert from above rather than down in a massive mixed crowd and is mostly popular with women, he says.

The winding pedestrian paths of Diyarah, birthplace of the First Saudi State located near Riyadh, feature both low cost food stalls and Michelin star restaurants. At sunset on a March weekend, the streets are packed with Saudi men and women strolling with baby carriages, young male and female Saudis walking together and sometimes even holding hands, and hundreds of females in groups of two or more comfortably out for an evening. Their relaxed, smiling faces are in sharp contrast to Saudis who less than a decade ago had no place to go for an outing other than a shopping mall under the watchful eye of religious police.

Author interview in Jeddah, Saudi Arabia, March 19, 2023
Infux of Women in the Workplace

But the greatest sign of change is the huge influx of women to the workplace. Vision 2030 set a goal of raising the participation of females in the workplace from 22% (mostly teachers) to 30% by 2030. In 2022, women’s participation in the workforce grew to 37%, far exceeding the 2030 goal according to a recent announcement by the Ministry of Human Resources and Development. Almost any minister or Saudi CEO expresses a preference for hiring women.

SAMI CEO Abukhaled is typical. “I had rather employ women as they are willing to take any training you ask and they are educated and eager to prove themselves,” he says. Indeed, SAMI’s corporate executive hires have grown from zero in 2018 to 22% female, he says.

What the social implications of a growing female work force will be in a generation no one is sure. But already working females are eroding the Saudi tradition of arranged marriages. Increasingly, young Saudi women, like their American counterparts, are selecting their husbands from among their work colleagues. One young Saudi woman who recalls being offended by what she regarded as an overly friendly LinkedIn message she received from a colleague, came to see they had much in common once they were working together in the same office. Now, having gotten married, both are struggling to balance their mutual goals of earning PhDs. Finding the best programs for each is not easy, the young woman says, but they are pursuing ambitions together.

A Saudi man recounts how a friend tells him her career-minded daughter, now in her 30’s, finally is ready to get married. “Should I find a nice guy for your daughter?” he offers. No, she responded. “I’m sure she’ll find someone at work.” Even the older generation seems to be accepting change.

Traditionally, Saudi five-year development plans lay like a Gideon Bible in a U.S. hotel room—visible but unopened. King Faisal, who launched the idea of five-year plans in 1970, received the second one in 1974 to review before its implementation could begin a year later. His son recalls that the plan lay on his desk, until many months later, the king was assassinated by one of his nephews on March 25, 1975.
Woman with driver’s license: In this June 23, 2018 file photo, 34-year old Asmaa al-Assdmi poses for a photograph holding her new car license at the Saudi Driving School inside Princess Nora University in Riyadh, Saudi Arabia. (AP Photo/Narman El-Mofty, File)
“I am not sure if I can achieve this,” Prince Turki Al-Faisal recalls his father saying.\textsuperscript{23}

MBS appears to have no such doubts about achieving his plans. He holds frequent midnight to dawn meetings with ministers to resolve trade-offs among priorities that inevitably arise, and he monitors their Key Performance Indicators on an iPad. Ministers are expected to do the same to tame and direct the bureaucracies beneath them. Beyond the obstacles of threats from Iran and tensions over human rights with the U.S., the Kingdom’s biggest challenge remains insufficient human talent.

While some young Saudis are educated and enthusiastic, the Kingdom is largely devoid of a 40 to 50-year-old cohort of talent. Today’s 40-year-old was born in 1983, just after the Iranian revolution led the Saudi regime to impose rigid religiosity on society to assure its religious establishment would not turn on the royal family as clerics in Iran had on the Shah. That generation grew up studying Islam in school, after school programs, and all too often also majored in Islamic studies at university. With no marketable skills, most took government jobs which promised lifetime employment and involved few expectations beyond showing up. By 2016, government salaries were consuming nearly half of the Kingdom’s annual spending even as oil prices were low.

The burst of economic success in recent years almost surely has been powered by the influx of educated women to the Saudi workforce. Many of them studied to be teachers of math, science, and literature, at a time when teaching was about the only career open to women under the heavy hand of religion. But at least they learned something useful even if many could not find jobs in that overcrowded field. When given a chance in recent years to work, they have flocked not just to government but also to the private sector. Their skills and their spending have helped fuel economic growth.

\textsuperscript{23} Author interview with Prince Turki Al Faisal, former Saudi ambassador to Washington DC, in Jeddah March 19, 2023.
Need for More Skilled Foreign Workers

The next booster for growth will have to come from hiring many more foreigners to overcome the skills gap necessary to achieve Vision 2030 goals. The Ministry of Human Resources and Development acknowledges that the country must attract “foreign talent to help train Saudis and transfer knowledge…” and therefore must make the Saudi labor market “an attractive destination for high skill/income foreign talent.” In 2023 the total number of foreign workers is 7.8 million, up from 6.9 million in 2019. This need to attract highly skilled, yet easily mobile foreign talent helps explain the many cultural changes—movies, concerts, sporting events, fine restaurants and allowing women to drive—that the country has introduced in recent years.

Whether the Crown Prince’s crackdown on free speech will impact his efforts to attract the best and brightest from around the world in the numbers needed is not clear. Foreigners seem to have more leeway in criticizing the government than Saudi citizens. At this year’s Formula One, British star Lewis Hamilton who had earlier called Saudi Arabia’s anti-LGBTQ+ laws “terrifying” hinted he was not happy to be back, but avoided specific criticism. He said, “I still feel that as a sport going to places with human rights issues, such as this one, I feel that the sport is duty bound to raise awareness and try to leave a positive impact.” He drove in this year’s race without any official reaction to his comments.

Clearly the Kingdom’s human rights record continues to be a big obstacle to U.S.-Saudi relations. It’s not just President Biden. Many in Congress and the U.S. public dislike Saudi Arabia and cite human rights abuses as the reason. While the murder of Jamal Khashoggi is the prime example cited, the list includes:

- Imprisonment of Saudi women activists who supported driving.
- Incarceration of Sheikh Salman al-Ouda, a prominent supporter of democratic reform with 14 million followers on Twitter who was charged with

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24 Data provided by the Ministry of Human Resource Development to author questions in March 2023
stirring public discord, going against the ruler and being an active member of the Muslim Brotherhood, all crimes in Saudi Arabia.

- Imprisonment of two grown children of Saad Al-Jabri, a former top intelligence aide to deposed Crown Prince Mohammed bin Nayef.

Mr. Al Jabri, who fled to Canada in 2017 when MBS deposed Prince Mohammed bin Nayef, filed a lawsuit in a Washington D.C. district court against the Crown Prince alleging he had targeted Mr. Al-Jabri for murder in Canada by a hit squad. Last October Judge Timothy Kelly dismissed the claims for lack of personal jurisdiction noting that Mr. Al-Jabri's "allegations in this case are the stuff of a Tom Clancy novel."26

Given the level of fear about open expression in the Kingdom, judging honest sentiments requires straining for small clues. For instance, judging if the speaker’s enthusiasm seems genuine when he or she is complimenting changes; or comparing the views of a speaker now versus previous years. Those who want to speak critically will do so only walking outdoors after assuring all cellphones have been left far away.

One clue that young Saudis want a larger say in their country’s future comes from the poll conducted late last year by the Washington Institute for Near East Policy previously cited in this report. Some 56% of Saudis polled said government is not “paying attention to ordinary citizens like me,” and 54% agreed that the government is doing “too little” at “reducing the level of corruption in our economy and public life.”27

For a people conditioned for centuries to submit to Allah and to his earthly representative, the King, active opposition is not part of the national character.

Under King Abdullah, Saudis enjoyed the right to criticize government policies so long as they did not criticize the King. But only a handful of Saudis were committed democratic activists and those such as Mohammed Fahd Qahtani, founder of the Saudi Civil and Political Rights Association, languish in prison. The majority of Saudis simply hated royal corruption and wanted transparency and accountability from their government. MBS has severely curbed corruption by early on locking


up scores of royals and businessmen, has made transparent his plans for the Kingdom, and regularly removes those he regards as underperformers. By suppressing open dialogue and debate, however, he is not maximizing access to knowledge in the Kingdom that could help shape and speed execution of Vision 2030 plans. But after decades of talk and no action, the Crown Prince clearly puts his priority on rapid action. Says one former Saudi minister, “We used to debate and not decide. Now we decide but not debate.”

Regardless, the primary concern of thoughtful Saudis whom this author has known for a decade or more, is not the Crown Prince’s autocratic ways. Instead, it’s two-fold: his untimely death or his excessive longevity. The sudden death of the strong-willed Crown Prince, these individuals fear, could unleash a backlash of revenge from both royals and religious officials whom the Crown Prince abruptly pushed from their prominent roles in 2017 to clear the way for his Vision 2030 reforms. “I don’t see anyone with his force of power to hold things together,” says one worried Saudi businessman. Maybe a decade from now it will be different. But now, he frets, without MBS, the kingdom risks weak leadership, renewed terrorism, and an economic slide that transforms Saudi Arabia into another poor Arab nation like Egypt in 20 years’ time.

The other concern, ironically, is that MBS does live a long life and therefore has time to fail big. This view reflects the fear that absolute power corrupts absolutely. Will success make him a wiser leader or a more despotic one? “He’s smart and decisive,” says a former official, “but the risk is that without checks and balances, leaders don’t turn out well.”

Author interview Riyadh October 2021